International Journal for Multidisciplinary Research (IJFMR)
E-ISSN: 2582-2160 ● Website: www.ijfmr.com ● Email: editor@ijfmr.com

The Influence of Leverage, Profitability, and Liquidity on Tax Avoidance with Institutional Ownership as a Moderating Variable

Ekawati[1], Wiwik Utami[2]

[1,2]Faculty of Economics and Business, Mercu Buana University, Indonesia

Abstract
This research aims to analyze and test the influence of leverage, profitability and liquidity on tax avoidance which is moderated by institutional ownership in Properties & Real Estate companies. The research population is property and real estate companies that have been listed on the IDX in 2019-2022. Samples were taken in this research using purposive sampling and 80 samples were obtained. This research uses secondary data, namely annual financial report data available on the BEI website (www.idx.co.id). The analysis method used is Multivariate Analysis of Variance based on pooled data, namely data with cross section and time series characteristics together. Based on the results of the regression test, it can be concluded that liquidity has a positive impact on tax avoidance. Institutional ownership can moderate the positive impact of liquidity on tax avoidance. However, leverage and profitability have no impact on tax avoidance. Institutional ownership cannot moderate the impact of leverage and profitability on tax avoidance in Property and Real Estate companies listed on the IDX in 2019 – 2022.

Keywords: Leverage, Profitability, Liquidity, Tax Avoidance.

1. Introduction

Taxes are one of the main sources of state revenue, therefore taxpayer compliance is something that has a crucial position in increasing state revenue (Kurniawan & Daito, 2021). Sectoral revenues are the main driver in increasing Indonesian tax revenues where all main sectors grow positively supported by rising commodity prices, economic recovery, and a policy mix including phasing-out of fiscal incentives, implementation of the HPP Law, and fuel oil compensation. Several sectors with large participation are manufacturing and management industry (28.7%), trade (23.8%), mining (22.8), information and communications (14.6%), financial services and insurance (10.6 %), transportation and trade (10.4%), and the construction and real estate industry (6.19%) (Ministry of Finance, 2022). It is known that the construction, property and real estate sectors are the sectors that contribute the lowest compared to other sectors. It is known that the contribution of tax revenues from the construction, property and real estate sectors only reached 6.19%. Throughout the third quarter of 2022, the performance of the property and real estate sector showed a revival. This can be seen from the average growth in income and net profit, despite the gradually sloping pandemic conditions and a number of stimuli provided by the government (Winarni, 2023).

Based on research by Awaliah (2022), it was found that several property companies were quite aggressive in carrying out tax avoidance actions, such as PT Bumi Serpong Damai Tbk, PT Metropolitan Land Tbk.

Thus, it can be concluded that according to the ETR value, the real estate and property industry is the one that avoids the most taxes. This is supported by minimum ETR statistics, which reveal that for five consecutive years, the real estate and property industry has had the lowest ETR value. This indicates that the tax burden paid is the smallest in this sector, which can be used as a benchmark for the sector that avoids the most taxes over a 5 year period. This is a research phenomenon, where the increase in average profits from the property and real estate sector does not affect the increase in the contribution to state income growth from the property and real estate sector. An increase in the average profit from the property and real estate sector which does not affect the increase in the contribution to state income growth from this sector could indicate the existence of tax avoidance practices by several issuers or companies in this sector.

This analysis reviews the financial reports of property and real estate sector institutions listed on the IDX as objects of analysis. This is because institutions in the Property & Real Estate sector are the sectors that carry out the highest tax avoidance actions. The novelty of this analysis focuses on the role of institutional ownership in moderating the impact of leverage, profitability and liquidity on tax avoidance, because however financial performance conditions remain inseparable from management policy, and every management action is also determined by the supervision provided by institutional ownership. This condition is also reinforced by the practice of tax avoidance which is quite high in property companies, so that the role of institutional ownership in the property industry has quite high urgency. This is what makes this analysis interesting and important to research.

2. Literature Review

2.1. Agency Theory

Agency theory can be seen from the perspective of the government as the principal and the company as the agent. Companies often take efforts to maximize profits by minimizing costs, including tax burdens, while governments expect them to fulfill their tax obligations. This highlights the differences in interests between the two parties. The objective of financial decision making, which emphasizes that decisions are made as optimally as possible for the prosperity of the owner of the institution, only applies if the financial decision maker (agent) makes decisions with the intention of helping the owner of the company (Manik & Darmansyah, 2022).

2.2. Legitimacy Theory

The goal of corporate legitimacy theory is to ensure that a company's actions are consistent with the social values held by its stakeholders and the standards of the society in which it exists (Dowling, J &; Preffer, 1975). The legitimacy hypothesis rests on the relationship between society and corporations; When the two are out of sync, companies face danger. Companies have a social responsibility to the government in the form of their tax obligations.

2.3. Tax Avoidance

Legally lowering one's tax burden (i.e., not going beyond what is required by law) is known as tax avoidance, which calls into question the efficacy of anti-avoidance strategies (Gunadi, 2020). The goal is not tax avoidance but rather how controls can minimize the amount of tax that will be sent to the government.

