Humanities and Social Sciences Letters
2022 Vol. 10, No. 4, pp. 428-439.
ISSN(e): 2312-4318
ISSN(p): 2312-5659
DOI: 10.18488/73.v10i4.3107

ANALYZING OWNER'S ROLE IN INFLUENCING CORPORATE TAX POLICY

Deden Tarmidi[1+]
Yulis Diana Alfia[2]
Haryono Umar[3]

[1,2]*Department of Accounting, Faculty of Economic and Business, Mercu Buana University, Jakarta, Indonesia.*
[1]*Email: deden.tarmidi@mercubuana.ac.id Tel: 6281806323331*
[2]*Email: yulis.diana@mercubuana.ac.id Tel: 6221- 5840816*
[3]*Department of Accounting, Postgraduate School, Institut Keuangan Perbankan Dan Informatika Asia Perbanas, Jakarta, Indonesia.*
[3]*Email: flamboyan24@gmail.com Tel: 6221-5223064*


(+ Corresponding author)

Article History
Received: 9 May 2022
Revised: 19 July 2022
Accepted: 12 August 2022
Published: 26 August 2022

Keywords
Corporate tax policy
Foreign ownership
Institutional ownership
Managerial ownership.

ABSTRACT

This study aims to analyze the owner's role in the company's tax policy taken by management. As the owner of capital, the role of the owner is strongly suspected of influencing management in every policy, including tax policy, while, tax for companies is still considered a burden that erodes issuers' profits and investors returns. Decisions in tax policy are indicators in assessing the level of compliance and dilemmas in responding to owner interests. STATA was used for the analysis of 132-panel data from the annual report of manufacturing companies listed on the Indonesia Stock Exchange from 2014 to 2019 after purposive sampling. This study found strong institutional and foreign owners' role on management policy for tax minimization. These results can be input for other stakeholders such as regulators in analyzing the level of taxpayer compliance from the influence of institutional and foreign share ownership. The advantage of this research is the use of the Tax Compliance Ratio (TCR) as an indicator of the company's tax policy compared to the Effective Tax Rate (ETR) which is commonly used by other studies. In addition, the expansion test of the research model with a simple regression test on the effect of each share ownership as well as a sensitivity test in analyzing the strength of TCR compared to ETR makes this research unique and deeper.

Contribution/Originality: This study contributes to the literature on tax accounting research in using TCR for analyzing corporate tax policy, making an impact by ownership structure more than ETR. This study also finds that managers as investors play a greater role in corporate tax policy when there are no institutional and foreign investors, whereas if they exist, managers do not have an important role.

1. INTRODUCTION

Indonesia is one of the countries that rely on taxes as the main source of revenue for development and government costs. Various government policies have been issued so that the trend of tax revenue continues to increase every year even though it is still far from the target. This is because even though the tax is a taxpayer's contribution to the state, tax is still a burden on taxpayers which can reduce profits, assets, and dividends for the owner. Some literature analyzes corporate tax policies in two conflicting groups, namely tax compliance and tax non-compliance. Generally, a tax compliant company is indicated by a tax payment that is not less than the statutory tax rate (Oktavia, Siregar, Wardhani, & Rahayu, 2019; Tandean & Winnie, 2016) otherwise, the company is classified as non-compliant if the tax payment is less than the statutory tax rate which in Indonesia is 25 % before changing to 22% by 2021. On the other hand, the smaller amount of the tax burden compared to the statutory tax rate is also variedly known as tax planning, tax avoidance, and tax aggressiveness because it does not directly violate tax provisions, but only takes advantage of the loophole of existing tax provisions (Mardiasmo, 2016).

Generally, corporate tax policy research in the form of tax compliance is analyzed from primary data sourced from interviews or questionnaires with taxpayers (Güzel, Özer, & Özcan, 2019; Musimenta, Naigaga, Bananuka, & Najjuma, 2019; Paramaduhita & Mustikasari, 2018; Sadress, Bananuka, Orobia, & Opiso, 2019; Siglé, Goslinga, Speklé, van der Hel, & Veldhuizen, 2018; Umar, Derashid, Ibrahim, & Bidin, 2019). Tax policy research in the form of tax avoidance, tax aggressiveness to tax evasion generally use secondary data from corporate financial reports (Akbari, Salehi, & Bagherpour Vlashani, 2018; Kovermann, 2018; López, 2017; Waluyo & Doktoralina, 2018; Wei & Abdul Wahab, 2018; Yorke, Amidu, & Agyemin-Boateng, 2016; Zeng, 2019).

Many studies analyze the factors that encourage management in making corporate tax policies both to comply and disobey both from internal and external factors. The ownership structure is one of the factors that affect corporate tax policy because the owner is the party who has the power over the direction of the business even though management ultimately decides the policy. Onu, Oats, Kirchler, and Hartmann (2019) investigated the owners' of small businesses and found the factors based on the psychological underpinnings of creative compliance by doing tax avoidance, tax planning, or tax evasion. The findings show that tax compliance behavior can be driven by the owner's weak personal norms, perceptions of an unfair tax system, and the loopholes that can be exploited, and extremely said that tax evasion is a trivial crime. These are the inherent existence of ownership that encourages tax non-compliance behavior and several kinds of literature analyze ownership structures in the form of institutional, managerial, and foreign ownership.

