

# JURNAL ILMIAH AKUNTANSI DAN BISNIS

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**Uncovering the Dark Side of Ponzi Schemes Through Money Game**

Bambang Haryadi, Imam Wahyudi, Nur Hayati

**Asset Misappropriation Employee Fraud: A Case Study on an Automotive Company in Indonesia**

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**The Role of Female and Millennial Directors on the Environmental Performance of Indonesian SOEs**

Dian Kusuma Wardhani, Eiffelena Nur'aini Purwinanti, Muhammad Priandi



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## EDITOR'S INTRODUCTION

Dear readers,

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**Volume 17 Issue 2 July 2022**

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**1. General Requirements**

- a) The article received is a scientific work that is the result of empirical and conceptual studies in the field of Accounting and Business and has never been published in print and other e-journals.
- b) Articles are typed on A4 paper (21 x 29.7 cm) sequential top / bottom / left / right margins: 4 / 3/4/3 cm, using Calibri letters, a distance of 1 spaces of 15-20 pages including bibliography.
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- a) **TITLE**, a maximum of 15 Words, using a capital only first letter size of 18 pt, bold.
- b) **AUTHOR'S NAME**, written in full without title and without position font Calibri 11 pt, written in horizontally (if the author is more than 1) starting from the main author, complete with the name of the institution, email address (to be published), and number telephone (not published).
- c) **ABSTRACT** includes a summary of research including problems, objectives, methods, results, and contributions of research results. The abstract is presented after the title consists of 75-150 words written in two languages, namely Indonesian and English. Abstracts are given 3-5 keywords to facilitate the compilation of article indexes.
- d) **INTRODUCTION** contains research background, problem formulation and research benefits, theoretical basis, and hypothesis development.  
*(Preliminary Proportion of 15-20% of the total length of the article and no sub-chapters or numbering)*
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- g) **CONCLUSIONS** containing the conclusions of the research, accompanied by suggestions and implications for subsequent research.  
*(Proportion of Conclusions 15-20% of the total length of the article and no sub-chapters or numbering)*
- h) **REFERENCES** contain all sources referred to in writing the article. (Using reference management applications (**EndNote, Mendeley, Zotero, etc.**) Reference Lists at least



80% in the form of libraries published in the last 10 years. Reference is written using American Psychological Association 7<sup>th</sup> Edition Style.

- i) **APPENDIX** contains tables, figures and research instruments used.

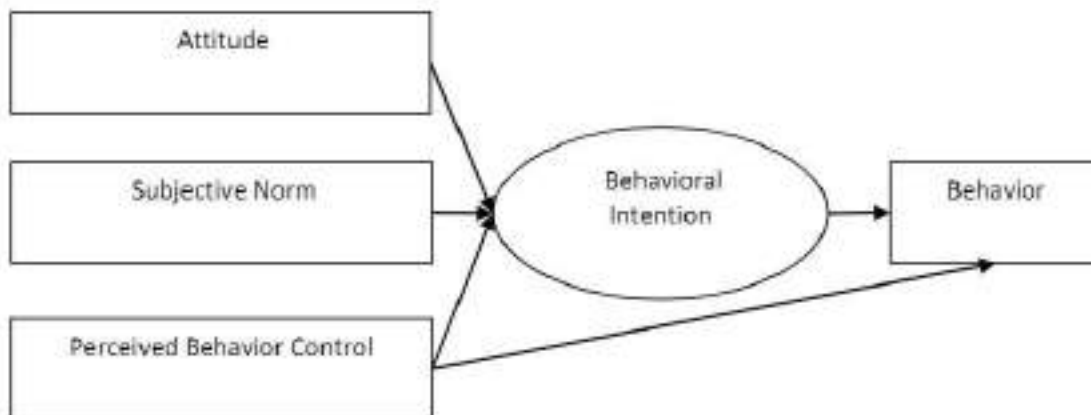
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**Table 1. Multiple Linear Regression Results**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error			
(Constant)	-2,884	1,451		-	0,058
X <sub>1</sub>	0,153	0,058	0,302	2,651	0,013
X <sub>2</sub>	0,263	0,094	0,337	2,800	0,010
X <sub>3</sub>	0,261	0,086	0,340	3,031	0,005
X <sub>4</sub>	0,322	0,132	0,293	2,444	0,022
Adjusted R Square			0,654		
Sig. F			0,000		

Source: Processed Data, 2019



**Figure 1. Research Model**

Source: Processed Data, 2019

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## Do Female Directors Manipulate Earnings?

