

Corporate Governance and Tax Management

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ABSTRACT

This study aims to examine the effect of corporate governance on tax management which is proxied by a cash effective tax rate. The corporate governance mechanisms used are institutional ownership, audit committees, independent commissioners, and external auditors. The population in this study is manufacturing companies listed on the Stock Exchange after the imposition of a flat tax rate of 25%, in period 2015 to 2018. This study uses purposive sampling criteria so that the samples obtained are 48 companies. The type of data used in this study is secondary data. The data analysis technique in this study uses multiple linear regression analysis. The results of this study indicate that institutional ownership has a significant positive effect on tax management; the audit committee has no significant negative effect on tax management; independent commissioners have insignificant negative effect on tax management, and external auditors have significant positive effect on tax management.

INTRODUCTION

In Indonesia, tax is the biggest source of state revenue compared to other sources of income, which is 1.545.3 trillion rupiah (76.8 percent) of the total state income of 1,957.2 trillion rupiah in the 2019 APBN (www.fiskal.depkeu.go.id). State revenue from the tax sector is used to increase the prosperity and welfare of the community, in the form of improving the quality of education, infrastructure development, supporting security and security, and regional development. Once the magnitude of the role of tax for the state, the government (Directorate General of Taxes) always makes improvements to the tax system in increasing the amount of tax revenue. This is reflected in Law 36 Regarding Changes to Income Tax (2008) which states that the government carried out a tax reform in the form of applying a progressive income tax rate of 28% in 2009 and becoming a flat rate of 25% in fiscal 2010.

In practice there are differences in interests between companies as taxpayers and the government as tax authorities. When viewed from the company side, income tax which has become a flat rate of 25% is still considered an expense because it will reduce net income (Suandy, 2011). This causes the company to always try to reduce operating expenses, including tax burden, which will reduce net profit. Reduction of the tax burden is related to the emotional tendency of taxpayers who are basically not happy to pay taxes, even though tax collection is based on legal sanctions. This displeasure to pay taxes is influenced by the nature of the tax which does not provide a direct counter-performance to the taxpayer (Gunn, 2006; Mangoting, 1999; Suandy, 2011).

The efforts made to reduce the tax burden is what is called tax management. Tax management is not a way that violates the provisions of the legislation, but on the contrary is a legal and ethical way to minimize the tax burden to the level that should be met by the company by utilizing the imperfections of the Taxation Law (Gunn, 2006; Suandy, 2011). In carrying out tax management practices, it is possible that there will be differences in interests between shareholders (principal) and management (agent), which is called agency conflict. Agency conflict occurs because both parties, namely shareholders and management, try to use each other for their own interests. The shareholders are motivated to enter into contracts to improve themselves with ever-increasing profits. According to Anthony and Govindarajan (2007) management is responsible for making decisions that will open opportunities for management to be opportunistic because high profit management will cause taxes to be paid too high. Efforts to minimize agency conflict within a company are to implement a corporate governance called corporate governance. Corporate governance is a set of regulations governing the relationship between shareholders, company management, creditors, government, employees and other internal and external stakeholders relating to a system that governs and controls the company (Armstrong et al., 2015).

One of the backgrounds of the implementation of corporate governance mechanism is the share ownership structure. The structure of share ownership in public companies can be classified into two groups, namely individual ownership structures (owned by executives and directors) and institutional

ownership structures. Institutional ownership represents the source of power (source of power) that can be used to support or vice versa for the existence of management because institutional ownership generally has long-term shares (Dyreng et al., 2010; Pohan, 2009). According to Jensen and Meckling (1976) institutional ownership is one tool that can be used to reduce agency conflict, which means that the higher the level of institutional ownership, the stronger the level of supervision carried out by external parties to the company, so that the financial statements related to earnings presentation will be in accordance with applicable regulations. Basically, institutional ownership is more to see how far the management obeys in generating profits in accordance with applicable regulations and tax management practices will be lower (Khurana & Moser, 2013; Zulaikha, 2013).

To increase oversight of management performance, the audit committee is very important for the company. The audit committee consists of at least three people and is chaired by an independent commissioner. Research Dewi and Jati (2014); Kurniasih and Ratna Sari (2013) states that the audit committee influences tax avoidance. The results of this study indicate that the higher the presence of the audit committee in the company will increase supervision and evaluation of management in presenting more objective financial statements and improving the quality of corporate governance, so that the possibility of lower tax management practices.

According to Jensen and Meckling (1976) independent commissioners are needed on the board of commissioners to monitor and supervise management actions, in connection with their opportunistic behavior, so that financial statements are presented more objectively. With greater supervision, management will be careful in making decisions and transparent in financial statements related to earnings management so that tax management practices are lower (Dyreng et al., 2010).