2.4. Leverage

The ratio of a company's total liabilities to its equity is a measure of its leverage, which is the extent to which a company uses its own funds or borrows money from other sources (debt financing) to increase its

profitability. Solvency ratios, also known as leverage ratios, are measures of a company's financial strength that take into account current and future debt (Kasmir, 2019). Scarborough & Cornwall (2016) say the Leverage ratio measures the financing provided by the company owner against that provided by its creditors, namely a measure of the depth of the company's debt.

2.5. Profitability

The tax burden of companies is proportional to their profitability, because more money means more opportunities to pay taxes (Yauris, 2019). Profitability ratios, which measure an institution's capacity to make profits over a certain period of time, can provide insight into its financial health. The capacity to generate profits in relation to sales, as shown by comparing profits with total assets or capital alone that creates profits, is what makes a company profitable (Rismala et al., 2022). The ratio that evaluates total management performance is profitability, which is defined by Manik & Darmansyah (2022) as a measure of the level of profit achieved in proportion to sales and investment.

2.6. Liquidity

A company is considered liquid if it has enough cash to pay short-term and long-term debts when they fall due (Anggraeni & Oktaviani, 2021). According to Risma et al. (2022) a company's liquidity ratio shows its capacity to cover its short-term debt as it matures using its current assets. The current ratio is a useful indicator of a company's liquidity, or its capacity to meet its short-term commitments using its current assets.

2.7. Institutional Ownership

The percentage of shares owned by internal institutional investors is a measure of institutional ownership, which does not include public shareholder institutions but rather the company's founding institutions (Handayani, 2017). A company's decision-making power is disproportionately influenced by ownership concentration, where ownership concentration is directly proportional to the number of shares in the division structure (Utami et al., 2020). Because shares represent power that can be used to support or oppose management, the presence of institutional ownership in an institution promotes more review to optimize management performance (Olivia & Dwimulyani, 2019).

2.8. The Effect of Leverage on Tax Avoidance

Corporations try to avoid paying taxes in part by taking on more debt. Increased interest costs due to large amounts of debt lower tax liabilities, which in turn lowers income; The subsequent decrease in profit reduces tax liabilities in the same accounting period (Febrilyantri, 2022). Debt can increase the value of the company, however if the use of large amounts of debt can cause the risk borne by the company to be greater, so that management acts carefully and does not take the risk of high debt to carry out tax avoidance actions (Arianandini & Ramantha, 2018). Yulianty et al. (2021) stated that leverage has a negative effect on tax avoidance in mining companies. Abdullah's (2020) research found that leverage has an effect on tax avoidance. Next, Eguavoen et al. (2022) and Faradilla & Bhilawa (2022) stated that company leverage was found to have a significant and positive effect on tax avoidance. Fatimah et al. (2021) based on test results show that leverage has an effect on tax avoidance, leverage can be an indicator of tax avoidance.

H1: Leverage has a positive impact on tax avoidance

2.9. The Effect of Profitability on Tax Avoidance

The capacity to generate profits in relation to sales, as shown by comparing profits with total assets or capital alone that creates profits, is what makes a company profitable (Rismala et al., 2022). Profitability, namely the corporation's ability to generate income from its activities (Dwiyanti & Jati, 2019). Companies engage in tax avoidance when they minimize their income. For the purpose of reducing or avoiding tax

obligations. A company's incentives to engage in tax avoidance grow in direct proportion to its profit margins, and this practice has negative consequences for the country as a whole. Faradilla & Bhilawa (2022) and Yulianty et al. (2021) show that profitability has a significant positive effect on tax avoidance. Where a company earns high income, its tax responsibility becomes greater (Widyasari, 2019). Profitability is a determinant of the tax burden, because companies with higher profits can pay more taxes. In contrast, companies with lower profit levels pay lower taxes or even pay taxes if they suffer losses. With a tax compensation system, losses can reduce the amount of tax that must be paid in the following year (Yauris, 2019).

H2: Profitability has a positive impact on tax avoidance

2.10. The Effect of Liquidity on Tax Avoidance

A company is considered liquid if it has enough cash to pay short and long term debts when they fall due (Anggraeni & Oktaviani, 2021). In addition, the liquidity ratio shows the corporation's capacity to cover its short-term debt with its current assets, as stated (Rismala et al., 2022). Liquidity allows one to assess the effects of a company's unfulfilled short-term commitments. In conditions like this, management tries to increase profitability in the business by cutting costs and/or avoiding taxes. Puspitasari & Wulandari (2022) healthy liquidity shows that the company is in a healthy condition and has successfully managed credit and other expenses including tax burdens, so that with a good level of health, the level of tax avoidance is low. Novianto & Yusuf (2021) to determine the effect of liquidity using multiple linear regression analysis. The results show that the liquidity variable influences tax avoidance. Stephen et al. (2022) found that liquidity has a significant positive effect on tax avoidance. The liquidity ratio in the form of the Current Ratio measures the company's liquidity level or the company's ability to meet short-term obligations with available current assets. A low Current Ratio indicates risk, while a high Current Ratio indicates excess current assets, which have an unfavorable influence on company performance (Erayanti, 2019).