Maria Konteta<sup>1\*</sup>, Lee Sio Char<sup>1</sup>, Bayenda Khresna Brahmana<sup>1</sup>, Susca Combasa<sup>2</sup>

**Abstract**  
 This study aims to examine the effect of female directors in firm's earnings management for a sample of 263 Malaysian listed firms over 2013-2017 period. After running a robust panel regression, the result of this study shows that firm that have higher participation rate of women in the boardroom will have a higher tendency of manipulating earnings. The reason why there is a significant relationship between female directors and earnings management might be caused by the corporate culture pressure on women. The findings provide insight for industry and policymakers on the impact of gender diversity on earnings management. It may serve as a guideline in their selection of the organization's top management and decision-making process.

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# Ownership Structure on the Tax Risk Towards Tax Avoidance in Indonesia Manufacturing Companies 2016-2020

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**Abstract**

There has not been much research on how management uses tax risk to engage in aggressive tax avoidance in an uncertain business environment. This research aims to see how family and institutional ownership influence the relationship between tax risk and tax avoidance as moderating proxies. The study was conducted on manufacturing companies listed on Indonesia Stock Exchange between 2016 and 2020. Thirty-six companies were selected as the sample using the purposive sampling method. This quantitative research used Ordinary Least Square. The results show that family ownership can strengthen the relationship between tax risk and tax avoidance, while institutional ownership fails to moderate. Family shareholders significantly influence company management when selecting how to utilize the tax risk connected with each business strategy. Family shareholders prioritize the protection of the company's image over maximizing profits with high risk.

**Keywords:** tax avoidance, tax risk, family ownership, institutional ownership, resource based-view theory

**Introduction**

Neuman et al. (2013) use the term "tax risk" as an equation of uncertainty in the business environment. Tax risk is a picture of the dynamics in the economy, law, and information transparency which management will anticipate with a series of business strategies. The complexity of taxation regulation, as well as insufficient law enforcement and inconsistencies in the implementation of tax regulations, can cause disputes between taxpayers and tax authorities (W. Chen, 2021). Transfer pricing aggressiveness, investment in tax havens, and differences in foreign tax rates are highly correlated with tax benefit uncertainty and technological change (Huang et al., 2017; Sari et al., 2020; Taylor et al., 2018). Furthermore, multinational companies choose tax haven countries as a place to invest and get tax protection (Jalan & Vaidyanathan, 2017). Companies also take advantage of tax risk through mergers and acquisitions. Companies

are increasingly allured to seek better tax treatment and shift activities and headquarters in order to achieve tax savings (Duarte & Barros, 2018). Tax risk, as a state of uncertainty, can be used to generate incentives for taxpayers to increase income in certain circumstances while reducing reported income under different conditions (Beck & Jung, 1989). There hasn't been much empirical research on how management uses environmental uncertainty through tax risk to engage in aggressive tax avoidance. At the same time, tax risk can reduce a country's tax revenue. Thus, the government must regulate tax risk by standardizing the institutional environment and strict supervision of tax authorities so that tax risk is minimal (W. Chen, 2021). The company reads this variability as an opportunity for profit or loss that can occur in the future. Based on the previous, the research's primary goal is to determine the impact of tax risk on tax avoidance.

Tax risk associated with the company's many business strategies motivated by efficiency and effectiveness in running a business, as well as the complexity of the regulations governing the movement of the business itself, on the one hand provides opportunities for companies to do tax avoidance, but also creates agency conflicts, because managers will use tax avoidance to increase the company's wealth. Therefore, the presence of excellent corporate governance that serves as a supervisory and regulating instrument plays a role in resolving agency issues. However, with government constraints as a public business, it is difficult for management to carry out tax avoidance to gain from tax risk. This research uses manufacturing companies as examples because manufacturing companies are one of the most complex business processes compared to other types of companies. With this challenging cycle, the companies can use many "holes" to proceed with tax avoidance. In addition, many multinational companies in Indonesia are from manufacturing industries. Some of them even have subsidiaries in tax haven countries. Therefore, this research is significant as Indonesia is still a growing country supported by the tax.

The practice of tax avoidance in the grey area by utilizing loopholes in tax regulations and adjusting to the company's business strategy is an opportunity and a challenge for management. However, management understands the consequences in the future of aggressive choices in tax avoidance, so that the company's tax risk through options of business strategies is not always motivated by efforts to maximize company profitability, to reduce tax payments (Mangoting et al., 2021). demonstrate that tax risk, as evaluated by six risk components consisting of transactional risk, compliance risk, operational risk, financial accounting risk, managerial risk, and reputational risk, influences tax avoidance as measured by CETR. Arieftiara et al. (2020) associate the company's strategy with a higher intensity of tax avoidance. As a result, prospector companies are more challenged to implement business development strategies through innovation and creativity in highly uncertain environments. Previous studies used volatility in the CETR as an indicator of tax risk (Firmansyah & Muliana, 2018; Firmansyah & Widodo, 2021) and proved that corporate tax avoidance actions do not influence tax risk because it is considered to occur outside the manager's control. This study is developed by adding a moderating factor of family and institutional ownership as an



effort to understand the behaviour of family and institutional investors towards business management decisions in the context of utilizing tax risk for tax avoidance purposes.