To meet the principle of corporate governance in terms of transparency can be measured by external auditors, namely external auditor measurements can use Big Four and Non Big Four KAP proxy. Research result Crabbe (2012) states that companies using KAP Big Four can reduce the effective tax rate compared to companies that use KAP Non Big Four, so the practice of tax management is lower. This is because the Big Four KAP is not only able to provide audit services, but is also able to provide tax advice implicitly (Janssen et al., 2005).

Previous research shows inconsistent results so that these variables will be examined again. This study focuses on corporate governance mechanisms with proxy for institutional ownership, audit committees, independent commissioners, and external auditors associated with tax management. Based on the background that has been described, the researcher will use the title "Corporate Governance and Tax Management".

LITERATURE REVIEW

Tax Management

Tax is the biggest source of state revenue compared to other sources of income. State revenue from the tax sector is used to increase the prosperity and welfare of the community, in the form of improving the quality of education, infrastructure development, supporting security and security, and regional development. In practice, there are differences in interests between companies as taxpayers and the government as tax authorities. When viewed from the company side, income tax becomes flat 25% which is still considered an expense because it will reduce net income, while the goal of company management is to obtain optimal profit (Suandy, 2011). This causes the company to always try to reduce operating expenses, including tax burden, which will reduce net profit. The efforts made to reduce the tax burden is what is called tax management. Tax management is a legal and ethical way to save tax burden to the level that should be fulfilled by companies by utilizing the imperfections of the Taxation Law (loopholes) (Gunn, 2006; Suandy, 2011). Tax management practices will provide a large use value if the company can implement it in accordance with the initial objectives set. Therefore, qualified and competent human resources are needed, adequate work tools, timely procedures, the right amount and the right information in order to achieve the objectives of tax management (Minnick & Noga, 2010; Putri et al., 2017).

Agency Theory

Agency theory is seen as a version of game theory that shows the contractual relationship between two parties. Agency theory reveals the relationship between shareholders (principal) and management (agent) (Horne & Wachowicz, 2012; Jensen & Meckling, 1976). In this case, shareholders delegate responsibility for decision making to management to carry out certain tasks in accordance with the agreed work contract. The authority and responsibilities of shareholders and management are regulated in a work contract based on mutual agreement (Scott, 2015).

Information asymmetry and agency conflict between shareholders and management encourage management to present information that is not true to shareholders, especially if the information is related to management performance measurements (Anthony & Govindarajan, 2007; Jensen & Meckling, 1976). To overcome or reduce agency conflict, shareholders must incur costs called agency costs. Agency costs are costs incurred by shareholders in order to supervise and control management, with the expectation that the actions taken by management are truly in accordance with the interests of shareholders (Jensen & Meckling, 1976). Weston and Copeland (1983) states that agency costs include an audit system that limits undesirable management behavior, various types of agreements stating that managers will not abuse their authority, and changes to the organizational system to restrict managers from carrying out unwanted practices. If the agency costs are not incurred at all (zero agency costs), it can be ensured that there will be losses incurred by the shareholders in connection with undesirable management actions.

Corporate Governance

In Indonesia, a National Governance Policy (KNKG) Committee has been established since 1999 and was formed based on the Decree of the Coordinating Minister for the Economy Number: KEP / 31 / M.EKUIIN / 08/1999. The implementation of corporate governance has also been regulated in Indonesian Stock Exchange (IDX) regulations No. Kep-305 / BEJ / 07-2004.

According to KNKG (2006), corporate governance is a study that studies the relationship of shareholders, creditors, government, employees and internal and external stakeholders in achieving the company's main objectives. Research Gupta and Newberry (1997); Wallace and Zinkin (2006) states that corporate governance is a set of provisions that allows shareholders to get voting rights in order to control the company's operations to respect their interests.

Although the ranking of the implementation of corporate governance in the country is still very low, the spirit of implementing corporate governance among the business world is felt to have improved. Another important development related to the improvement of corporate governance guidelines is the economic and monetary crisis in 1997-1999 which occurred in Indonesia developed into a prolonged crisis. The crisis occurred partly because many companies had not implemented corporate governance effectively and consistently. Therefore, corporate governance is needed to encourage the creation of a transparent and consistent efficient business world with the laws and regulations.