Institutional ownership is the proportion of company shares owned by the institution (Oktaviana & Wahidahwati, 2017) so that profit orientation is quite strong in this type of company and has an impact on corporate tax policy. Putri and Lawita (2019) in their research found a positive effect of institutional ownership on tax policy in the form of tax aggressiveness, but Nugroho and Firmansyah (2017); Alkurdi and Mardini (2020) found the opposite. Other ownership structures that are widely analyzed are managerial ownership, Multazam and Rahamwaty (2018); Salaudeen and Ejeh (2018) found a significant effect of managerial ownership on company policy in the form of tax aggressiveness, although this was not found in Yetri, Haryadi, and Ilham (2020); Nugraheni and Murtin (2019) and Alkurdi and Mardini (2020) found a negative relationship between tax avoidance and managerial ownership.

The direction of corporate tax policy owned by institutions, managers, and foreigners seems to be in line, where companies with a high proportion are suspected of taking tax policies to be more aggressive. The conglomerates that have emerged so far have generated polemics in a society where conglomerates continue to try to increase personal wealth. Companies with high foreign ownership are thought to have a lower sense of nationalism, especially in corporate tax compliance, thus encouraging companies to take tax policies that are more profitable for the company and the owner. Widawati and Wahidawati (2019); Yulistia, Minovia, and Andison (2020) found a positive effect of foreign ownership on corporate tax policy in the form of tax avoidance, although the opposite results were found by Nainggolan and Sari (2019).

Onu et al. (2019) examine the owners of small business behavioural factors that encourage tax non-compliance by using primary data. On the contrary, this study wants to find out how the company's ownership structure in the manufacturing sector in Indonesia has an impact on the company's tax policy by using secondary data. Manufacturing companies are a sector that supports Indonesia's economic growth target of 6% (Budiono, Nurcahyo, & Habiburrahman, 2021) so it is a representative sector in describing contributions nor reductions in state tax revenues. Tax policy as a reflection of corporate tax compliance to the government as an important role stakeholder, both in terms of legislation and the right to collect taxes is an important goal in this study.

2. THEORY AND HYPOTHESES

2.1. Stakeholders Theory

Stakeholder theory was first introduced by Freeman (1984) where this theory explains stakeholders for every action of management. The problem of value creation, the ethical problem of capitalism, and the problem of managerial mindset are discussed in this theory. Stakeholder theory explains that there is a relationship between businesses and individuals in influencing or being influenced, so problems often arise that need to be solved. Stakeholders can control or influence the resources owned by the company. Therefore, stakeholders' power is determined by the share of the stakeholders in controlling the company or in making management decisions. Although the share of ownership is generally an indicator of stakeholders' power, other things can be a strong point in controlling the company.

Institutional, managerial, and foreign ownership are the share of company ownership of the three types of ownership indicators. In line with the theory of business continuity, the company certainly has a vision and mission of having a longer operation, both from business activities carried out alone and from investments in other companies. A high return is an indicator of investment success so that shareholders encourage companies to have high profits with the policies taken, one of which is minimizing the tax burden or complying with tax provisions to avoid the burden of tax penalties that harm the company.

Freeman, Harrison, Wicks, Parmar, and De Coll (2012) discuss how the limitations of the use of stakeholder theory are mainly related to the study of ownership structure and its effect on the tax policy of the managers. The study claims that the manager's opportunistic behavior is only addressed and can be explained more in the shareholder interest. It emphasizes that stakeholder theory creates more accountability from managers who have more obligations and duties to many stakeholders (constituencies). This study makes several recommendations like tax policy issues should be primarily concerned with the distribution of financial (resources) outputs, managers should treat stakeholders equally, changes should be made in the current law, and emphasizes economic progress and a comprehensive moral doctrine development (Freeman et al., 2012).

2.2. Ownership Structure and Corporate Tax Policy

The ownership structure is the proportion of share ownership in the company (in this case the shares of the issuer). So institutional ownership is the proportion of institutional shares from the equity of an issuer, in both government and private institutions (Oktaviana & Wahidahwati, 2017). Managerial ownership is the proportion of company shares owned by the company's internal management (Pasaribu, Topowijono, & Sulasmiyati, 2016) so that management has a dual function as a principle as well as an agent. Family ownership is defined as the proportion of share ownership in an issuer by family members, where the encouragement of individuals or family groups is thought to have a strong role in every company policy (Masripah, Vera, & Debby, 2015). Meanwhile, foreign ownership is the proportion of share ownership of an issuer owned by foreign citizens or foreign institutions.

Many (though not all) ownership structure analyzes are measured by comparing the number of shares of each type of ownership with the number of company shares. Like institutional ownership which is measured by comparing the number of shares owned by the institution with the total number of shares (Jamei, 2017), managerial ownership is measured by comparing the number of shares owned by managers with the total number of shares (Yetri et al., 2020). While family ownership is measured by comparing the number of shares owned by the family with the total number of shares (Widuri, Anugrah, Yumico, & Laurentia, 2019), foreign ownership is measured by comparing the number of shares owned by foreigners and foreign institutions with the total number of shares (Idzni & Purwanto, 2017).

