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THE EFFECT OF FIXED ASSET INTENSITY, INSTITUTIONAL OWNERSHIP, AND COMPANY SIZE ON TAX AVOIDANCE IN TEXTILE AND GARMENT COMPANIES LISTED ON THE INDONESIA STOCK EXCHANGE (IDX) IN 2016-2021

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Abstract:
Tax revenues are often not achieved due to tax avoidance practices. Indonesia's tax ratio is around 11 percent, placing Indonesia in the world's lowest tax ratio. This ratio is far behind in the ranks of middle-class countries, namely 14-15 percent, and developed countries, namely 24-26 percent. Factors influencing tax avoidance is the intensity of fixed assets by implementing Good Corporate Governance. This system regulates and controls companies expected to provide and increase corporate value to shareholders. One of the implementations of Good Corporate Governance is institutional ownership. The larger the company's size, the more risk it will consider in managing its tax burden. This study examines the effect of Fixed Asset Intensity, Institutional Ownership, and Company Size on Tax Avoidance in Textile and Garment Companies Listed on the Indonesia Stock Exchange (IDX) in 2016-2021. This research uses secondary research. The sample in this study used a purposive sampling technique so that a sample of 5 companies was accumulated and 30 data were obtained. The analytical method used in this research is the multiple regression analysis method. The study results from the show that Fixed Asset Intensity affects Tax Avoidance, Institutional Ownership does not affect Tax Avoidance, and Company Size does not affect Tax Avoidance.

Keywords: Effect, Tax Avoidance, Institutional Ownership, Company Size
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INTRODUCTION

Tax is the largest source of revenue for the Republic of Indonesia. The level of tax revenue is fundamental as an indicator of the independence of a nation's development. Taxes are one of the primary sources of domestic revenue for the State to fund the State Revenue and Expenditure Budget (APBN). Tax revenues are often not achieved due to tax avoidance practices. The phenomenon of tax avoidance in Indonesia can be seen from the tax ratio of Indonesia. The tax ratio shows the government's ability to collect tax revenue or absorb GDP back from society through taxes.

Indonesia's tax ratio is around 11 percent, placing Indonesia in the world's lowest tax ratio. This ratio needs to catch up in middle-class countries, namely 14-15 percent, and in developed countries, 24-26 percent. If the problem of tax avoidance can be resolved and the strengthening of tax institutions can be implemented, then the tax ratio will continue to increase. Beginning of the year until August 31, 2017, the realization of tax revenue has reached 53.5 percent of the 2017 Revised State Budget (APBNP) target of IDR 1,283.57 trillion (Directorate General of Taxes in Permata et al., 2018). In August 2017, tax revenue reached IDR 685.6 trillion, with a growth rate of 10.23 percent compared to last year. Details of tax revenue in August included non-oil and gas PPh of Rp. 378

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trillion, VAT and PPNBM of Rp. 267 trillion, Oil and Gas PPh of Rp. 35 trillion, other taxes of Rp. 4.3 trillion, and PBB of Rp. 1.2 trillion.

The Center for Indonesia Taxation Analysis (CITA) estimates that this year's tax revenue can reach 96 percent of the target or IDR 1,232 trillion (Directorate General of Taxes in Permata et al., 2018). It is known that from 2016 to 2020, the ratio of tax revenues has consistently decreased from year to year; in 2016, it reached 11.6%, then in 2017, it dropped to 10.8%; in 2018, it also fell slightly to 10.7%, and in 2019 it also reduced to 9.8%, then in 2020 it decreased quite drastically to 8.3%. This low tax ratio places Indonesia below other countries such as Malaysia, which in 2020 had tax revenues of 15.4 percent, and Thailand at 13.4 percent. Tax avoidance is an attempt to reduce tax debts that are legal (lawful). Even though legally tax avoidance is not prohibited, it often gets unfavorable scrutiny from the tax office because it is considered to have a negative connotation. It is because tax evasion can reflect the manager's interest by manipulating profits, resulting in incorrect information for investors. Thus investors can give a low assessment of the company (Wahyudi, 2015).

Tax avoidance is an action taxpayers take to reduce their tax debt by the provisions of the tax law. For example, a company wants to reduce its tax debt by utilizing regulations regarding which income and expenses are allowed to decrease and increase taxable profit at the time of fiscal reconciliation; with management efficiency, the company can increase deductible expenses so that the company's taxable gain will be small, then the tax that the company must pay will also be small. Because of the small tax payments, the company's after-tax profit will be high during the commercial income statement to attract investors to invest in the company by buying shares.

Even though the company may view tax avoidance as part of tax management which is the right of the company to control its costs, the company still has to pay attention to the opposing views of the community to maintain its reputation and long-term business continuity. The factor that influences tax avoidance is the intensity of fixed assets. The power of the company's fixed assets illustrates the amount of company investment in the company's fixed assets. The choice of investment in the form of fixed assets regarding taxation is in terms of depreciation. The depreciation expense attached to the ownership of fixed assets will affect corporate taxes because the depreciation expense will act as a tax deduction.