Corporate Governance Mechanisms

a. Institutional Ownership

Institutional ownership represents the source of power (source of power) that can be used to support or vice versa for the existence of management because institutional ownership generally has long-term shares (Dyreng et al., 2010; Pohan, 2009). According to Jensen and Meckling (1976) institutional ownership is one tool that can be used to reduce agency conflict, which means that the higher the level of institutional ownership, the stronger the level of supervision carried out by external parties to the company, so that the financial statements related to earnings presentation will be in accordance with applicable regulations. Basically, institutional ownership is more to see how far the management obeys in generating profits in accordance with applicable regulations and tax management practices will be lower (Khurana & Moser, 2013; Zulaikha, 2013).

b. Audit Committee

The audit committee is a professional and independent party formed by the board of commissioners, whose task is to assist and strengthen the function of the board of commissioners (supervisory board) in carrying out the oversight functions of the financial reporting process, risk management, audit implementation, and implementation of corporate governance (Bapepam, 2012). The audit committee plays a role in minimizing tax management, ie the higher the presence of the audit committee in the company will increase supervision of management in presenting more objective financial statements and improving

the quality of corporate governance, so that the possibility of lower tax management practices (Kurniasih & Ratna Sari, 2013).

c. Independent Commissioner

In Indonesia, the existence of an independent commissioner is regulated in the KNKG. According to KNKG (2006) the board of commissioners consists of independent and non-independent commissioners. Non-independent commissioners are parties who have a business relationship with the controlling shareholder, controlling member, and other board of commissioners as well as with the company itself. The independent commissioner role is to represent minority shareholders (Annisa & Kurniasih, 2012). The independent commissioner also helps plan the company's long-term strategy and periodically reviews the implementation of the strategy. In addition, independent commissioners can carry out supervisory and monitoring functions to support company management (Kurniasih & Ratna Sari, 2013). With greater supervision, management will be careful in making decisions and transparent in financial statements related to earnings management so that tax management practices are lower (Dyrenge et al., 2010).

d. External auditor

One of the principles of corporate governance mechanism is transparency (KNKG, 2006). Transparency towards shareholders can be achieved by presenting the information contained in the financial statements correctly and reliably (Annisa & Kurniasih, 2012). To provide trust to shareholders, the company uses the services of a public accounting firm as an external party that can provide an audit opinion on the financial statements presented by the company's management. The use of public accounting firm services will lead to the external auditor to be provided. One indicator of external auditors is to classify between Big Four Public Accounting Firms (Deloitte, PriceWaterHouseCoopers, KPMG, Ernst & Young) with Non Big Four Public Accounting Firms (Janssen et al., 2005; Linata & Sugiarto, 2012). A good external auditor can reduce tax management practices (Crabbe, 2012; Dewi & Jati, 2014). Companies audited by Big Four KAP carry out lower tax management practices because Big Four KAP auditors have competence in how to detect and manipulate financial statements that may be carried out by company management (Annisa & Kurniasih, 2012).

Framework for Thought and Hypothesis Development

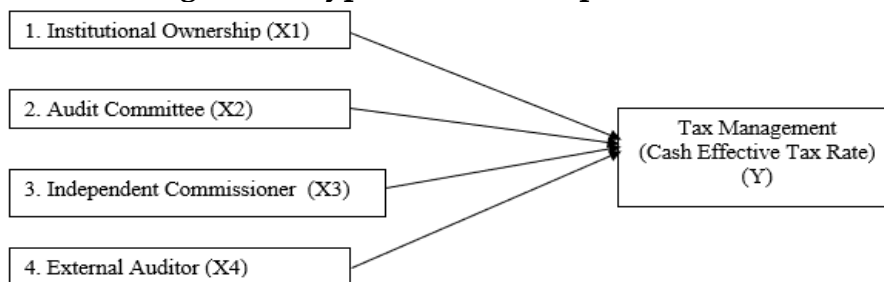


Image 1. Conceptual Framework

The Effects of Institutional Ownership on Tax Management

Agency theory is a concept that describes the shareholders and management in a contractual model between two parties, called the shareholders (principal) and management (agent) (Horne & Wachowicz, 2012; Jensen & Meckling, 1976). In carrying out tax management practices, it is possible that there will be differences in interests between shareholders (principal) and management (agent), which is called agency conflict. Agency conflict occurs because both parties, namely shareholders and management, try to use each other for their own interests. Efforts to minimize agency conflict within a company are to implement a corporate governance called corporate governance (Gupta & Newberry, 1997; Wallace & Zinkin, 2006).

One of the backgrounds of the implementation of corporate governance mechanism is the share ownership structure. The structure of share ownership in public companies can be classified into two groups, namely individual ownership structures (owned by executives and directors) and institutional ownership structures. Institutional ownership is ownership of shares owned by other institutions or institutions such as pension fund companies, mutual funds, insurance, banks, and ownership of other institutions in large numbers of ownership (Brigham & Ehrhardt, 2005). Institutional ownership represents the source of power (source of power) that can be used to support or vice versa on the existence of management because institutional ownership generally has long-term shares (Dyreg et al., 2010; Pohan, 2009). This is caused by the interests of shareholders who want to get the highest profit to get a high dividend distribution. But for management, high profits will affect the amount of tax that must be paid by the company (Khurana & Moser, 2013).