Every company must have a strategy to compete in the global market in an uncertain environment. Companies require a competitive advantage to improve their competitiveness and help a company's long-term viability. Internal and external factors can influence the company's competitive advantage. One of the business management tools that can be used to review a company's competitive advantage is the Resource-Based View (RBV) approach. RBV views that the basis of a company's competitive advantage lies in the company's internal resources (David, 2015). These internal resources are strategic resources or the company's valuable resources that can become the company's main competitiveness. The internal factors that become the focus of the RBV are the company's internal resources and capacities, which can contribute to competitive advantage and are the basis for strategy formation. RBV theory is an executive framework for determining strategic sources that a company might utilize to gain a long-term competitive advantage. The three essential keys of RBV are company resources, competitive advantage, and long-term competitive advantage (Barney, 1991). Firms gain a competitive advantage by effectively utilizing and controlling their resources to produce valuable, unique, inimitable, and non-replaceable resources (Kabue & Kilika, 2016). To strengthen the organizational ability and competitive advantage over time, companies must pool intra- and inter-organizational competencies and resources (Xu et al., 2014). Social assets, entrepreneurial mindsets, intellectual principles, and the purpose of supervision of people as stakeholders all contribute to the company's performance (Campbell & Park, 2017).

The tax burden on a business might reduce its profits. Companies can optimize their finances by managing their tax burden. Efforts to maximize these resources can be seen in the context of tax avoidance. For instance, the business is relocating to a lower-tax jurisdiction to get a lower tax rate. In the context of this research, RBV theory can be interpreted as the company's efforts to maximize its resources by utilizing tax risk through the selection of corporate strategies which can reduce tax payments that are still in the grey area. According to Hutchens et al. (2019), tax avoidance is an activity that results in tax deductions and provides benefits during financial reporting. Tax avoidance refers to a firm's potential to pay fewer taxes, but it does not always imply that the company engages in aggressive operations (Dyreg et al., 2008). Tax risk is the potential for current acts or inaction to result in different future tax outcomes. Tax risk arises from economic risk and tax law uncertainty (Neuman et al., 2013a)

This research employs a model developed by Neuman et al. (2013b), which uses a score to assess tax risk. The measured tax risk is divided into six components. The measured tax risk is classified into six different components. Transactional risk is an inherent risk that can arise due to uncertainty in business transactions. Unusual and non-recurring transactions usually carry significant tax risks. It is because there are uncertainties about the fact of the transaction or amount (Neuman et al., 2013b). Such as merger or acquisition activities, financing transactions, and business operations discontinuation. All these unusual and non-recurring transactions have the possibility of

increasing tax risk. Operational risk can occur due to the failure of internal and external processes, including uncertainty in applying tax regulations to company operations (Cozmei & Șerban, 2014).

Moreover, compliance risk is related to compliance in fulfilling the company's tax obligations. Financial accounting risk is a risk that can arise in the process of presenting financial statements. For example, if there is a material misstatement in the financial statements (Neuman et al., 2013b). Managerial risk is the risk of not having enough or diversified technical knowledge to adequately integrate the tax function's activities across departments and divisions in order to successfully manage tax risk inside the organization. At last, reputational risk is defined as a risk of uncertainty that can harm the company's good name. Graham et al. (2014) research shows that reputation is essential when considering potential tax planning.

Mangoting et al. (2021) discovered a positive relationship between tax risk and tax avoidance using this model. The higher the value of tax risk, the lower the CETR value, indicating high tax avoidance. Overall, tax risk is influenced by tax regulations, government oversight, and the uncertainty of future benefits (Neuman et al., 2020). Uncertainty can come from the factual uncertainty of a condition and the application of tax regulations. In addition, it also stems from regulatory ambiguity (Dyreg et al., 2019). Therefore, tax risk as uncertainty can affect the company's ability to perform tax avoidance. Because the more significant the uncertainty, the more companies will try to avoid paying taxes.

H<sub>1</sub>: Tax risk is positively related to tax avoidance.

Tax avoidance is reduced when good corporate governance is implemented (Noviari & Suaryana, 2019). Governance is often associated with ownership structures (Nguyen, 2020), especially family ownership and institutional ownership (Tandean & Winnie, 2016). One of the company's internal control mechanisms is its ownership structure, particularly family ownership. Compared to the ownership of non-family companies, family companies have more shares, a longer investment period, and are stricter with the company's reputation. It prevents family firms from taking aggressive tax avoidance actions, where they are willing to pay higher tax costs than pay sanctions from the tax authorities (Bauweraerts & Vandernoot, 2013; S. Chen et al., 2010) In this research, family share ownership will be tested as a moderating variable to determine the extent to which family investors interact with management through controlling the company's business strategy choices.