On the other hand, shareholders need information input to find ways to influence company managers regarding tax evasion to fulfill their interests. Therefore, corporate governance (Good Corporate Governance) is a system that regulates and controls companies that are expected to provide and increase corporate value to shareholders. Thus, implementing corporate governance is believed to increase the company's value.

One of the implementations of Good Corporate Governance is institutional ownership. Institutional ownership is essential in monitoring management because institutional ownership will increase optimal supervision. After all, it is considered capable of monitoring every decision managers take effectively. The high level of institutional ownership, the greater the level of control of managers. It can reduce conflicts of interest between management, minimize agency problems and reduce opportunities for tax evasion (Khurana, Inder, & Mozer, 2017).

The larger the company's size, the more risk it will consider in managing its tax burden. Companies that are included in large companies tend to have more significant resources than companies that have a smaller scale to collect taxes. Human resources who are experts in taxation are needed so that the tax management carried out by companies can maximize the company's tax burden. Small-scale companies need more experts in taxation to manage their tax burden optimally—the more resources owned by large-scale companies, the greater the tax costs that the company can govern. Large companies will always be a concern so that company managers will be

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more obedient and transparent in presenting financial reports. Large companies will consider the risk more in managing their taxes.

Research conducted by Shinta Meilina Purwanti and Listya Sugiyarti (2017), Noviyani (2019), and Wulan (2021) states that the intensity of fixed assets has a significant effect on tax avoidance. Research results from Novita Sari (2020), Sari & Nursyirwan (2021), and Marentek & Wokas (2021) revealed that company size harms tax evasion by companies. Novita Sari's research (2020) results reveal that company size does not impact tax evasion. Based on the explanation above, this study aims to provide empirical evidence about the effect of fixed asset intensity, institutional ownership, and company size on tax avoidance in textile and garment companies listed on the indonesia stock exchange (idx) in 2016-2021.

METHODS

This study uses a type of quantitative research. This study intends to determine the effect of independent variables, in this case, the intensity of fixed assets (X1), institutional ownership (X2), and company size (X3) on tax avoidance (Y). The population in this study are textile and garment sector companies listed on the Indonesia Stock Exchange (IDX) in the 2016-2021 period. The sample used in this study is a company whose characteristics have been determined, amounting to 5 companies. Sample selection was carried out using the purposive sampling method, which is a sampling method that is adjusted to specific criteria. Some of the criteria used for sampling in this study are: Textile and garment sector companies listed on the Indonesia Stock Exchange (IDX) for the 2016-2021 period, Textile and garment sector companies that submitted their financial reports consecutively, namely from 2016-2021, Companies that did not experience losses during the 2016-2021 period.

Table 1. Samples Criteria

No.	Samples Criteria	Total
1.	Textile and garment sector companies listed on the Indonesia Stock Exchange (IDX) for the 2016-2021 period	22
2.	Companies in the textile and garment sector submitted their financial reports consecutively from 2016-2021.	(5)
3.	Companies that did not experience losses during the 2016-2021 period.	(12)
	Number of samples of textile and garment sector companies	5
	Number of samples of manufacturing companies in 6 years / during 2016-2021	5 x 6 = 30

Source: Data Processed 2023

Based on the sampling criteria in Table 1, the number of samples used in the study was five companies for six consecutive years with 30 selections.

RESULT AND DISCUSSION

Table 2. *Multiple Regression Analysis*

Variable	Coefficient
Constanta (C)	4.240
Fixed Asset Intensity	.655
Institutional Ownership	.115
Company Size	-.144

XXX	0.142711

Source: Data Processed 2023

Based on Table 2 above, the regression equation in this study is:

$$Y = 4.240 + 0.655\ X1 + 0.115\ X2 - 0.144\ X3 + e$$

The empirical regression equation indicates the following:

1. A constant of 4,240 means that if there is no fixed asset intensity, institutional ownership, or company size, tax avoidance is 4,240.
2. The regression coefficient, which is the capital structure, is significant, namely (0.655), which means that every one unit increase in fixed asset intensity variable will increase the value of tax avoidance by 0.655.
3. The regression coefficient, institutional ownership, is 0.115, which means that every unit increase in institutional ownership will increase tax evasion by 0.115.
4. The regression coefficient, the company's size, is -0.144, which means that every one-unit increase in company size will reduce tax evasion by -0.144.

Based on the results of the calculations described above, it shows that the intensity of fixed assets influences firm size with a count of 2.921 > 1,706 and has a significant level of p-value = 0.007 <0.05. It indicates that the variable intensity of fixed assets influences tax evasion (+) means having a positive influence. It means that the hypothesis (H1) of fixed asset intensity partially has a positive and significant effect on tax avoidance.