Research result Annisa and Kurniasih, (2012); Jensen and Meckling, (1976) states that institutional ownership is one tool that can be used to reduce agency conflict, which means that the higher the level of institutional ownership, the stronger the level of supervision carried out by external parties to the company's management, so that financial statements related to the presentation of earnings will be in accordance with the rules applies, because basically institutional ownership looks more at the extent to which management is obedient in generating profits in accordance with applicable rules.

H1: Institutional ownership influences tax management.

The Effect of the Audit Committee on Tax Management

Embodiment agency theory as a concept that describes the shareholders (principal) and management (agent) in the contractual model between the two parties to carry out a mandate in accordance with the agreed work contract, then independence is needed that will maintain the implementation of the company's operations, one with the audit committee (Jensen & Meckling, 1976). The audit committee is a party that works professionally and independently who is tasked to assist and strengthen the function of the board of commissioners (supervisory board) in carrying out the oversight functions of the financial reporting process, risk management, audit implementation, and implementation of corporate governance (Bapepam, 2012; Utami & Syafiqurrahman, 2018). The company

must have an audit committee consisting of at least three people and is chaired by an independent commissioner and other members who are not independent commissioners must come from an independent external party (Moeller, 2009).

The audit committee is responsible for overseeing financial statements, overseeing external audits, and observing internal control systems (including internal audits). The audit committee increases the integrity and credibility of financial reporting through (1) oversight of the reporting process including the internal control system and the use of generally accepted accounting principles, and (2) oversees the overall audit process. Based on agency theory, the greater the number of audit committees in a company, the more effective it is to conduct a supervisory mechanism so that it can reduce agency costs, and tax management practices decrease (Horne & Wachowicz, 2012; Jensen & Meckling, 1976).

Research Dewi and Jati (2014); Kurniasih and Ratna Sari (2013), and Zulaikha (2013) states that the audit committee influences tax avoidance. The results of this study indicate that the higher the presence of the audit committee in the company will increase supervision and evaluation of management in presenting more objective financial statements and improving the quality of corporate governance, so that the possibility of lower tax management practices.

H2: Audit committee influences tax management.

The Effect of Independent Commissioners on Tax Management

Independent commissioners are members of commissioners who come from outside the issuer or public company, do not have shares either directly or indirectly, do not have affiliation and do not have direct or indirect business relations with the issuer or public company (Bapepam, 2004). The existence of an independent commissioner has been regulated in the Jakarta Stock Exchange through the JSE regulations dated July 1, 2004, containing that the company is required to have an independent commissioner of at least 30% of the board of commissioners. Independent commissioners play a role in representing minority interests, so it is expected to be a counterweight in the supervision of public companies (Effendi, 2009). In addition, the independent commissioner also helps plan the company's long-term strategy and periodically reviews the implementation of the strategy. Based on agency theory, the greater the number of independent commissioners on the board of commissioners, the better they can fulfill their role in supervising management actions (Desai & Dharmapala, 2009; Suyanto & Supramono, 2012).

According to Jensen and Meckling (1976) independent commissioners are needed on the board of commissioners to monitor and supervise management actions, in connection with their opportunistic behavior, so that financial statements are presented more objectively. According to Suyanto and Supramono (2012) independent commissioners have a negative and significant effect on corporate tax aggressiveness. This indicates that the greater the proportion of independent commissioners, the greater the influence is to supervise management performance. With greater supervision, management will be careful in making decisions and transparent in financial statements related to earnings management so that tax management practices are lower.

Research result Kurniasih and Ratna Sari (2013) states that the role of independent commissioners has an important influence in a company because they are tasked with overseeing decisions taken by management. In addition, the board of commissioners is also a reminder when management will decide on a policy. Management policies in tax management efforts may be considered detrimental to the company because the costs incurred for tax management are greater than the results obtained. Therefore, they will always oversee the policies that will be taken by management to match and be the best decision for the company.

H3: Independent commissioner influences tax management.

The Effect Of External Auditor's Influence On Tax Management

Agency theory according to Anthony and Govindarajan (2007) is a relationship or contract between the shareholders (principal) and management (agent). Shareholders employ management to perform duties for the benefit of shareholders, including the delegation of decision-making authority from shareholders to management. Agency theory has the assumption that each party has its own interests, causing agency conflict between shareholders and management. The shareholders are motivated to enter into contracts to improve themselves with ever-increasing profits.