H3: Liquidity has a negative effect on tax avoidance

2.11. The Effect of Leverage on Tax Avoidance Moderated by Institutional Ownership

Institutional shareholders with a high percentage of institutional ownership are more motivated and able to intervene in tax avoidance behavior and gain more profits compared to minority investors. This shows that good governance has an inverse relationship with tax avoidance efforts. Aprianto & Dwimulyani (2019) show that institutional ownership can weaken the relationship between leverage and tax avoidance. Jiang et al. (2021) added that in terms of tax avoidance, institutional shareholders with a high percentage of institutional ownership are more motivated and able to intervene in tax avoidance behavior and gain more profits compared to minority shareholders. This shows that good corporate governance has an inverse relationship with tax avoidance efforts.

H4: Institutional ownership can moderate the impact of leverage on taxes avoidance

2.12. The Effect of Profitability on Tax Avoidance Which is Moderated by Institutional Ownership

Management must not be involved in tax avoidance activities because institutional ownership has a crucial position in supervising, correcting and having an impact on managers. There is more scrutiny of managers when there is a greater level of institutional ownership (Rachmawati & Fitriana, 2021). Olivia & Dwimulyani (2019) show that institutional ownership can weaken the positive impact of profitability on tax avoidance. Gunaasih (2021) shows that profitability has a positive influence on tax avoidance. Widyastuti et al. (2022) shows that profitability has a positive effect on tax avoidance. The board of commissioners and audit committee as the audit committee as proxies for corporate governance and the

capital intensity variable show a positive influence on tax avoidance. Oktamawati (2017) Implementing good corporate governance within a company is a mechanism for implementing a good system. By implementing good corporate governance, it is hoped that companies can avoid actions that violate the rules, including in matters of taxation. Rachmawati & Fitriana (2021) stated that tax avoidance efforts should not be carried out by company management because institutional ownership has an important role in monitoring, disciplining and influencing managers. The higher the level of institutional ownership, the greater the level of supervision of managers.

H5: Institutional ownership can moderate the impact of profitability on tax avoidance

2.13. The Effect of Liquidity on Tax Avoidance Moderated by Institutional Ownership

Aggressive action on corporate taxes can be triggered when liquidity causes companies to not comply with tax requirements. Raflis & Ananda (2020) prove that corporate governance can moderate the relationship between liquidity and tax aggressiveness. Velte (2023) finds that institutional ownership has a negative effect on tax avoidance. This shows that it is in accordance with agency theory, which states that good corporate governance can reduce agency conflicts that occur between shareholders and management. Having institutional ownership responsible for overseeing financial reports can reduce tax avoidance activities. Abdullah (2020) stated that liquidity influences tax avoidance. In accordance with agency theory, which states that good corporate governance can reduce agency conflicts that occur between shareholders and management. Having institutional ownership responsible for overseeing financial reports can reduce tax avoidance activities.

H6: Institutional ownership can moderate the impact of liquidity on tax Avoidance

3. Research Methods

The objects of this analysis are leverage, profitability, liquidity, tax avoidance and institutional ownership. This analysis uses secondary data, namely data on the BEI (www.idx.co.id), in this case the annual report. The population in this analysis is property and real estate institutions that have been listed on the IDX in 2019-2022. Sampling design with purposive sampling based on judgment sampling (Sekaran & Bougie, 2013). According to the specified sample selection criteria, the sample institutions that met the criteria were 20 companies with a period of 4 years (31 December 2019 – 31 December 2022). The method used is Multivariate Analysis of Variance. In this analysis, panel data (pooled data) is used, namely data with cross sections and time series characteristics simultaneously.

4. Results and Discussion

Descriptive Analysis

Descriptive statistical analysis was carried out to find out the minimum, maximum, mean and standard deviation values of the research data using the EVIEWS program.

Table 4.1 Descriptive Statistics

	LEV	ROA	CR	INST	ETR
Mean	0.372825	0.042150	2.804700	0.616738	0.074900
Median	0.337500	0.031500	2.386500	0.671000	0.015500
Maximum	0.791000	0.200000	11.73400	0.966000	0.950000
Minimum	0.079000	-0.023000	0.002000	0.115000	0.000000
Std. Dev.	0.179314	0.041474	2.064799	0.223933	0.158562
Skewness	0.221279	1.678460	2.116605	-0.563171	3.624753
Kurtosis	2.408370	6.539763	8.217483	2.522612	17.49831
Jarque-Bera	1.819615	79.32945	150.4740	4.988486	875.8540
Probability	0.402602	0.000000	0.000000	0.082559	0.000000
Sum	29.82600	3.372000	224.3760	49.33900	5.992000
Sum Sq. Dev.	2.540140	0.135888	336.8082	3.961547	1.986221
Observations	80	80	80	80	80

The following is an explanation of the research variables based on the results of descriptive statistics:

A. Leverage ranges between a minimum value of 0.08 and a maximum value of 0.79, the mean is 0.3728, this result shows that on average the debt level of property companies is still in a reasonable condition because the debt value does not reach 50% of the equity owned.
B. Profitability ranges between a minimum value of 0.02 and a maximum value of 0.20, the mean is 0.042, this result shows that on average the ability of institutions in the property industry to manage assets is not optimal because the average return on assets is only 4 .2% per year.
C. Liquidity ranges between a minimum value of 0.002 and a maximum value of 11.73, the mean is 2.8047. On average, property institutions have quite good liquidity capabilities because on average the company's current assets are 2.8 times greater than current liabilities.
D. Institutional ownership ranges between a minimum value of 0.12 and a maximum value of 0.97, a mean of 0.6167, which means that on average institutional ownership in property institutions is quite high because institutions own more than 50% of the shares.
E. Tax avoidance ranges between a minimum value of 0.00 and a maximum value of 0.95, the mean is 0.0749, this shows that the average level of tax avoidance in property institutions is quite high because the ETR value is only 7.4%.

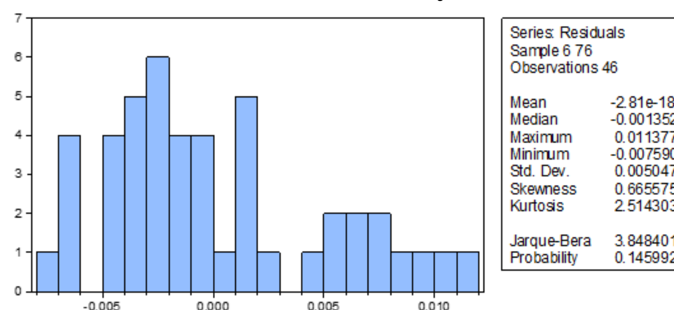
Classic Assumption Test

The requirement before testing a hypothesis is a classic assumption test (before running multiple linear regression analysis). The classical assumption test consists of the normality test, multicollinearity test, heteroscedasticity test and autocorrelation test.

Normality Test

Finding out whether research variables, including confounding or residual factors, follow a normal distribution is the goal of a normal test.

Table 4.2 Normality Test



We know the probability value is 0.146 > 0.05 because the normality test came back positive. Thus, the research regression model data was determined to have a normal distribution, satisfying the assumption of normality.

Multicollinearity Test

The multicollinearity test is used to determine whether in the regression model there is a relationship between the independent variables.

Table 4.3 Multicollinearity Test

Variance Inflation Factors
Date: 10/12/23 Time: 18:30
Sample: 1 80
Included observations: 46

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	1.21E-05	20.38681	NA
LEV	3.57E-05	7.461353	1.646968
ROA	0.000407	3.612191	1.289717
CR	1.87E-07	3.953164	1.356181

According to the table, all variables have a VIF value < 10, so it can be stated that there is no multicollinearity in all variables in this analysis.

Panel Data Regression Analysis

Panel Data Regression Model

In panel data analysis, 3 models are used, namely common effect, fixed effect and random effect. After testing the suitability of the model, a random effect was obtained as the selected model.

Table 4.4 Random Effect Model

Dependent Variable: ETR
Method: Panel EGLS (Cross-section random effects)
Date: 10/12/23 Time: 18:35
Sample: 2019 2022
Periods included: 4
Cross-sections included: 19
Total panel (unbalanced) observations: 69
Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.015646	0.068994	0.226768	0.8214
LEV	0.070025	0.107290	0.652665	0.5164
ROA	-1.037946	0.629444	-1.648988	0.1043
CR	0.021482	0.006038	3.557803	0.0007
INST	-0.007244	0.091167	-0.079462	0.9369
LEV_INST	-0.078826	0.158565	-0.497122	0.6209
ROA_INST	1.284104	0.817424	1.570915	0.1214
CR_INST	-0.026626	0.008678	-3.068167	0.0032

Effects Specification

	S.D.	Rho
Cross-section random	0.014287	0.2842
Idiosyncratic random	0.022676	0.7158

Weighted Statistics

R-squared	0.523040	Mean dependent var	0.017464
Adjusted R-squared	0.468307	S.D. dependent var	0.032041
S.E. of regression	0.023010	Sum squared resid	0.032296
F-statistic	9.556193	Durbin-Watson stat	1.772990
Prob(F-statistic)	0.000000		

Unweighted Statistics

R-squared	0.637788	Mean dependent var	0.026406
Sum squared resid	0.041204	Durbin-Watson stat	1.463828

Selection of Panel Data Regression Models

The selection of the panel data regression model was carried out using 3 tests, namely the Chow test, Hausman test and Lagrange multiplier test. The results of the three tests are summarized in the following table:

Table 4.5 Selection of Panel Data Regression Model

	Chi-Square Probability	Conclusion
Chow Test	0,0012	*Fixed Effect Model*
Hausman Test	0,4700	*Random Effect Model*
Lagrange Multiplier (LM) Test	0,0053	*Random Effect Model*

Hypothesis testing

According to the results of selecting the panel data regression model, the model for hypothesis testing that will be used is the Random Effect Model.