Corporate tax policy is any decision made by management as a company manager concerning corporate tax rights and obligations in the form of tax calculation and financial transactions, tax payment, and tax reporting. The company policy was taken to minimize the company's tax burden both in the form of current taxes and tax penalties so that the company's profit target was achieved.

Of the various types of corporate tax policies, the only tax calculation is generally analyzed in many studies. This is because information on tax payment and tax reporting is not published about tax provisions in each country, such as Article 34 of the KUP Law that applies in Indonesia. Various types of corporate tax policies are formulated in tax planning with the main objective of minimizing the company's tax burden, even though these policies do not have a significant effect on companies with final tax rates (Septiawan & Harnovinsah, 2019).

The literature describes corporate tax policies with several types such as tax planning, tax compliance, tax avoidance, tax aggressiveness to tax evasion. External parties view tax avoidance, tax aggressiveness, and tax evasion as corporate tax policies through tax planning that tend towards tax non-compliance because these actions can reduce state revenue from taxes both legally and illegally. However, internal parties view corporate tax policies through tax planning, both with tax compliance, tax avoidance, and tax aggressiveness as a natural thing because they do not directly conflict with tax provisions, although each of these policies still carries the risk of increasing future tax burdens after the audit process.

In more detail, Onu et al. (2019) explain each term in tax policy, even though on the compliance and non-compliance spectrum, each of which has a different emphasis on behavior with different driving factors. Tax planning or avoidance is carried out for the reason that tax provisions are flexible rules so that taxpayers with their knowledge find loopholes to make tax savings. On the other hand, tax evasion is not related to the tax system itself, but more to the perception that evasion tax is not a serious crime. Both are related to low personal morals and norms to contribute to the public good. In this study, we underlined Onu et al.'s (2019) findings that tax planning is behavior-driven by individual owner perceptions, as in the company's ownership structure consists of people who play an important role in influencing company decisions. In the context of ownership structures in public business, we like to see how domination in certain ownership structures affects behavior in tax policy.

2.3. Institutional Ownership and Corporate Tax Policy

Specific institutions that are profit-oriented certainly have a goal of maximizing profits both in their operational activities and in investment activities. By assuming that tax is a corporate burden that can reduce company profits and investor returns, the institution is suspected of taking a policy to minimize the tax burden either by itself or by the issuer's management when the institution has a function as shareowner. The higher the proportion of shares owned by the institution, it is assumed that the impetus for management in making corporate tax policies will be higher, coupled with the tax professionals owned by institutional owners who know the ins and outs of tax provisions and gray area and loopholes available in applicable tax regulations.

Anggraini and Widarjo (2020); Vanesali and Kristanto (2020) in their research found a positive effect of institutional ownership on corporate tax policy in the form of tax aggressiveness. These results explain that institutional shareholders provide a lot of encouragement to management in making corporate tax policies so that the level of tax aggressiveness is high. Based on the aforementioned, the hypothesis is framed:

H1. Corporate tax policies are driven by Institutional owners.

2.4. Managerial Ownership and Corporate Tax Policy

Management and owner are usually two different parties who have their respective interests and authorities, so there is a lot of information asymmetry because management as an agent has information and resources in business management, while investors as the principal or owner as of the party who has the source of funds for development issuer's business. However, along with the development of the times, there are times when management is given the right to own the company either by their own will or company rules. With the proportion of shares owned by managers, the management function becomes two things simultaneously, namely as a principal and as an agent. The managerial ownership trend is considered capable of encouraging business development because as the party that manages the company, management is also considered to own the company so that business continuity is prioritized. With the proportion of shares owned, management is thought to have more authority in policymaking, including corporate tax policy. As an expense that reduces company profits and returns in its position as an investor, the proportion of managerial ownership is thought to have a positive effect on corporate tax policy to minimize the company's tax burden.

Salaudeen and Ejeh (2018); Multazam and Rahamwaty (2018) in their research found a positive effect of managerial ownership on corporate tax policy in the form of tax aggressiveness. These results explain that the management as the shareowner as well as the company manager is more aggressive in making tax policies in the form of minimizing the tax burden. Hence, the hypothesis framed is as under:

H2. Corporate tax policies are driven by managerial owners.

2.5. Foreign Ownership and Corporate Tax Policy

Taxes are an obligation of citizens in assisting the government in domestic development so that the level of nationalism is firmly embedded in obedient taxpayers. On the other hand, foreign citizens, both individuals and institutions, are suspected of having low (or even not) nationalism, especially in business activities that have profit or profit objectives. With a high proportion of foreign ownership, management is thought to be motivated to take tax policies to minimize higher tax burdens so that company profits and stock returns are high. Shi, Concepcion, Laguinday, Ong Hian Huy, and Unite (2020); Yulistia et al. (2020); Alkurdi and Mardini (2020) in their research found significant evidence and a positive relationship and influence between foreign ownership on tax policy in the form of corporate tax avoidance. These results indicate that foreign ownership encourages management in making corporate tax policies to minimize the tax burden so that higher returns are received by foreign owners abroad. This leads to the following hypothesis:

H3. Corporate tax policies are driven by foreign owners.