Gaaya et al. (2017) found that family ownership is negatively related to tax avoidance. If managed properly, companies with large family ownership compositions are less aggressive in their taxation. It is also supported by the company's desire to maintain its good name and avoid taxation problems in the future. Family companies also consider tax risk more (Nuritomo et al., 2020). Herawati et al. (2021) provide evidence that companies with family share ownership do not engage in aggressive tax avoidance.

The moderating role of small family share ownership can help improve internal control function (Bimo et al., 2019). It means that companies with small family shareholdings have strong internal controls that can reduce tax avoidance. Families as

shareholders can act based on an entrenchment perspective, which will share the company's profits at the expense of minority shareholders. On the other hand, family shareholders can act on the principle of alignment, where the family seeks to increase the company's value for the benefit of all shareholders (Fan & Wong, 2002). Shares owned primarily by families restrict management from making risky decisions. As a result, this factor strengthens internal control, which leads to low tax avoidance.

H<sub>2</sub>: Family ownership is negatively related to the relationship between tax risk and tax avoidance.

Corporate governance includes institutional share ownership in addition to family share ownership. As the volume of institutional ownership increases, institutional owners have greater power and influence over executive decisions. The institutional investors' large control function gives an opportunity to monitor and control managerial operations in order to reduce agency problems (Suriawinata & Nurmalita, 2022). As a result, institutional share ownership effectively supervises strategic management actions, particularly those involving significant risks, such as tax avoidance. Other research has demonstrated that the presence of institutional investors encourages management to select tax policies that reduce the effective tax rate by under sheltering acts (Bird & Karolyi, 2017).

Institutional investors prefer managers to improve company performance in the long run so that the company's after-tax profit can be maximized and provide a reasonable return (Khan et al., 2017). However, it is not easy for institutional shareholders not to consider the effect of recommendations for aggressive management of exploiting environmental uncertainty with corporate strategies to reduce tax payments. In addition to considering the costs and benefits of future tax avoidance, tax avoidance will provide an opportunity to mislead investors because it can cause market losses for shareholders (Schlank, 2011). The third goal of this research is to examine the moderating role of institutional ownership in the relationship between tax risk and tax avoidance by using a proxy for the percentage of institutional shareholders.

The percentage of shares held by corporate entities like insurance companies or other institutions is known as institutional ownership. Institutional ownership was not shown to be relevant in affecting tax evasion behaviors in prior research conducted by Tandean & Winnie (2016). Tandean & Winnie (2016) concluded that institutional owners are more concerned with maximizing future profits. Hence, they are less involved in

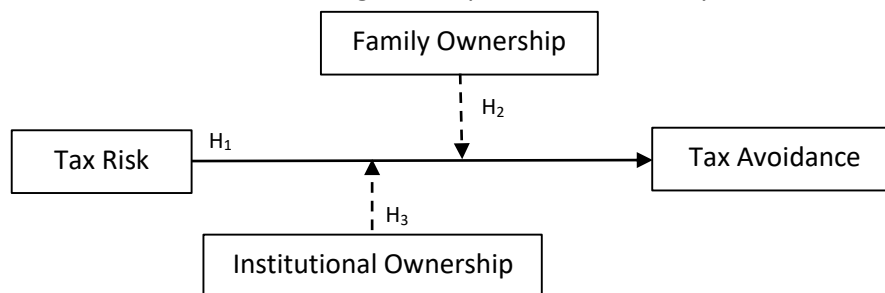


Figure 1. Research Framework

Source: Processed Data, 2022



managing managers. As a result, institutional ownership has no impact on tax avoidance. On the other hand, long-term institutional ownership, on the other hand, was found to have low tax avoidance behaviour in research by [Khurana & Moser \(2013\)](#). It is because long-term institutional ownership can affect the level of tax avoidance activity in the company. The greater institutional ownership in the company, the more tax avoidance action will be possibly conducted because the company has the responsibility to its shareholders, and they wish to pay fewer taxes. Another argument is that institutional owners are more concerned with their well-being and increasing future profits. Hence the share of institutional ownership has no impact on tax avoidance.

H<sub>3</sub>: Institutional ownership is negatively related to the relationship between tax risk and tax avoidance.

The conceptual framework of this research is presented in Figure 1. The empirical and theoretical contribution of this research is related to how corporate governance, through the role of family and institutional shareholders, carries out a supervisory function in a tax risk situation to control company compliance that can take advantage of the uncertain conditions of the business environment in economic, legal, and information transparency aspects to carry out tax avoidance. Practically, the findings of this research can help regulators develop legislation that protects minority shareholders from the entrenchment effect of controlling shareholders, as well as assess the effectiveness of corporate governance structures in tax avoidance.