Asymmetry of information and agency conflict that occurs between shareholders and management encourages management to present information that is not true to shareholders, especially if the information is related to management performance measurements. To provide trust to shareholders, the company uses the services of a public accounting firm as an external party that can provide an audit opinion on the financial statements presented by the company's management. The use of public accounting firm services will lead to the quality of audits to be provided. One indicator of audit quality is to classify Big Four Public Accounting Firms (Deloitte, PriceWaterHouseCoopers, KPMG, Ernst & Young) with Non Big Four Public Accounting Firms (Linata & Sugiarto, 2012).

Research Crabbe (2012) shows that audit quality has a negative effect on the effective tax rate. The results of the study are consistent with previous studies Janssen et al., (2005); Annisa and Kurniasih (2012) in his research states that companies that use Big Four KAP can reduce the effective tax rate compared to companies that use Non Big Four KAP, so that the practice of tax management is lower. This is because the Big Four KAP is not only able to provide audit services, but is also able to provide tax advice implicitly.

H4: External Auditor influences tax management

RESEARCH METHODS

Population and Sample

According to Sugiyono (2006) population is a generalization consisting of objects or subjects that have certain qualities and characteristics determined by researchers to be studied and then drawn conclusions. The population used in this study is manufacturing companies that are consistently listed on the Indonesia Stock Exchange (IDX) during the 2015-2018 period.

The choice of manufacturing company for research objects is due to the fact that manufacturing companies need a long-term source of funds to finance the company's operations, one of which is the investment of investors' shares and debt from creditors. In terms of taxation, manufacturing companies have the obligation to report their taxes as Corporate Taxpayers, so manufacturing companies are required to have good corporate governance to carry out tax management.

The sampling method that will be used in this study is the judgment sampling method, which is one form of purposive sampling by taking a predetermined sample based on the aims and objectives of the study. The criteria used in this study are:

1. Manufacturing companies listed on the Indonesia Stock Exchange during the period 2015-2018.
2. Manufacturing companies that published financial reports and annual reports in full during the 2015-2018 period and did not experience delisting.
3. Manufacturing companies that publish financial reports and annual reports with Indonesian rupiah (IDR) units during the 2015-2018 period, so that the criteria for measuring the currency values are the same.
4. Manufacturing companies that have ETR values between 0 and 1 during the 2015-2018 period.
5. Manufacturing companies that have financial data and corporate governance disclosures (institutional ownership, audit committees, independent commissioners, and external auditors) needed for research during the 2015-2018 period.

Table 1. Sample Selection Selection

Study population:	136
Sampling Criteria:	
1. Did not publish financial reports and annual reports in full during the 2015-2018 period.	(19)
2. Do not publish an annual report in rupiah value units and do not use the December fiscal year	(35)
3. Does not have complete data related to the variables in the study	(18)
Number of research observations	64
The number of research observations over 4 years	256
Outliers	64
Number of research samples used	192

Source: Processed data, 2022

Research Approach

This research uses a quantitative approach by testing hypotheses. According to Sugiyono (2006) Quantitative research methods can be interpreted as a research method based on the philosophy of positivism, used to examine a population or a specific sample, collecting data using research instruments,

quantitative or statistical data analysis, with the aim to test a predetermined hypothesis.

Types and Data Sources

The type of data used in this study is secondary data, that is data in annual reports for the period 2015 to 2018. Data in the form of financial reports and annual reports obtained from the official website of the Indonesia Stock Exchange www.idx.co.id.

Data Collection Procedure

Data collection procedures used in this study are:

1. Data collection such as annual reports and reports Corporate finance is carried out with documentation techniques. Data is collected, selected, then taken samples for later processing in research.
2. Literature research is carried out by studying and studying and examining the literature in the form of journals, papers, books, and previous research relating to the problem under study. With this literature study, it is hoped that as many theoretical bases can be obtained to support the research conducted.