3. METHOD

3.1. Sample

Soetanto and Fun (2015) discussed that the manufacturing sector is the imperative factor in East Asia, which creates needs for inputs and corresponding outputs from other sectors (Liao, Fei, & Chen, 2007; Nehru, 2013). Based on Soetanto and Fun (2015) in the context of Indonesia, the government encourages the development of this industry in the escalation of the Asian Economic Community, where the manufacturing industry has been contributing steadily to GDP in recent years compared to another sector. This is a good point to examine the taxation contribution of this sector. So, the population of this study were manufacturing companies listed on the Indonesia Stock Exchange in the 2014 - 2019 period, and 132 data in the form of annual reports were used as sampling with purposive sampling procedure.

3.2. Measurement of Variables

3.2.1. Dependent Variables

The dependent variable in this study was corporate tax policy and proxied by a new measure, namely Tax Compliance Ratio (TCR), obtained by dividing current income tax with fiscal taxable income and multiplied by the tax rate. This TCR measurement can be used to measure the level of corporate tax compliance and other tax policies where if the TCR value is 1 or more, it is an indicator of compliance, while if the TCR value is less than 1, the company is indicated to minimize the tax burden. TCR is the development of the effective tax rate (ETR) which is commonly used in analyzing corporate tax avoidance as in Jamei (2017).

3.3. Independent Variables

There are three dependent variables in the research model, namely institutional ownership, managerial ownership, and foreign ownership. Institutional ownership is the proportion of the issuer's share ownership owned by both government and private institutions. The study adopted the point of view of Ngadiman and Puspitasari (2014), who suggested that institutional ownership (INS) can be measured by comparing the number of shares owned by the institution with the number of company shares. Managerial ownership (MAN) is the proportion of share ownership of the issuer that is owned by the company's internal managers. The study adopted the principle of Yetri et al. (2020), who believed that managerial ownership is measured by comparing the number of shares owned by management with the number of company shares. Foreign ownership (FOR) is the proportion of share ownership of the issuer that is owned by foreign nationals or foreign companies. The study adopted Idzni and Purwanto's (2017) premise that foreign ownership can be measured by comparing the number of shares owned by foreign nationals and foreign institutions with the number of company shares.

4. DATA ANALYSIS AND RESULTS

Manufacturing financial reports were taken from the IDX.co.id which is the largest sector on the stock exchange in Indonesia. Data analysis was performed using STATA software by starting with the determination of the best model, then testing for normality, multicollinearity, heteroscedasticity, and autocorrelation, and ending with the coefficient of determination test, fit-test, and t-test. Based on purposive sampling, 132 data of annual reports were processed and analyzed using STATA software, as shown in Table 1.

Table 1. Descriptive statistics.

Variables	Min.	Max.	Mean	Std. Dev.
INS	0.224	0.997	0.706	0.199
MAN	0.001	0.255	0.037	0.070
FOR	0.049	0.996	0.494	0.232
TCR	-0.898	0.555	0.029	0.120

Note: INS = Institutional Ownership, MAN = Managerial Ownership, FOR = Foreign Ownership, TCR = Corporate Tax Policy.

Based on Table 1, it can be seen that manufacturing shares are still in demand by institutions so that ownership is 70.60%, whereas foreign ownership is 49.24% and management ownership is quite small, amounting to 3.72%. With a mean value of 2.94%, it shows that the company's policy in tax compliance is very low and vice versa, and it suggests that the company's policy in minimizing the tax burden is very high.

The advantage of panel data compared to other types of data is the selection of a model that fits the existing data (Gujarati, 2012). This is because panel data is a combination of time series and cross-section data. After the Chow test, LM test, and Hausman test, it is known that the Common Effect is the best model in a regression test.

Table 2. Main hypothesis.

[1] TCR $= \beta_0 + \beta_1 INS + \beta_2 MAN + \beta_3 FOR + \varepsilon$				
Variables	**Coef.**	**t-stat**	**Sig.**	**Result**
INS -> TCR	-0.005	-2.06	0.042**	Accepted
MAN -> TCR	-0.004	-0.55	0.587	Rejected
FOR -> TCR	-0.004	-2.15	0.034**	Accepted
N	105			
F	0.0093***			
R-Square	0.1071			

Note: INS = Institutional Ownership, MAN = Managerial Ownership, FOR = Foreign Ownership, TCR = Tax Policy.
** Sign 5%; ***10%.

A classical assumption test was then performed to assess the quality of the existing data. The 132 data analyzed by the normality test did not show good results, so trimming and winsorizing were carried out, followed by testing and passing of 105 data for second normality. The research data also passed the multicollinearity and autocorrelation test, showing problems in the heteroscedasticity test suggesting that the data was robust.

Table 2 shows the results of the hypothesis testing of the main model, it can be explained that H1 and H3 are accepted, while H2 is rejected. The results of the determination coefficient test show that only 10.71% of the ownership structure variable can explain tax policy. The expansion test was also performed with simple regression between each independent variable on the dependent variable. This was done because not all research populations had 3 types of ownership as analyzed in this study, namely institutional ownership, managerial ownership and foreign ownership. This expansion test was conducted to determine the partial effect of the type of company ownership on the company's tax policy taken by management.

Table 3. Expansion test result.

M	Regression	N	R-Square	Coef.	Sig.
[2]	INS -> TCR	514	0.009	-0.130	0.025**
[3]	MAN -> TCR	214	0.027	-0.333	0.015**
[4]	FOR -> TCR	233	0.022	-0.128	0.023**

Note: INS = Institutional Ownership, MAN = Managerial Ownership, FOR = Foreign Ownership, TCR = Corporate Tax Policy.
** Significant 5%.