## Research Method

This quantitative research is conducted using pooled regression analysis or Ordinary Least Square (OLS) analysis. The data used are secondary data from the Indonesia Stock Exchange (IDX) Financial Report or Annual Report, accessed on the IDX's official website, Bloomberg, and the related companies' websites. In addition, statistical software, namely STATA 14.2, was used to analyse how family and institutional ownership influence the relationship between tax risk and tax avoidance as moderating proxies. This research used a population of public companies in the Indonesian manufacturing sector listed on the IDX for five years, from 2016 to 2020. research data is taken from Bloomberg and the company's financial and annual reports on the website [www.idx.co.id](http://www.idx.co.id). This research

**Table 1. Purposive Sampling**

Criteria	Total
Indonesia manufacturing companies listed on IDX (2015-2020)	195
(-) Delisting companies	2
(-) Operating Loss	63
(-) Incomplete annual report data	59
(-) CETR less than 0 and more than 1	35
Total sample (number of firms)	36
Number of year observation per firm	5
Total Observation (number of firm years)	180

Source: Processed Data, 2022

Table 2. Data Analysis

Indicator	Definition	Score	
		Min	Max
TR_ACQ	Represents merger and acquisition activity. TR_ACQ is 0 for firms that did not engage in M&A.	0	1
TR_DOP	Represents a disposition of business or product line. TR_DOP is 0 for firms without discontinued operation.	0	1
TR_FTR	Represents financial activity. TR_FTR 1 for issuing either bonds or shares, 2 for issuing both.	0	2
OR_FOP	Represents foreign operations and income. OR_FOP is tercile rank of foreign sales.	0	3
OR_SV3	Represents operational volatility. OR_SV3 is quartile rank of sales volatility. Sales volatility measured from standard deviation of annual sales from t-2 to t.	1	4
OR_TXH	Represents a subsidiary in a tax haven jurisdiction. OR_TXH is tercile rank of number of subsidiaries.	0	3
CR_BSG	Represents business segments. CR_BSG is tercile rank of number business segments.	1	3
CR_GSG	Represents business geographic segments. CR_GSG is tercile rank of number of geographic segments.	1	3
CR_SIZ	Represents firm size. CR_SIZ is the quartile rank from natural log of assets.	1	4
CR_DTL	Represents tax deferrals. CR_DTL is quartile rank of deferred tax liabilities divided by delayed asset.	0	3
FR_IEA	Represents the late reporting of interim earnings (Q1, Q2, and Q3). FR_IEA is quartile rank of late reporting quarterly earnings.	0	4
FR_AEA	Represents the late reporting of annual earnings (Q4). FR_AEA is quartile rank of late reporting annual earnings.	0	4
FR_TKL	Represents late reporting annual report. FR_TKL is quartile rank of late reporting annual reports.	0	4
MR_FEE	Represents the effectiveness of tax department employees. MR_FEE is 1 for firm with tax department.	0	1
MR_EMP	Represents standard deviation of number of employees. MR_EMP is quartile rank of all employees from years t-2 to t. (Neuman et al., 2020)	1	4
MR_EXP	Represents the amount of tax fees paid to firm that have or have not hire tax expert. MR_EXP is 1 for firm that recruited an external tax expert.	0	1
RR_ADM	Represents award recognition. RR_ADM is 1 for firm that obtained award during the period.	0	1
RR_SET	Represents litigation settlements. RR_ADM is 1 for firm that had any litigation or legal cases during the period time.	0	1
RR_IST	Represents the number of institutional ownerships. RR_IST is tercile rank of the number of institutional shareholders.	0	3
Total		5	50

Notes: TR = Transactional Risk, OR = Operational Risk, CR = Compliance Risk, FR = Financial Accounting Risk, MR = Managerial Risk, RR = Reputational Risk.

Source: Indicators for TRISK components are adapted from previous research. (Neuman et al., 2013a, 2013b, 2020).

selected thirty-six companies as a sample using the purposive sampling method shown in Table 1.

The dependent variable used in this research is tax avoidance, that is measured by CETR. CETR or Cash Effective Tax Rates are frequently used as a proxy for tax avoidance.

This model was also used in previous research, such as Neuman et al. (2013b) and Mangoting et al. (2021). CETR aims to see the amount of cash taxes paid by the company in the current year. The CETR is calculated yearly by dividing cash tax paid by pretax income.