Operational Definition and Variable Measurement

Tax Management (Y)

Measurement of tax management in this study is in line with research Putri et al. (2017), namely using a cash effective tax rate. This research will eliminate the data of companies that experience losses to avoid the emergence of ETR outside the range 0-1. Cash ETR is the ratio of cash taxes paid to company profits before income tax (pretax income). The measurement of effective tax rates using cash payments for proxies for tax management will reflect the short-term management that is paid in cash. The calculation can be described as follows:

$$\text{Cash ETR} = \frac{\text{Cash Taxed Paid}}{\text{Pretax Income}}$$

Institutional Ownership (X1)

Annisa and Kurniasih (2012) states that institutional ownership has a very important role in minimizing agency conflicts that occur between shareholders and management. Institutional ownership is considered capable of being an effective monitoring mechanism in every decision taken by management. In this study, institutional ownership variable will be measured by the number of shares owned by institutional divided by the number of shares issued.

$$\text{Kep. Inst} = \frac{\Sigma \text{ saham biasa yang dimiliki oleh institusional}}{\Sigma \text{ saham yang diterbitkan}}$$

Audit Committee (X2)

The company must have an audit committee consisting of at least three people and is chaired by an independent commissioner and other members who are not independent commissioners must come from an independent external party (Moeller, 2009). In this study, audit committee variables will be measured in line with research Zulaikha (2013) namely the total number of committee members in a company.

$$\text{Kom. Audit} = \Sigma \text{ anggota komite dalam perusahaan}$$

Independent Commissioner (X3)

Companies are required to have an independent commissioner of at least 30% of the board of commissioners (Bapepam, 2004). The independent board of commissioners is expected to increase supervision so that tax management practices carried out by company management are increasingly reduced. The measurement of independent commissioners in this study is in line with the research Kurniasih and Ratna Sari (2013) use a percentage of the number of independent directors to the total number of commissioners in the company's board of commissioners composition.

$$\text{Kom. Independen} = \frac{\Sigma \text{ Komisaris Independen}}{\Sigma \text{ Seluruh anggota dewan komisaris}}$$

External Auditor (X4)

To provide trust to shareholders, the company uses the services of a public accounting firm as an external party that can provide an audit opinion on the financial statements presented by the company's management. The use of public accounting firm services will lead to the quality of audits to be provided. One indicator of audit quality is to classify Big Four Public Accounting Firms (Deloitte, PriceWaterHouseCoopers, KPMG, Ernst & Young) with Non Big Four Public Accounting Firms (Linata & Sugiarto, 2012). Measurement of external auditor variables in this study is in line with research Annisa and Kurniasih (2012) which will be measured by a dummy variable:

$$\begin{aligned} 0 &= \text{perusahaan yang diaudit oleh KAP Non Big Four} \\ 1 &= \text{perusahaan yang diaudit oleh KAP Big Four} \end{aligned}$$

Data Analysis Technique

Testing the hypothesis in this study using multiple linear regression analysis methods. However, before using multiple linear regression equations, it is necessary to test the classical assumptions first. The classic assumption test required in Ghozali (2011) are (1) multicollinearity test, (2) autocorrelation test, (3) heterokedasticity test, (4) normality test. The regression equation in this study is as follows:

$$\text{CETR} = \alpha + \beta_1 \text{Kep.Inst} + \beta_2 \text{Kom.Audit} + \beta_3 \text{Kom.Indep} + \beta_4 \text{Ekst.Auditor} + e$$

Information :

$$\text{CETR} = \text{Cash Effective Tax Rate (Manajemen Pajak)}$$

- Kep.Inst = Institutional Ownership
 Kom.Audit = Audit Committee
 Kom.Indep = Independent Commissioner
 Ekst.Auditor = External Auditor
 α = Constant
 β_1 - β_4 = Coefficient of the independent variable
 e = *Error Term*

RESULTS

Descriptive Statistics

Descriptive statistics are a description of statistical data. Descriptive statistics can be used as a reference in explaining the results of analysis of testing research hypotheses. The descriptive statistical results of this study are illustrated in table 2 below.

Table 2. Descriptive Statistics

Variable	N	Minimum	Maximum	Mean	Std. Deviation
Cash_ETR	192	0.0736	0.3366	0.247165	0.0359402
Kep.Inst	192	0.2971	1,0000	0.729509	0.1734648
Kom.Audit	192	2	5	3.32	0.570
Kom.Indep	192	0.3	1,0	0.427	0.1497
Ekst.Auditor	192	0	1	0.64	.483
Valid N (listwise)	192				

Source: Data processed, 2022

Classical Assumption Test Results

Multicollinearity Test

The multicollinearity test aims to test whether the regression model contains correlations between independent variables. A good regression model is a model that is free from multicollinearity problems. If the tolerance value is higher than 0.10 or VIF (Variance Inflating Factor) is smaller than 10, it can be concluded that there are no symptoms of multicollinearity. Table 3 shows the results of the multicollinearity of this study.

Table 3. Multicollinearity Test Results

Variable	Collinearity Tolerance	Statistics VIF
Kep.Inst	0.825	1,211
Kom.Audit	0.914	1,094
Kom.Indep	0.949	1,054
Ekst.Auditor	0.731	1,368

Source: Data processed, 2022.