Coefficient of Determination

The Adjusted R Square value is 0.523, meaning that all independent variables consisting of leverage, probability and liquidity are able to express the dependent variable, namely tax avoidance worth 52.3%. The remaining 47.7% was influenced by other variables not stated in the analysis.

F Statistical Test

Because the F value is 9.556 with a probability of 0.000 < 0.05, it can be stated that all independent variables, namely leverage, profitability and liquidity, simultaneously influence tax avoidance so that the model is declared feasible or the independent variable can represent the dependent variable..

Statistical Test t

Partial hypothesis testing or t-test is carried out to find out the impact of the independent variable on the dependent variable. According to the test results, a hypothesis can be stated:

1. The LEV variable t-statistic value is 0.6526 with a probability value of 0.5164. A probability value above α = 0.05 states that leverage has no impact on tax avoidance until H1 is rejected.
2. The ROA variable t-statistic value is -1.6489 with a probability value of 0.1043. Probability values above α = 0.05 indicate that profitability has no impact on tax avoidance until H2 is rejected.
3. The CR variable t-statistic value is 3.5578 with a probability value of 0.0007. Probability values below α = 0.05 indicate that liquidity has an impact on tax avoidance until H3 is accepted.
4. The LEV_INST variable t-statistic value is -0.4971 with a probability value of 0.6209. A probability value above α = 0.05 states that institutional ownership is unable to moderate the impact of leverage on tax avoidance until H4 is rejected.
5. The ROA_INST variable t-statistic value is 1.5709 with a probability value of 0.1214. A probability value above α = 0.05 states that institutional ownership is unable to moderate the impact of profitability on tax avoidance until H5 is rejected.
6. The CR_INST variable t-statistic value is -3.0682 with a probability value of 0.0032. A probability value below α = 0.05 states that institutional ownership can moderate the impact of liquidity on tax avoidance so that H6 is accepted.

Moderation Type Results

Based on the results of the eviews output in the table, the results for the moderation type are obtained as follows:

Table 4.6 Results of Moderation Types

No	Interaction	Moderation	Types of Moderation
1	LEV Regression Coefficients INST Regression Coefficients LEV_INST Moderated Regression Coefficient	No Sig No Sig No Sig	Potential Moderation
2	ROA Regression Coefficient INST Regression Coefficients ROA_INST Moderated Regression Coefficient	No Sig No Sig No Sig	Potential Moderation
3	CR Regression Coefficient INST Regression Coefficients	Sig No Sig Sig	Almost Moderation

	CR_INST Moderated Regression Coefficient		

A variable is considered to have moderation potential if it shows signs of being able to moderate the relationship between the dependent and independent variables. This variable is unrelated to the dependent variable and does not interact with the independent variable in a meaningful way. Variables that interact with an independent variable while also being an independent variable are called pseudo-moderating variables, and moderate the relationship between the dependent and independent variables.

5. Discussion

The Effect of Leverage on Tax Avoidance

The results of the research state that leverage has no impact on tax avoidance. Companies may not always use debt as a means to avoid taxes when making financing choices. Companies involved in property and real estate do not take out loans to avoid paying taxes, even if having a lot of debt can lead to a lot of interest payments. Situations where interest expenses actually help a company save money on taxes. Instead of putting the value of interest costs that may or may not be a larger tax savings value to use, businesses exploit tax loopholes to avoid paying taxes. Also, other goals, such as expanding a company's operations, are more often funded by debt in this industry. This result is in accordance with the analysis Manuel et al. (2022) which shows that leverage has no impact on tax avoidance. Furthermore, it was also found in research by Santoso & Utami (2023) that leverage did not show a high impact on tax avoidance. Although the impact of leverage on tax avoidance is low. Company owners must remain careful in using debt.

The Effect of Profitability on Tax Avoidance

These results show that profitability does not affect tax avoidance. This condition can occur because on average property companies' ability to generate profits is not optimal, because they only have an industry average ROA value of 4.2% per year. These results also explain that high profitability can make companies more aware of tax efficiency, but it still depends on the tax strategy adopted by the company. Companies that have high profits may choose to maximize legitimate tax benefits by taking advantage of tax deductions permitted by law, rather than adopting aggressive tax avoidance practices. These results are similar to research by Stephen et al. (2022) that shows profitability results have no impact on tax avoidance. This result is also relevant to the analysis of Mailia & Apollo (2020) that companies that successfully control their income are more likely to meet their tax requirements. Regarding legitimacy theory, the existence of tax avoidance implemented by institutions has consequences for companies facing social norms in the social environment (in this case receiving administrative sanctions for carrying out tax avoidance). An increase in the tax burden which reduces profits can reduce the evaluation of management's performance in managing a company (Tarmidi, 2019).