The expansion test is shown in Table 3 which reveals that institutional ownership has an influence on management in determining the company's tax policy and to minimize the tax burden (Model 2). This is because the tax is still considered a burden by the owner since it reduces the company's profit and the owner's profit from the dividends to be paid. These results explain that the encouragement from institutional owners to management in policymaking to minimize the tax burden is very strong, both when the ownership structure in the company is diverse (owned by institutions, managers, and foreigners) and when the ownership structure is only owned by institutions.

The results of the expansion test also revealed that managerial ownership has an influence on Management in determining the company's tax policy to minimize the tax burden (Model 3). This is because taxes are still considered a burden for the owner, including management. On the other hand, managers as company owners as well as managers tend their tax policies to make more profit for the managers themselves (Freeman et al., 2012; Jensen & Meckling, 1976). This result explains that management also wants a minimal tax burden when the level of manager ownership in the company is high and there are no other types of ownership such as shares owned by institutions or shares owned by foreigners.

Furthermore, the expansion test also finds a strong influence of foreign ownership on the company's tax policy to minimize the tax burden (Model 4). Foreign owners who are not citizens do not have a sense of nationality outside of business matters and profit maximization achievement when compared to domestic taxpayers.

Table 4 shows a sensitivity test that was conducted by comparing the effect of ownership structure both institutional, managerial, and foreign ownership on corporate tax policy using a new indicator, namely the Tax Compliance Ratio (TCR) with the common indicator, namely the Effective Tax Rate (ETR).

Table 4. Sensitivity test.

M	Regression	N	R-Square	Coef.	Sig.
[5]	INS -> ETR	514	0.008	-0.249	0.035**
[6]	MAN -> ETR	214	0.000	-0.092	0.742
[7]	FOR -> ETR	233	0.017	-0.162	0.041**

Note: INS = Institutional Ownership, MAN = Managerial Ownership, FOR = Foreign Ownership, ETR = Effective Tax Rate.
** Significant 5%.

From the sensitivity test of model 5, it is found that institutional ownership has an influence on management in determining the company's tax policy to minimize the tax burden. The results of model 5 sensitivity are in line with the results of the expansion regression model 2, where tax policy measured by both TCR or ETR has the same effect on institutional ownership.

Model 6 sensitivity test found that managerial ownership does not have a significant effect on management in determining the company's tax policy. This result is different when tax policy is measured using TCR with a negative effect. This test shows that tax policy can be explained more by the manager's ownership factor when measured using the TCR, namely the R-Square value of 2.74%.

Model 7 sensitivity test finds the effect of foreign ownership on management in minimizing the tax burden. This result is in line with model 4, where either tax policy measured using TCR or ETR has the same effect on foreign ownership. The R-Square value of 1.78% in the ETR measurement shows that tax policy can be explained more by the foreign ownership of the company when measured using the TCR, namely the R-Square of 2.22%.

From the main regression test (model 1) compared to the expansion test (models 2, 3, and 4) and the sensitivity test (models 5, 6, and 7) it can be seen that model 1 or the main regression of this study has an R-Square value 10.71% so that research model 1 is considered better than other research models.

5. DISCUSSION

This study found the effect of institutional ownership on the company's tax policy in minimizing the tax burden. These results explain that the higher the company is owned by the institution, the greater is management encouraged to minimize the tax burden with the aim that the company's profit is higher and the return to the owner is also high. As stakeholder theory explains that the company's policies are taken by the company not only for its interests but also for other stakeholders, in this case especially shareholders.

Institutional owners, as in the theory of business sustainability, certainly have a vision and mission to extend their business ventures, either by themselves or in the form of investments. The vision and mission encourage owners to influence management in the company's policies, one of which is the policy of minimizing the tax burden. The results of this study are in line with Anggraini and Widarjo (2020) and Vanesali and Kristanto (2020) who found that the high share of shares owned by institutions encourages companies to take tax aggressive actions so that company profits increase and stock returns are high.

The study did not find the effect of managerial ownership on corporate tax policy. This can be interpreted that the manager as the owner does not contribute to decision-making related to tax policy. Beyond their interests as owners, managers seek to accommodate more-broad stakeholder interests in shareholders. This can be proven from the proportion of managerial share ownership which is lower than institutional and foreign ownership. That the effect of managerial ownership on corporate tax policy was not found could be due to the low average managerial ownership in the unit of analysis, which is 3.72% compared to institutional ownership which is on average 70.60%, and foreign ownership is 49.42%. With such a small portion, the manager of the company is more influenced by the encouragement of institutional owners and foreign owners than himself as the owner of the company.

In stakeholder theory, it is explained that indeed shareholders are part of the stakeholders, wealth maximization does not mean that companies can ignore the interests of stakeholders more broadly. Companies (managers) do not have to only focus on cost efficiency issues, one of which is related to minimizing the tax burden. Managers as part of the implementor of the tax policy, have sufficient knowledge in doing creative compliance. Managers have enough knowledge in exploiting loopholes and main rules in accounting and taxation, as well as the limits of tax minimization that can be done to avoid the legal consequences of their tax policies (Onu et al., 2019). However, shareholders as a whole are important constituents regarding the long-term viability of the company (Freeman et al., 2012).