The results of the multicollinearity test listed in table 3 indicate that the coefficient *tolerance* for independent variables of institutional ownership, audit committee, independent commissioner, and external auditor are higher than 0.10 and the VIF value of all independent variables is less than 10. This shows that there are no symptoms of multicollinearity between independent variables in the regression model so there are no variables removed from the model.

Autocorrelation Test

The autocorrelation test aims to test whether in the regression model there is a correlation between confounding errors in period t and period $t-1$ (previous year). To test the autocorrelation can be seen from the Durbin-Watson (DW) value, ie if the Durbin-Watson value is between the d_U and $(4-d_U)$ values, then the regression model does not contain autocorrelation. The autocorrelation test results of this study are shown in table 4.

Table 4. Autocorrelation Test Results

R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin- Watson
0.338	.0114	0.095	0.0341873	2,073

Source: Data processed, 2022.

The results of the analysis in table 4 show the Durbin-Watson value of 2.069. The d_L and d_U values in the table at $k = 4$ and the number of samples 192 are 1.7215 and 1.8064. DW value of 2.073 is greater than the upper limit ($d_U = 1.8064$) and smaller than $4-d_U$ ($4-1.8064$). From these results it can be seen that the regression model is free from autocorrelation so that it meets the classical assumption requirements.

Heteroscedasticity Test

Heteroskedastisitas test is done to test the existence of residual variance from one observation to another. Heteroscedasticity test can be done with the Glejser Test method. If the significance value of the Glejser Test is > 0.05 then there is no heteroscedasticity in the regression model created. Glejser test results are presented in the table below.

Table 5. Heteroscedasticity Test Results

Variable	Significant
Dec.	0.010
Comm. Audit	0.729
Comm. INDEP	0.595
Extras.Auditor	0.330

Source: Data processed, 2022.

Based on the results of the analysis of the Glejser test table 5 shows that the significance value of institutional ownership of 0.010 indicates that the significance value of institutional ownership is less than 0.05. This proves that the regression model contains symptoms of heteroskedastisitas. Audit committee is 0.729, independent commissioner is 0.595, and external auditor is 0.330, the significance value of the three variables is greater than 0.05, so this proves that the regression model does not contain symptoms of heteroskedasticity.

Normality Test

Normality test is done to test whether the research data is normally distributed or not. The normality test can be done with the Kolmogorov-Smirnov One-Sample test (KS test). If the significance value is more than 0.05, then the data can be categorized as having a normal distribution. The results of the Kolmogorov-Smirnov One-Sample test (KS test) are presented in table 6 below.

Table 6. Normality Test Results

Number of Samples	192
Average	0,000
Standard deviation	0.338
Kolmogorov-Smirnov Z	0.099
Asymp. Sig (2-tailed)	0.054

Source: Data processed, 2022.

Based on the results of the normality test showed that this study was normally distributed. This is supported by the following table, the points approach the diagonal line, which means the data has been normally distributed.

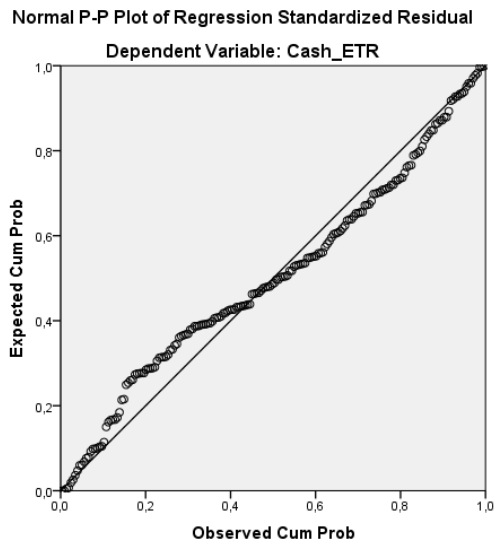


Image 2. Observed Cum Prob

Hypothesis Test

Hypothesis testing is done by multiple linear regression analysis with t test. The significance level is 5% or 0.05. The results of hypothesis testing are shown in table 7.

Table 7. Hypothesis Test Results

Variable	Coefficient	t statistic	p-value
Kep.Inst	0.210	2,772	0.006
Kom.Audit	-0,118	-1,640	.103
Kom.Indep	-0,118	-1,665	0.098
Ekst.Auditor	.187	2,329	0.021

Source: Data processed, 2022.