The Effect of Liquidity on Tax Avoidance

This result explains that the higher the liquidity, the higher the ETR, which means there is less tax avoidance (high liquidity, companies tend not to avoid tax). Since liquidity refers to a business's capacity to meet its short-term commitments, it is a factor that can influence tax avoidance strategies. If a company has a lot of cash, it means it can easily pay its short-term bills; If not, it means having difficulty doing so. Businesses may try to avoid paying taxes in an effort to save money and keep their cash flow stable, which can lead to tax avoidance strategies (Cahyani, 2010). This result is in line with the analysis of Novianto & Yusuf (2021) which shows that liquidity results have a negative impact on tax avoidance. Someone (Agent

or management) tends to do bad things in order to achieve desired goals, generally by manipulation (Mamentu & Utami, 2021).

The Effect of Leverage on Tax Avoidance is Moderated by Institutional Ownership

According to these findings, institutional ownership cannot make leverage have a greater impact on tax evasion. The more loans a business takes out, the more money it has to borrow from outside sources, which means more interest payments and less profit for the business. Since institutional owners want the highest possible dividend returns on their investments, this situation inevitably leads to tension between the two groups (Aprianto & Dwimulyani, 2019). The results of this study show that although the level of institutional ownership is relatively high, the low level of debt means that tax avoidance strategies are not greatly affected by them. This analysis is relevant to the analysis carried out by Aprianto & Dwimulyani (2019) which shows that institutional ownership is unable to moderate the impact of leverage on Tax Avoidance. Regarding legitimacy theory, the existence of institutional ownership does not have an impact on a company's decision to implement tax avoidance, even though the existing debt level is quite low. In this case the company continues to carry out its obligations in accordance with applicable norms (obligation to pay taxes).

The Effect of Profitability on Tax Avoidance is Moderated by Institutional Ownership

These findings suggest that greater institutional share ownership prevents institutional ownership from amplifying the impact of profitability on tax evasion. then it further strengthens the positive influence of profitability on ETR, which means lower tax avoidance. Thus, share ownership by institutions can carry out an effective review of management actions in the field of taxation, which causes management to continue paying taxes in accordance with existing regulations even though the tax debt incurred is quite large when the company has large profits. This finding states that institutional ownership cannot increase the impact of profitability on tax evasion. This is due to the fact that greater institutional share ownership strengthens the positive relationship between profitability and ETR. which means lower tax avoidance. Related to legitimacy theory, institutional ownership plays a big role in how a company is responsible for its social environment. The decisions taken by institutional ownership in reporting profits earned influence how tax avoidance actions are carried out.

The Effect of Liquidity on Tax Avoidance is Moderated by Institutional Ownership

The findings show that the negative impact of liquidity on tax avoidance can be magnified by institutional ownership, as a consequence of increased share ownership by institutions. This will further strengthen the positive influence of liquidity on ETR, which means lower tax avoidance. Thus, share ownership by institutions can carry out an effective review of management actions in the field of taxation, which causes management to use the cash it has to pay taxes in accordance with existing regulations. The results carried out by Novianto & Yusuf (2019) show that liquidity has an effect on tax avoidance and the results carried out by Eskandar & Ebrahimi (2020) show that institutional ownership has a positive impact on tax avoidance. Regarding legitimacy theory, the existence of institutional ownership can provide an overview of the decisions taken by a company. When a company makes the wrong decision it poses a threat to the company itself. A company not carrying out its obligations towards existing values (responsibility for paying taxes) will result in threats in its social environment (for example: sanctions), and the company's reputation will decline in its social environment.

6. Conclusions and Suggestions

According to the test results, data analysis and discussion presented in the previous section, this analysis

produced several results, namely:

1) Leverage does not have a positive impact on tax avoidance. In funding decisions using debt it cannot necessarily be used as a tool in a company's tax avoidance.
2) Profitability does not have a positive impact on tax avoidance. Institutions with high profits may prefer to maximize legitimate tax benefits rather than engage in tax avoidance practices.
3) Liquidity has a positive effect on tax avoidance. The higher the ETR means the lower the tax avoidance (higher liquidity means companies tend not to implement tax avoidance).
4) Institutional ownership cannot moderate the impact of leverage on tax avoidance. The fact that a company is owned by an institution does not affect its choice to engage in tax evasion; It continues to fulfill its duties in accordance with relevant standards.
5) Institutional ownership cannot moderate the positive impact of profitability on tax avoidance. The decisions taken by institutional ownership in reporting profits earned influence how tax avoidance is carried out.
6) Institutional ownership can moderate the positive impact of liquidity on tax avoidance. The greater the institutional ownership, the stronger the positive impact of liquidity on ETR, which means the lower the tax avoidance.

According to the results of the tests that have been carried out, the suggestions given are:
Future researchers can add other variables that might have an impact on tax avoidance, such as institutional size, fiscal loss compensation, audit quality, social responsibility and other variables that can influence tax avoidance. Can change or add Company types to get better results. The government pays more attention to regulations that may have multiple interpretations, which creates loopholes for taxpayers in carrying out tax avoidance. Companies should pay more attention to better tax planning so that they can be held accountable for their obligations properly and in accordance with existing regulations.