Tax risk is calculated using six indicators developed by Neuman et al. (2013b) and Mangoting et al. (2021). Six risk indicators include managerial risk, financial accounting risk, compliance risk, operational risk, transactional risk, and reputational risk. This research will measure the tax risk variable using a scoring method for each tax risk component. The number allocated to each tax risk component will vary depending on companies' activities. Table 2 shows the descriptions for each tax risk component indicator. To calculate tax risk, we first determine whether a company engages in transactions or has characteristics connected with tax risk categories, then assign a score to each risk. The total value of the six indicators will represent the value of the tax risk of each company so that the tax risk can be compared to be greater or less than other companies. A higher result for the tax risk score implies a higher level of tax risk.

The moderating variables used in this research are family ownership and institutional ownership. Marpa (2012), as cited by Irawati et al. (2020), said a company is considered a family company if one or two families own more than 50% of the outstanding shares. The value of a family's ownership is obtained from the family ownership percentage from total ownership. Institutional ownership is the proportion of shares owned by entities or institutions such as insurance or other institutions. Institutional ownership value is obtained from the institutional ownership percentage from total ownership.

This research uses three types of control variables, leverage (LEV), return on assets (ROA), and capital intensity (CI). Leverage represents the company's debt level because debt financing could create tax shield benefits usually used in tax planning activities (Chen et al., 2010). Leverage is calculated by dividing long-term debt by total assets (Carolina et al., 2014). The second control variable is Return on Assets. Companies with better profitability have better positions to take tax advantages. Therefore, they could reduce tax regulation (Chen et al., 2010). ROA is calculated by dividing net income by the total asset. Finally, capital intensity could generate temporary differences due to different regulations between tax and financial accounting (Mangoting et al., 2021). Capital intensity is calculated by dividing the total fixed asset by the prior total asset.

The research model used to analyze the association between firm tax risk and tax avoidance is.

$$CETR_{it} = \beta_0 + \beta_1 TRISK_{it} + \beta_2 FAM_{it} + \beta_3 INS_{it} + \beta_4 TRISK * FAM_{it} + \beta_5 TRISK * INS_{it} + \beta_6 LEV_{it} + \beta_7 ROA_{it} + \beta_8 CI_{it} + \epsilon \dots \dots \dots (1)$$

**Description:**

- CETR = Cash Effective Tax Rate
- TRISK = Tax Risk
- FAM = Family Ownership
- INS = Institutional Ownership
- LEV = Leverage



ROA = Return on Asset (Profitability)  
CI = Capital Intensity

## Result and Discussion

The chosen samples include 36 companies from 2016 to 2020, totalling 180 firm-year observations. Table 3 presents an overview of the descriptive statistics outcomes in this research. The mean of all variables is higher than the standard deviation. It shows that the difference between the minimum and maximum numbers is low. CETR mean value is 26%, which is similar to the corporation tax rate in Indonesia, 25%. Therefore, companies in the sample tend to obey tax regulations. As for the family ownership variable, it has an average value of 39.3%. It shows that family ownership has a significant effect because the average ownership is above 25%. In addition, institutional ownership has an average value of 67.3%, which indicates that institutional ownership has a dominant value because the value is above 50%.

A classical assumption test is needed to determine whether the model used in this research is free from bias and also shows a significant relationship. Table 4 shows the result from the classic assumption tests. The multicollinearity test may be seen by examining the VIF Value, which shows that all variables are less than 10. It indicates that the independent variables are not multicollinear. The multicollinearity test may also be seen by examining the tolerance value of more than 0.1. As shown in the table, all variables are more than 0.1, indicating no multicollinearity in all independent variables. Autocorrelation tests using the Durbin Watson test can only be used in time series data (Y. Chen, 2016). Therefore, we use General Least Squares (GLS) to examine the autocorrelation, and the result says there is no autocorrelation. In terms of heteroscedasticity, we use the lesser test. The result shows all significance values are greater than 5%, except ROA, which is only 0.023. It means there is no heteroscedasticity problem in the model. As an outcome, all of the classic assumptions are met.

**Table 3. Descriptive Statistics**

Variables	N	Mean	St. Dev.	Minimum	Maximum
<i>CETR<sub>it</sub></i>	180	0.260	0.133	0.002	0.885
<i>TRISK<sub>it</sub></i>		24.433	5.901	12.000	42.000
<i>LEV<sub>it</sub></i>		0.115	0.115	0.000	0.491
<i>ROA<sub>it</sub></i>		9.919	9.131	0.014	55.246
<i>CI<sub>it</sub></i>		0.643	0.207	0.218	0.954
<i>FAM<sub>it</sub></i>		0.393	0.292	0.000	0.997
<i>INS<sub>it</sub></i>		0.673	0.216	0.001	0.994
<i>FAMTRISK<sub>it</sub></i>		5.294	3.375	0.006	17.128
<i>INSTRISK<sub>it</sub></i>		16.564	3.399	7.288	21.926