Based on the hypothesis test shows that the coefficient value of institutional ownership variable is equal to 2,772 with a significance value of $0.006 < \alpha (0.05)$, it was concluded that **H1 this study was accepted**. The audit committee variable coefficient value -1,640 with a significance value of $0.103 > \alpha (0.05)$, it was concluded that the **H2 of this study was rejected**. The coefficient value of the independent commissioner variable is -1,665 with a significance value of $0.098 > \alpha (0.05)$, it is concluded that the **H3 of this study was rejected**. The coefficient value of the external auditor variable is 2,329 with a significance value of $0.021 < \alpha (0.05)$, so it is concluded that the **H4 of this study was accepted**.

DISCUSSION

Effects of Institutional Ownership on Tax Management

The results of empirical data testing regarding the effect of institutional ownership on tax management show that institutional ownership has a positive and significant effect on tax management. The results of this study are in line with the results of the study Khurana and Moser (2013) which states that institutional ownership in the long run has a positive and significant effect on tax aggressiveness. This shows that the higher the level of institutional ownership,

the tax management practices carried out by the company are also increasing, so that the function of institutional ownership in overseeing the performance of company management does not run effectively because the percentage of institutional ownership indicates the pressure on management to obtain maximum profits.

Effects of the Audit Committee on Tax Management

The results of the second hypothesis testing prove that the audit committee has no significant negative effect on tax management. The results of this study are in line with research conducted by Kurniasih and Ratna Sari (2013) which states that no significant effect was found from the existence of the audit committee on tax management. This shows that the function of the audit committee is not running effectively in order to support the implementation of good corporate governance.

Effect of Independent Commissioners on Tax Management

The results of testing the second hypothesis prove that the independent commissioner has a significant negative effect on tax management. The results of this study are in line with research Kurniasih and Ratna Sari (2013) which states that no significant effect was found from the composition of the proportion of independent directors on tax avoidance proxied by CETR. This shows that the independent commissioners who are part of the board of commissioners do not perform the oversight function well on management. Research result Annisa and Kurniasih (2012); Zemzem and Ftouhi (2013) also stated that the independent commissioner did not significantly influence the tax avoidance, this would provide benefits for management to manage earnings that would benefit the company in terms of taxation.

There are several things that are suspected to be the cause of the proportion of the board of commissioners that does not significantly influence tax management. First, not all independent commissioners show their independence so that the oversight function of management is not going well. Second, the function of the independent commissioner in order to monitor the process of disclosure and provision of information will be limited if the affiliates of the company are more dominant. Third, independent commissioners who lack understanding of tax management activities in companies thus neglecting their obligations to the state in the form of taxes.

Effects of External Auditors on Tax Management

The results of empirical data testing regarding the effect of external auditors on tax management indicate that external auditors have a positive and significant effect on tax management. The results of this study are in line with the results of the study Annisa and Kurniasih (2012); Dewi and Jati (2014) which states that the audit quality variable has a positive and significant effect on tax management, which means that the higher the audit quality, the higher the tax management carried out by the company. This is due to the companies audited by the Big Four KAP tend to have high work integrity and always apply the regulations that

apply, so that the tax authorities have confidence that the company is quality. However, if the company can provide welfare to the Big Four KAP who are conducting audits of the company's financial statements, it is not impossible that the Big Four KAP is committing fraud to maximize their welfare.

CONCLUSIONS

Based on an analysis of the results of research and discussion that has been described previously, some conclusions that can be drawn are as follows.

1. Institutional ownership has a significant positive effect on tax management.
2. The audit committee has no significant negative effect on tax management.
3. Independent commissioners have insignificant negative effect on tax management.
4. External auditor significant positive effect on tax management.

SUGGESTIONS

The suggestions contributed for further research are:

1. Can use other corporate governance mechanisms such as management compensation, ownership of directors, managerial ownership, the number of boards of commissioners and the size of the board of directors, or use proxy measurement of corporate governance index, so that it can be seen the effect of corporate governance as a whole.
2. Can use a sample of other company sectors, such as agriculture, mining, property and real estate, infrastructure, utilities and transportation, finance, and trade, services and investment.
3. Can use a proxy other than cash ETR to measure corporate tax management. Calculation of book tax difference, book tax gap and GAAP ETR can be used as an alternative proxy. The use of other proxies is expected to provide significant results on the variables tested.

RESEARCH IMPLICATIONS

The implications of the results of this study are (1) can be used as an input about corporate governance mechanisms that can be used to oversee company management; (2) can be input how much influence the implementation of corporate governance on tax management activities in the company's operational activities, so as to prevent companies falling into the ambiguity circle contained in tax regulations between legal or illegal activities in tax management. This can minimize the risk received by the company so that the company can design a corporate governance mechanism and can avoid deviations from tax law; (3) can be taken into consideration in assessing the tendency of tax management seen from the side of corporate governance of a company.

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