Reference

1. Anggraeni, T., & Oktaviani, R. M. (2021). Dampak Thin Capitalization, Profitabilitas, dan Ukuran Perusahaan terhadap Tindakan Penghindaran Pajak. *Jurnal Akuntansi Dan Pajak*, 21(02), 390–397. https://doi.org/10.29040/jap.v21i02.1530
2. Aprianto, M., & Dwimulyani, S. (2019). Pengaruh Profitabilitas, Sales Growth Dan Leverage Terhadap Tax Avoidance. *Prosiding Seminar Nasional Pakar*, 11(2), 2–14.
3. Awaliah, R. (2022). *Trends Tax Avoidance in Indonesian Companies Listed on The IDX (2016-2020) Through The Analysis Of The Company's Effective Tax Rate (ETR)*. Universitas Hasanuddin.
4. Brigham, Eugene F. dan J.F. Houston. 2010. *Dasar-Dasar Manajemen Keuangan*. Edisi 11. Jakarta: Salemba Empat
5. Dowling, J., & Pfeffer, J. (1975). Organizational legitimacy: Social values and organizational behavior. *Pacific Sociological Review*, 18(1), 122-136.
6. Eguavoen, I. (2022). Reclamation and Expulsion. Frontiers of city expansion and the loss of public and communal spaces at Abidjan's lagoonal waterfronts. In *Urban Forum* (Vol. 33, No. 3, pp. 367-392). Dordrecht: Springer Netherlands.
7. Eskandar, H., & Ebrahimi, P. (2020). Tax Avoidance and Institutional Ownership: Active vs Passive Ownership. *International Journal of Finance and Managerial Accounting*, *5*(17), 95–106.
8. Falbo, T. D., & Firmansyah, A. (2018). Thin Capitalization, Transfer Pricing Aggressiveness, Penghindaran Pajak. Indonesian *Journal of Accounting and Governance*, 2(1), 1–28.

https://doi.org/10.36766/ijag.v2i1.11.
9. Faradilla, I. C., & Bhilawa, L. (2022). Pengaruh profitabilitas, leverage, ukuran perusahaan dan sales growth terhadap tax avoidance. *Fair Value: Jurnal Ilmiah Akuntansi Dan Keuangan*, *5*(1), 34-44.
10. Fatimah, A. N., Nurlaela, S., & Siddi, P. (2021). Pengaruh Company Size, Profitabilitas, Leverage, Capital Intensity Dan Likuiditas Terhadap Tax Avoidance Pada Perusahaan Makanan Dan Minuman Yang Terdaftar Di Bei Tahun 2015-2019. *EKOMBIS REVIEW: Jurnal Ilmiah Ekonomi Dan Bisnis*, *9*(1), 107-118.
11. Gunadi. (2020). *Pemeriksaan, Investigasi dan Penyidikan Pajak*. Jakarta: MUC Consulting.
12. Handayani, R. (2017). Pengaruh dewan komisaris independen, kepemilikan institusional dan corporate social responsibility terhadap tax avoidance di perusahaan perbankan. *AKURAT| Jurnal Ilmiah Akuntansi FE UNIBBA*, *8*(3), 114-131.
13. Jensen, M. C., & Meckling, W. H. (1976). Theory Of The Firm: Managerial Behavior, Agency Costs And Ownership Structure. *Journal Of Financial Economics*, 3(4), 305–360. https://doi.org/10.1016/0304-405x(76)90026-x.
14. John Obiora Anyaduba & Ivie Ologhosa Ogbeide. (2022). "Firm Attributes and Corporate Tax Aggressiveness: A Comparative Study of Nigeria and South Africa Banks," *Accounting and Finance Research, Sciedu Press*, vol. 11(2), pages 1-18, May.
15. Kasmir. (2019). *Analisis Laporan Keuangan: Vol. 12th ed*. PT. Raja Grafindo Persada.
16. Kurniawan, I., & Daito, A. (2021). The effect of tax sanctions and tax authorities services on tax compliance and taxpayer awareness as moderation variable (survey on corporate taxpayers domiciled in tangerang). *Dinasti International Journal of Management Science*, *2*(3), 371-380.
17. Lastyanto, W. D., & Setiawan, D. (2022). Pengaruh Kepemilikan Institusional Terhadap Penghindaran Pajak Perusahaan Manufaktur di Indonesia (2017-2019). *Jurnal Akuntansi Trisakti*, *9*(1), 27-40.
18. Mailia, V., & Apollo, A. (2019). Pengaruh profitabilitas, Ukuran perusahaan dan capital intensity terhadap tax avoidance. *Jurnal Manajemen Pendidikan Dan Ilmu Sosial*, 1(1), 69-77.
19. Mamentu, H. A., & Utami, W. (2021). The Effect of Taxation Understanding, Religiosity, and Machiavellianism on Individual Taxpayer Compliance Who Perform Freelance Job in Dki Jakarta. *Archives of Business Research*, *9*(10), 146–158. https://doi.org/10.14738/abr.910.10643
20. Manik, J., & Darmansyah, D. (2022). Determinan Penghindaran Pajak dengan Profitabilitas Sebagai Pemoderasi pada Perusahaan Manufaktur. *Jurnal Riset Akuntansi & Perpajakan (JRAP)*, *9*(02), 146-158.
21. Martinus, J., Jiwandaningtyas, M., Firmansyah, A., & Andriani, A. (2021). Penghindaran Pajak Pada Industri Barang Konsumsi di Indonesia Sebelum Era Pandemi Covid19: Ukuran Perusahaan Dan Profitabilitas. *Educoretax*, *1*(4), 291–300.
22. Murhadi, Werner R. (2013). *Analisis Laporan Keuangan Proyeksi dan Valuasi Saham*. Jakarta: Salemba Empat.
23. Nilayanti, M. & Suaryana, I.G.N.A. (2019). Pengaruh Kepemilikan Manajerial dan Kepemilikan Institusional Terhadap Kinerja Keuangan Perusahaan Dengan Kebijakan Dividen Sebagai Pemoderasi. *E-Jurnal Akuntansi Universitas Udayana*, 26(2), 906-936.
24. Novianto, R., & Yusuf, P. (2021). The Influence of Liquidity and Profitability on Tax Avoidance (case Study on Consumption Goods Industry Registered on The IDX 2015-2019). *Turkish Journal of Computer and Mathematics Education*, *12*(11), 1358–1370.