Source: Processed Data on STATA, 2022

Table 4. Classic Assumption Test

CETR	Multicollinearity		Autocorrelation	Heteroscedasticity	
	VIF	Tolerance	GLS	t	Sig.
$TRISK_{it}$	1.37	0.729	No Autocorrelation	0.89	0.374
$LEV_{it}$	1.16	0.861		-1.73	0.086
$ROA_{it}$	1.17	0.854		-2.29	0.023
$CI_{it}$	1.13	0.883		-0.75	0.457
$FAM_{it}$	1.25	0.801		0.06	0.949
$INS_{it}$	1.14	0.877		1.83	0.069
$FAMTRISK_{it}$	1.20	0.834		1.78	0.077
$INSTRISK_{it}$	1.28	0.779		-0.19	0.848

Source: Processed Data on STATA, 2022

$$CETR_{it} = 0.266 + 0.002 TRISK_{it} + 0.011 FAM_{it} + 0.039 INS_{it} + 0.005 TRISK * FAM_{it} - 0.001 TRISK * INS_{it} - 0.358 LEV_{it} - 0.003 ROA_{it} - 0.072 CI_{it} + \varepsilon$$

The results of this research, as shown in Table 5, prove that tax risk positively affects CETR with a p-value of 0.001 and a coefficient value of 0.002. These results explain that the higher the tax risk, the higher the company's CETR value. Furthermore, the positive direction of the coefficient value of the tax risk variable of 0.002 proves that the increasing tax risk of the company has an effect on increasing the company's CETR, which is getting closer to the effective tax rate or the smaller tax avoidance. Therefore, even though businesses operate in an uncertain environment, their business plans are not designed to achieve tax benefits in the future for tax avoidance.

These results support previous research which stated high tax risk increases corporate tax payments (Guenther et al., 2017; Mangoting et al., 2021). The explanation of the company's prudent actions in dealing with the dynamics of the business environment can be analyzed from two perspectives. First, practically all the sample companies in this research consider the contingent effects of the current business strategy (Arieftiara et al., 2020). The company is quite careful to maximize the opportunities provided by external conditions if they are motivated by tax avoidance. In addition, companies, in the context of the results of this research, have not aligned business strategy decisions with tax savings opportunities that arise from the uncertainty of the business environment by maximizing optimal business strategies. Second, the policy results of this research underscore the implementation of law enforcement for taxpayer noncompliance that can run well (Wang, 2015). The company will assess the risk of fines and additional tax payments in the future to maximize the benefits of tax savings in the uncertain business environment.

The results of the moderation test in this research indicate that family share ownership is moderate (strong) with a p-value of 0.048 and a positive coefficient of 0.005 in Table 5. The results of the moderation test in this research explain that the interaction of tax risk with family share ownership can increase the amount of CETR, which means the tax avoidance is low. Family share ownership in this research significantly affects the relationship between tax risk and low tax avoidance. Family shareholders can gain control over firm management, preventing them from using opportunities caused by business

**Table 5. Hypothesis Test**

Variable	Coefficient	P-value
cons	0.266	0.000
<i>TRISK<sub>it</sub></i>	0.002	0.001
<i>LEV<sub>it</sub></i>	-0.358	0.000
<i>ROA<sub>it</sub></i>	-0.003	0.015
<i>CI<sub>it</sub></i>	-0.072	0.000
<i>FAM<sub>it</sub></i>	0.011	0.193
<i>INS<sub>it</sub></i>	0.039	0.023
<i>FAMTRISK<sub>it</sub></i>	0.005	0.048
<i>INSTRISK<sub>it</sub></i>	-0.001	0.524
R Square		0.162
Adjusted R Square		0.123

Source: Processed Data on STATA, 2022

tactics implemented in an uncertain business environment for tax avoidance purposes. According to [Badertscher et al. \(2013\)](#), organizations with concentrated share ownership and decision-making tend to avoid tax avoidance because income tax avoidance is a risky activity that might result in substantial costs for the company. Furthermore, the main focus is on sustaining a compliant company image. The results of this research illustrate that companies with family ownership tend to be less aggressive and choose to avoid risk. Families as shareholders tend to behave altruistically, prioritizing the common welfare ([Steijvers & Niskanen, 2014](#)). It can be concluded that the family's position as a shareholder impacts company policy decisions. Aside from the issue of equity in profit sharing, companies with family shareholders see tax avoidance as a benefit because it generates positive cash flows for tax savings, but they also see tax avoidance as a risky activity that can bitter good relations with minority shareholders ([Gaaya et al., 2017](#); [Khelif & Khelif, 2022](#)).