The absence of the effect of managerial ownership on corporate tax policy is in line with the research of Yetri et al. (2020); Nugraheni and Murtin (2019) which also did not find the effect of managerial ownership on corporate policy in tax avoidance. This implies that even though the manager is the owner as well as manager of the company, in carrying out its functions in the business, namely as the manager of the company, it is more accommodating to the interests of other owners.

This study found that there was an effect of foreign ownership on company's tax policy in minimizing the tax burden. These results explain that the higher the company is owned by foreigners, the greater is management encouraged to minimize the tax burden with the aim that the company's profit is higher and the return to the owner is also high. Foreign ownership is also suspected of not being in line with the spirit of the nation in developing the country, the majority of which comes from tax revenues. The national spirit of foreign owners is thought to be lower than that of domestic shareholders so that the interests of foreign shareholders are prioritized over other stakeholders such as the government.

It is not surprising that transfer pricing practices often occur in companies with foreign ownership, such as the case of Astra or Asian Agri, which shifts corporate profits in Indonesia to group companies abroad. The transfer pricing method causes the amount of tax paid in Indonesia to be smaller than it should be. The foreign ownership indicator is a kind of signal that companies with majority foreign shares encourage management to shift company profits in Indonesia to group companies located in other countries with lower tax rates. Transfer pricing is a method that is widely used by companies to avoid large numbers, not only in the case of Indonesia but also in world countries in general (Bartelsman & Beetsma, 2000; Cools, Emmanuel, & Jorissen, 2008; Sikka & Willmott, 2010).

The results of this study are in line with Shi et al. (2020); Yulistia et al. (2020); Alkurdi and Mardini (2020) who found that the high portion of shares owned by foreigners encouraged companies to take tax aggressive actions so that company profits increased and stock returns were high.

6. PRACTICAL IMPLICATIONS AND CONTRIBUTION

From the results of the hypothesis test, expansion test and sensitivity test discussed earlier, this study found that institutional ownership has an influence on company policies in minimizing the tax burden. The influence of the institutional owner is quite strong when the majority owner of the company is only owned by the institutional owner or there are other owners such as managers or foreigners.

This study also found that managerial ownership does not influence company policy. Managerial ownership is quite strong when there is no other majority ownership in the company such as institutional or foreign ownership, when there is another type of ownership structure, the influence of manager ownership is non-existent.

Finally, foreign ownership was found to affect the company's policy in minimizing the tax burden. The influence of foreign owners is quite strong both when the majority owner of the company is only owned by foreign owners or there are other owners such as institutional and manager ownership.

With the discovery of the effect of institutional ownership and foreign ownership on company policies in minimizing the tax burden, these results can be used as indicators by regulators such as the Directorate General of Taxes in analyzing taxpayer compliance. However, these results can also be used as input for the government in considering investment policies, both domestic and foreign.

7. LIMITATIONS AND DIRECTIONS FOR FUTURE STUDY

The results of this study found a strong influence of ownership on corporate tax policy as measured by the Tax Compliance Ratio (TCR) compared to the Effective Tax Rate (ETR) that has been used so far. This can be input for further research to use TCR in measuring corporate tax policies such as tax compliance, tax planning, or tax aggressiveness.

Finally, we have limitations in collecting complete company ownership data because not all companies have a complete ownership structure according to the main research design, so an expansion test is needed to deepen the analysis individually. Further research is recommended to research with more units of analysis from various types of industries or countries and also a longer observation time to strengthen the results of existing research.

Funding: Mercu Buana University and Institut Keuangan Perbankan Dan Informatika Asia Perbanas (Grant number: 02-5/185/B-SPK/II/2021).
Competing Interests: The authors declare that they have no competing interests.
Authors' Contributions: All authors contributed equally to the conception and design of the study.

REFERENCES

Akbari, F., Salehi, M., & Bagherpour Vlashani, M. A. (2018). The effect of managerial ability on tax avoidance by classical and Bayesian econometrics in multilevel models: Evidence of Iran. *International Journal of Emerging Markets, 13*(6), 1656-1678.Available at: https://doi.org/10.1108/ijoem-09-2017-0367.

Alkurdi, A., & Mardini, G. H. (2020). The impact of ownership structure and the board of directors' composition on tax avoidance strategies: Empirical evidence from Jordan. *Journal of Financial Reporting and Accounting, 18*(4), 795-812.Available at: https://doi.org/10.1108/jfra-01-2020-0001.

Anggraini, Y., & Widarjo, W. (2020). Political connection, institutional ownership and tax aggressiveness in Indonesia. *European Journal of Business and Management Research, 5*(5), 1-7.Available at: https://doi.org/10.24018/ejbmr.2020.5.5.528.

Bartelsman, E. J., & Beetsma, R. (2000). Why pay more? Corporate tax avoidance through transfer pricing in OECD countries. CESifo Working Paper, No. 324, Center for Economic Studies and ifo Institute (CESifo), Munich.

Budiono, H. D. S., Nurcahyo, R., & Habiburrahman, M. (2021). Relationship between manufacturing complexity, strategy, and performance of manufacturing industries in Indonesia. *Heliyon, 7*(6), 1-10.Available at: https://doi.org/10.1016/j.heliyon.2021.e07225.