25. Olivia, I., & Dwimulyani, S. (2019). Pengaruh Thin Capitalization dan Profitabilitas Terhadap Penghindaran Pajak dengan Kepemilikan Institusional sebagai Variabel Moderasi. Prosiding Seminar Nasional Pakar Ke 2: *Sosial Dan Humaniora*, 1–10.
26. Pasaribu, D. M., & Mulyani, S. D. (2019). Pengaruh Leverage dan Liquidity Terhadap Tax Avoidance Dengan Inventory Intensity Sebagai Variabel Moderasi. *Jurnal Akuntansi Maranatha*, *11*(2), 211–217. https://doi.org/10.28932/jam.v11i2.1996
27. Rismala, L. I., Holiawati, H., & Sunardi, N. (2022). The Influence of Capital Structure, Liquidity, Solvency and Firm Growth on the Company's Financial Distress That is Mediated by Profitability (A Study on 12 Indonesia General Insurance Companies Listed on the Indonesian Stock Exchange 2015-2020). *Adpebi Science Series*.
28. Safitri, K. A., & Muid, D. (2020). Pengaruh pengungkapan corporate social responsibility, profitabilitas, leverage, capital intensity dan ukuran perusahaan terhadap tax avoidance (studi empiris pada perusahaan manufaktur yang terdaftar di Bursa Efek Indonesia periode 2016-2018). *Diponegoro Journal of Accounting*, 9(4), Article 4.
29. Santoso, H. P. H., & Utami, W. (2023). Good Corporate Governance Effectiveness Mechanism, Special Relationship Transactions, and Leverage on Tax Aggressiveness. *Journal of Social Research*, 2(9), 3017-3030.
30. Sari, D. (2021). The Effect of Leverage, Profitability and Company Size on Tax Avoidance (An Empirical Study on Mining Sector Companies Listed on Indonesia Stock Exchange Period 2013-2019). *Turkish Journal of Computer and Mathematics Education (TURCOMAT)*, *12*(4), 860–868. https://doi.org/10.17762/turcomat.v12i4.574
31. Scarborough, N. M., & Cornwall, J. R. (2016). *Essentials of entrepreneurship and small business management*. Pearson.
32. Stephen, J., Motunrayo, O. G., & Markus, I. (2022). Impact Of Firm Financial Attributes on Tax Avoidance in Nigerian Food And Beverage Industries. *TSU-International Journal of Accounting and Finance*, *1*(2), 102–111. https://doi.org/https://lib.hpu.edu.vn/handle/123456789/23886
33. Tarmidi, D. (2019). Tax Compliance and Uncompliance Entity: A Comparative Study of Investor Reaction. *International Journal of Academic Research in Accounting, Finance and Management Sciences*, *9*(1). https://doi.org/10.6007/ijarafms/v9-i1/5823
34. Utami, W., Wahyuni, P. D., & Nugroho, L. (2020). Determinants of Stock Liquidity: Forward-Looking Information, Corporate Governance, and Asymmetric Information. *Journal of Asian Finance, Economics and Business*, 7(12), 795–807. https://doi.org/10.13106/JAFEB.2020.VOL7.NO12.795
35. Wahyuni, L., Fahada, R., & Atmaja, B. (2019). The effect of business strategy, leverage, profitability and sales growth on tax avoidance. *Indonesian Management and Accounting Research*, *16*(2), 66-80.
36. Widyasari, Taufianto Ekaputra. (2019). "Faktor-Faktor Yang Mempengaruhi Penghindaran Pajak Perusahaan Properti Dan Real Estate." *Jurnal Paradigma Akuntansi*, 1(3): 937.
37. Winarni. (2023). Jumlah Investor Pasar Modal Capai 10,48 Juta Per Januari 2023.Retrieved from DataIndonesia.id : https://dataindonesia.id/bursa-keuangan/detail/jumlah-investor-pasar-modal-capai-1048-juta-per-januari-2023