Next, the moderation test in this research indicates that institutional share ownership is not significant, with a p-value of 0.524 and a negative coefficient of 0.001. Results of this research indicate that the relationship has a negative effect but not a significant value. This is consistent with [Tandean & Winnie \(2016\)](#), [Sofiamira & Haryono \(2017\)](#) and [Mollah et al. \(2012\)](#) findings, which found that institutional ownership had no influence on tax avoidance. The size of the institutional ownership proportion has no impact on the company's tax avoidance strategy. This result may happen because institutional ownership entrusts the company's monitoring and administration to the board of commissioners. The alleged tax avoidance is not significantly influenced by institutional ownership because the institutional owners do not engage in monitoring the managers' conduct ([Bebchuk et al., 2017](#)). Another argument is that institutional owners are more concerned with their well-being and increasing future profits. Hence the share of institutional ownership has little impact on tax avoidance.

Based on the regression results in Table 5, LVG has a p-value of <0.001 with a coefficient of -0.358. These findings show that the more the company's debt, the more



tax avoidance actions it engages in by deducting debt interest expenses. According to (Richardson et al., 2014), the greater the leverage ratio, the more funding debt the company uses and the higher the interest expenses associated with the debt. The decreased interest payments will result in a lower company tax expense. The higher the company's debt value, the lower the company's Cash Effective Tax Rate (CETR). ROA has a p-value of 0.015 with a coefficient of -0.003. It means that ROA is negatively correlated with tax avoidance. If the other independent variables remain constant, the price CETR will decrease by 0.003 for every increase in ROA. The amount of company tax payments will not be affected by return on assets, as the higher the company's net profit, the greater the number of corporate tax payments will not be affected. It is in line with [Derashid & Zhang \(2003\)](#) research. Lastly, based on the regression results, the CI has a p-value of < 0.001 with a coefficient of -0.072. The findings of this study show that the more fixed assets a corporation own, the more tax avoidance actions it engages in. Fixed assets can be used to assist a company's operations, especially in manufacturing organizations with more complicated operational tasks ([Dewi & Yasa, 2020](#)). It also means that the company's tendency to invest in fixed assets will affect the level of tax avoidance by taking advantage of the depreciation to reduce tax payments ([Hidayat & Fitria, 2018](#)). According to the R square score, this model has a 16.2% effect, while other factors influence the remaining 83.8%.

High levels of uncertainty in the environment, such as high tax rates, varying tax rules, and frequent tax changes, encourage many enterprises to engage in active tax avoidance. The company interprets this unpredictability as a potential opportunity for profit or loss in the future. The findings of this study show that, while operating in an unpredictable environment, companies' business plans are not intended to gain future tax benefits for tax evasion. It is in line with [Guenther et al. \(2017\)](#), which stated that paying lower taxes does not always imply a higher risk of taxation. Previous research stated that lower tax avoidance could happen because of reasonable tax control by the government or lousy tax planning by companies ([Mangoting et al., 2021](#)). In other words, lower tax avoidance behavior also indicates that the government has carried out its duties properly. Not only the enforcement of the tax regulatory system but also better management of the state finances. For example, with good financial governance by the government, lower corruption and higher infrastructure development could also benefit the companies as well. It could happen because building streets opens up new access to remote areas, creating new markets. This action is, therefore, profitable for the companies.

## **Conclusion**

This research is conducted to understand the effect of family and institutional ownership on tax risk and tax avoidance relation. According to this research, tax risk and tax avoidance have a negative association. Tax risk is described as business environment uncertainty. Therefore, negative association indicates that the higher the business environment uncertainty, the higher the tax paid by the company. This is possible because companies tend to be more careful when dealing with uncertain business environments.

It can also be interpreted that the implementation of tax regulation enforcement is going well. The reason is because companies will also consider the risk of fines, sanctions, or additional tax payments in the future so that they can maximize tax savings strategies while dealing with an uncertain business environment. Family ownership is used as a moderating proxy and significantly affects the relationship between tax risk and tax avoidance. Yet, the relationship between tax risk and tax avoidance is unaffected by institutional ownership as a moderating proxy. By understanding this relationship, this research could help the government in making future tax regulations that could prevent tax losses in the state treasury. For example, by understanding who control most companies in Indonesia, the government can calculate the company's behavior, so the government can prevent any loopholes that could produce tax loss for Indonesia.

We recommend that further studies be conducted over a longer period of time. Many firms have incomplete data and operate at a loss. Thus, we are unable to analyze them in this research. As a result, the research sample chosen is less representative of Indonesia's overall manufacturing industry. We also had trouble obtaining and collecting data on tax risk indicators. Therefore, we recommend extending the sample period. We hope future researchers can extend this research to different sectors and larger samples. Furthermore, the findings of this research provide information for tax authorities to evaluate the effectiveness of tax regulation functions in order to predict business environment dynamics that cause tax risk for taxpayers. Also, Investors should be aware of the practice of tax avoidance to examine the investment's risks more thoroughly.

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