Cools, M., Emmanuel, C., & Jorissen, A. (2008). Management control in the transfer pricing tax compliant multinational enterprise. *Accounting, Organizations and Society, 33*(6), 603-628.Available at: https://doi.org/10.1016/j.aos.2007.05.004.

Freeman, R. E. (1984). *Strategic management: A stakoholder approach*. Boston: Pitman.

Freeman, R. E., Harrison, J. S., Wicks, E. C., Parmar, B. L., & De Coll, S. (2012). Stakeholder theory: The state of the art. *The Academy Management Annals, 3*(1), 403-445.Available at: https://doi.org/10.1080/19416520.2010.495581.

Gujarati. (2012). *Fundamentals of econometrics* (5th ed.). Jakarta: Salemba Empat.

Güzel, S. A., Özer, G., & Özcan, M. (2019). The effect of the variables of tax justice perception and trust in government on tax compliance: The case of Turkey. *Journal of Behavioral and Experimental Economics, 78*, 80-86.Available at: https://doi.org/10.1016/j.socec.2018.12.006.

Idzni, I. N., & Purwanto, A. (2017). The effect of foreign investor interest and institutional ownership on corporate tax avoidance. *Diponegoro Journal of Accounting, 6*(1), 141-152.

Jamei, R. (2017). Tax avoidance and corporate governance mechanisms: Evidence from Tehran stock exchange. *International Journal of Economics and Financial Issues, 7*(4), 638-644.

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.Available at: https://doi.org/10.1016/0304-405x(76)90026-x.

Kovermann, J. H. (2018). Tax avoidance, tax risk and the cost of debt in a bank-dominated economy. *Managerial Auditing Journal, 33*(8–9), 683–699.Available at: https://doi.org/10.1108/MAJ-12-2017-1734.

Liao, S., Fei, W., & Chen, C. (2007). Knowledge sharing, absorptive capacity, and innovation capability: An empirical study of Taiwan's knowledge-intensive industries. *Journal of Information Science, 33*(3), 340-359.Available at: https://doi.org/10.1177/0165551506070739.

López, J. J. (2017). A quantitative theory of tax evasion. *Journal of Macroeconomics, 53*, 107-126.Available at: https://doi.org/10.1016/j.jmacro.2017.06.005.

Mardiasmo. (2016). *Taxation* (Revised ed.). Yogyakarta: Publisher Andi.

Masripah, M., Vera, D., & Debby, F. (2015). Controlling shareholder and tax avoidance: Family ownership and corporate governance. *International Research Journal of Business Studies, 8*(3), 167-180.Available at: https://doi.org/10.21632/irjbs.8.3.167-180.

Multazam, S., & Rahamwaty, R. (2018). The influence of leverage, executive incentives, managerial ownership on tax aggressiveness (Study in manufacturing companies listed on IDX year 2012-2014). *Scientific Journal of Accounting Economics Students, 3*(3), 494-504.

Musimenta, D., Naigaga, S., Bananuka, J., & Najjuma, M. S. (2019). Tax compliance of financial services firms: A developing economy perspective. *Journal of Money Laundering Control, 22*(1), 14-31.Available at: https://doi.org/10.1108/jmlc-01-2018-0007.

Nainggolan, C., & Sari, D. (2019). Foreign interests, international activities, and thin capitalization: Effects on tax aggressiveness in Indonesia. *Journal of Accounting and Business, 19*(2), 147-159.

Nehru, V. (2013). Survey of recent developments. *Bulletin of Indonesian Economic Studies, 49*(2), 139-166.

Ngadiman, & Puspitasari, C. (2014). The effect of leverage, institutional ownership, and company size on tax avoidance in manufacturing sector companies listed on the Indonesia stock exchange 2010-2012. *Journal of Accounting, 18*(3), 408-421.

Nugraheni, G. A., & Murtin, A. (2019). The effect of share ownership and leverage on corporate tax aggressiveness. *Indonesian Accounting and Business Review, 3*(1), 1-13.

Nugroho, S. A., & Firmansyah, A. (2017). Pengaruh financial distress, real earnings management dan corporate governance terhadap tax aggressiveness. *Journal of Applied Business Administration, 1*(2), 163-182.Available at: https://doi.org/10.30871/jaba.v1i2.616.

Oktavia, O., Siregar, S. V., Wardhani, R., & Rahayu, N. (2019). The role of country tax environment on the relationship between financial derivatives and tax avoidance. *Asian Journal of Accounting Research, 4*(1), 70-94.Available at: https://doi.org/10.1108/ajar-01-2019-0009.

Oktaviana, L. L., & Wahidahwati. (2017). Effect of share ownership and corporate social responsibility on tax aggressiveness. *Journal of Science and Accounting Research, 6*(11), 1-20.

Onu, D., Oats, L., Kirchler, E., & Hartmann, A. J. (2019). Gaming the system: An investigation of small business owners' attitudes to tax avoidance, tax planning, and tax evasion. *Games, 10*(4), 1-17.Available at: https://doi.org/10.3390/g10040046.