These results align with agency theory which indicates an understanding between the principal (shareholders) and agents (company managers), in this case, increasing profits in terms of fixed assets to be obtained by the company. Shareholders want managers to generate and manage profits on these fixed assets properly to make the costs incurred to pay taxes manageable. The results above State that companies with sizeable fixed asset ownership also have a considerable depreciation expense which will affect the tax burden because it reduces income and increases commercial costs.

Intensity affects tax avoidance, meaning that companies with high fixed asset intensity have a high level of tax avoidance. Ownership of the company's fixed assets will incur depreciation costs, which can reduce taxable profits and decrease corporate tax payments. The higher the fixed assets owned, the lower the taxes paid. Thus, companies that have a higher level of fixed assets make management tend to make aggressive tax reporting. In line with research conducted by Shinta Meilina Purwanti and Listya Sugiyarti (2017); Noviyani (2019); Wulan (2021), which states that the intensity of fixed assets has a significant effect on tax avoidance.

Based on the calculations described earlier, institutional ownership partially does not affect tax evasion, with a count of 0.315 <1.706 and a significant p-value = 0.755 > 0.05. It means that the hypothesis (H2) is that institutional ownership partially does not affect tax avoidance. The size of institutional ownership cannot affect tax evasion. Institutional ownership does not affect tax avoidance because institutions, as shareholders outside the company, do not have the authority to determine decisions to be taken by the company. After all, shareholders have entrusted the board of directors to run the company.

The results of this study are not supported by the statement from agency theory that the agency relationship between shareholders and managers is based on differences in interests between the two. This statement is stated in agency theory (Agency Theory). The different interests of each party can lead to a conflict of interest between the two, where shareholders want their welfare guaranteed. In contrast, managers want to get incentives for their performance. Institutional ownership can be used to align interests between the two parties. The institution has the function of oversight and controls over managers, so they do not act opportunistically. Institutions can pressure managers to pay attention to the welfare of investors so that institutions will force managers to be more conservative in making decisions.

Institutional ownership, which is a party that can monitor the actions of company management, should be able to monitor and influence direction to avoid management behavior concerned with its interests. Nevertheless, whether or not there is institutional ownership in a company has yet to be able to reduce tax avoidance optimally. The size of institutional ownership in the company cannot affect the tax evasion that can occur. It is because the participation of institutional ownership in supervising and managing the company entrusts the supervision and management of the company to the board of commissioners, which is their job, so whether or not there is institutional ownership, tax avoidance can occur, in line with the results of Novita Sari's research (2020) which revealed that company size has no effect on tax evasion by companies.

The test results in this study indicate that the company's size does not affect tax avoidance activities. The calculations described earlier show that company size partially has no effect on tax evasion with a count of -1,303 <1,706 and a significance level of p-value = 0.278 > 0.05. It means that the hypothesis (H3) is that firm size partially does not affect tax avoidance. The phenomenon of tax avoidance is not only carried out by large companies, even medium and small-scale companies will be able to carry out tax evasion actions, but the numbers do not impact state revenues.

The results of this study are not supported by Agency theory. The problem in this study is related to tax collection and tax payments. The government, in this case, the tax authorities, wants a significant income from tax collection, while the taxpayer (company management) has the opposite view. Namely, companies must generate considerable profits with low tax obligations. The different views between management as a taxpayer and the tax authorities authorized to collect taxes lead to conflict.

Large companies certainly attract significant attention from the government regarding the profits earned to attract the attention of the tax authorities to examine or be subject to tax following applicable regulations. Therefore, the company wants to avoid being bothered by the inspection process or being subject to other sanctions that could harm the company's image in the long run. Therefore, large or small companies are equally compliant with tax regulations. It can be concluded that large companies get great attention and supervision from the tax authorities so that companies will not tax evasion. In line with research conducted by Novita Sari (2020), Ratnasari and Nuswantara (2020) states that company size does not affect tax evasion.

CONCLUSION

After conducting research and analyzing the results of existing studies on the effect of fixed asset intensity, institutional ownership, and company size on tax evasion, the authors have several suggestions that can be used as a basis for consideration for companies and interested parties. Following are these suggestions:

1. Tax avoidance will unfavorably impact both parties, investors, companies, and the government. For investors, it is better when making investment decisions to first review how a company is performing and comply with tax regulations; tax avoidance is not a regular thing, but it is always done.
2. For the government, it is hoped that the results of this research can be used as a reference to indicate companies that practice tax evasion so that they can formulate preventive policies on these tax evasion actions so that weaknesses in tax laws can be minimized and ultimately state revenues will also increase.

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3. For further research, the research object should be added to all companies listed on the Indonesia Stock Exchange (IDX) so that the research results can be generalized and better explain the data variability. It is hoped that future researchers can add independent variables to the study and then try different measuring instruments for each selected variable. Future research can also add moderating or intervening variables to their study.

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