Paramaduhita, A. V., & Mustikasari, E. (2018). Non-employee individual taxpayer compliance. *Asian Journal of Accounting Research, 3*(1), 112-122.Available at: https://doi.org/10.1108/ajar-06-2018-0007.

Pasaribu, M. Y., Topowijono, T., & Sulasmiyati, S. (2016). *The influence of capital structure, ownership structure and profitability on firm value in basic and chemical industry sector companies listed on the stock exchange in 2011-2014.* Doctoral Dissertation, Brawijaya University.

Putri, A. A., & Lawita, N. F. (2019). The effect of institutional ownership and managerial ownership on tax avoidance. *Journal of Accounting and Economics, 9*(1), 68-75.

Sadress, N., Bananuka, J., Orobia, L., & Opiso, J. (2019). Antecedents of tax compliance of small business enterprises: A developing country perspective Night Sadress, Juma Bananuka, Laura Orobia, Julius Opiso. *Management, 61*(1), 24-44.Available at: https://doi.org/10.1108/ijlma-10-2017-0234.

Salaudeen, Y. M., & Ejeh, B. U. (2018). Equity ownership structure and corporate tax aggressiveness: The Nigerian context. *Research Journal of Business and Management, 5*(2), 90-99.Available at: https://doi.org/10.17261/pressacademia.2018.828.

Septiawan, D., & Harnovinsah. (2019). Analysis of tax planning as a effort to minimize corporate income tax (Case Study at PT. X). *EPRA International Journal of Multidisciplinary Research, 5*(6), 16-21.

Shi, A. A., Concepcion, F. R., Laguinday, C. M. R., Ong Hian Huy, T., & Unite, A. A. (2020). An analysis of the effects of foreign ownership on the level of tax avoidance across Philippine publicly listed firms. *DLSU Business and Economics Review, 30*(1), 1-14.

Siglé, M., Goslinga, S., Speklé, R., van der Hel, L., & Veldhuizen, R. (2018). Corporate tax compliance: Is a change towards trust-based tax strategies justified? *Journal of International Accounting, Auditing and Taxation, 32*, 3-16.Available at: https://doi.org/10.1016/j.intaccaudtax.2018.06.003.

Sikka, P., & Willmott, H. (2010). The dark side of transfer pricing: Its role in tax avoidance and wealth retentiveness. *Critical Perspectives on Accounting, 21*(4), 342-356.Available at: https://doi.org/10.1016/j.cpa.2010.02.004.

Soetanto, T. V., & Fun, L. P. (2015). Super slack-based model efficiency and stock performance of manufacturing industry listed in Indonesian stock exchange. *Procedia - Social and Behavioral Sciences, 211*, 1231-1239.

Tandean, V. A., & Winnie. (2016). The effect of good corporate governance on tax avoidance. *Asian Journal of Accounting Research, 1*(1), 28–38.Available at: https://doi.org/10.1108/AJAR-2016-01-01-B004.

Umar, M. A., Derashid, C., Ibrahim, I., & Bidin, Z. (2019). Public governance quality and tax compliance behavior in developing countries: The mediating role of socioeconomic conditions. *International Journal of Social Economics, 46*(3), 338-351.Available at: https://doi.org/10.1108/ijse-11-2016-0338.

Vanesali, L., & Kristanto, A. B. (2020). Corporate governance and leverage on tax aggresiveness: Empirical study on mining companies in Indonesia. *International Journal of Social Science and Business, 4*(1), 81-89.Available at: https://doi.org/10.23887/ijssb.v4i1.24193.

Waluyo, W., & Doktoralina, C. M. (2018). Factor affecting tax avoidance through thin capitalisation: Multinasional enterprises in Indonesia. *International Journal of Management and Business Research, 8*(3), 210-216.Available at: https://doi.org/10.2139/ssrn.3436024.

Wei, L., Tye, & Abdul Wahab, N. S. (2018). Roles of tax planning in market valuation of corporate social responsibility. *Cogent Business & Management, 5*(1), 1482595.

Widawati, & Wahidawati. (2019). Effect of ownership structure, company policy and business risk on tax avoidance. *Journal of Accounting Science and Research, 8*(8), 1-26.

Widuri, R., Anugrah, Y., Yumico, & Laurentia, C. (2019). The effect of family ownership to tax aggressiveness with good corporate governance and transparency as moderating variable. *Journal of Economics and Business, 2*(1), 163-171.Available at: https://doi.org/10.31014/aior.1992.02.01.76.

Yetri, E., Haryadi, & Ilham. (2020). The effect of good corporate governance and firm value on tax avoidance. *Journal of Accounting and Finance, University of Jambi, 5*(1), 13-20.

Yorke, S. M., Amidu, M., & Agyemin-Boateng, C. (2016). The effects of earnings management and corporate tax avoidance on firm value. *International Journal of Management Practice, 9*(2), 112-131.Available at: https://doi.org/10.1504/ijmp.2016.076741.

Yulistia, R., Minovia, A. F., & Andison, F. P. (2020). Ownership structure, political connection and tax avoidance. *International Journal of Innovation, Creativity and Change, 11*(12), 497-512.

Zeng, T. (2019). Relationship between corporate social responsibility and tax avoidance: International evidence. *Social Responsibility Journal, 15*(2), 244-257.Available at: https://doi.org/10.1108/srj-03-2018-0056.