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The Effect of Thin Capitalization, Earning Management, and Institutional Ownership on Tax Avoidance

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ABSTRACT

This research aims to determine the influence of Thin Capitalization, Earnings Management and Institutional Ownership on Tax Avoidance. This type of research is quantitative and uses secondary data with media in the form of property and real estate company financial reports taken from the Indonesian Stock Exchange (IDX). The population used in this research was 47 companies and through purposive sampling criteria 14 property and real estate company financial report samples were selected with the observation period from 2018-2022. Data processing uses eviews version 12.0. Based on the results of the tests carried out, the variables Thin Capitalization, Earning Management and Institutional Ownership simultaneously have an influence on Tax Avoidance. Partially Thin Capitalization and Earning Management have no effect on Tax Avoidance, while Institutional Ownership has an effect on Tax Avoidance.

***Keywords** : Thin Capitalization, Earnings Management, and Institutional Ownership, Tax Avoidance*

1. INTRODUCTION

Indonesia is a country that has a main goal with the largest source of state revenue, one of which is tax revenue. The size of state revenue from taxes is influenced by the level of taxpayer compliance. Tax is a mandatory contribution owed to the state which is mandatory based on the law from individual or corporate taxpayers.(Nirmalasari et al., 2021). Taxes have a very important position for the progress of the country. In Indonesia, more than 80% of the total state revenue of Indonesia comes from taxes.

According to the Republic of Indonesia Law Number 28 of 2007 Article 1 paragraph (1), tax is a mandatory contribution to the state paid by individual or corporate taxpayers which is mandatory, without receiving direct compensation and is used for the greatest prosperity of the people. Thus, tax has a very important role in financing a country to carry out national development.Wijayanti, et al. (2023). Tax is the main source of income in Indonesia. Tax also functions to regulate and implement government policies in the social and economic fields, its main function as a state revenue recipient.(R. Rahmawati, 2019).

Taxes are also the main source of funds in carrying out development, due to the very central role of taxes in the country.

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So the community as citizens, should understand the importance of taxes and understand what should be done regarding the rights and obligations of the community in terms of taxation.Cahyani, (2023).

According to the opinion of(R. Rahmawati, 2019), tax is one of the state and regional revenues from tax revenues the government can build infrastructure, meet state financing and improve people's welfare. However, in reality tax revenues in Indonesia have not yet achieved maximum results.

From the news taken viahttps://komwasjak.kemenkeu.go.id in Herry Setyawan's article, 2021. The Directorate General of Taxes (DGT) has been able to realize the 2021 tax revenue target. As of December 26, 2021, the realization of net tax revenue has exceeded the target in the 2021 Fiscal Year State Budget. The realization of net tax revenue was IDR1,231.87 trillion or 100.19% of the target mandated in the 2021 Fiscal Year State Budget of IDR1,229.6 trillion, growing by more than 16%. In the 2021 State Budget, tax revenue is targeted at IDR 1,229.6 trillion or 14.7% higher than the realization of tax revenue in 2020. In detail, Income Tax (PPh) is targeted at IDR 638 trillion, 15.1% higher than its realization in 2020 and Value Added Tax (PPN) and Sales Tax on Luxury Goods PPnBM are targeted at IDR 518.5 trillion, 15.1% higher than its realization in 2020. With a target of that size, tax revenue will contribute 44.7% of the total 2021 State Budget. From this data, it is very clear, measurable and structured that the revenue target has not been lowered and has even increased by 14.7% from 2020, although very moderate. The realization of tax revenue in 2021 was achieved after waiting for 12 years (after 2008, the tax revenue target was never achieved). This is clearly a historic and extraordinary achievement momentum, amidst the economic conditions in the economic recovery period due to the impact of the Covid-19 pandemic.

Based on Law Number 2 of 2020. 2022 is a very crucial year, which is the last year that the APBN deficit is allowed to exceed 3% of Gross Domestic Product (GDP) and in 2023 the APBN deficit must fall below 3% of GDP. At a time when the uncertainty of the Covid-19 pandemic risk is still looming, state revenues, especially from taxes achieved in 2021, are certainly required to play a greater role in providing greater contributions so that they can cover the APBN deficit. This is a momentum to restore the health of the APBN, especially from the revenue side, with tax revenues as the largest contributing component for 2022 and the following years. In the last three years, from the expenditure side, which has increased for handling Covid-19 and National Economic Recovery (PEN), while the revenue side, especially taxes, is still contracting. In the 2020 State Budget spending plan, Rp2,540.4 trillion was allocated while state revenue was Rp2,223.2 trillion, there is a difference of Rp317.2 trillion and the difference will potentially be even greater if the state revenue target is not met.

Tax is the most potential source of state revenue with the largest percentage in the State Budget (APBN) compared to other revenues. The State Budget (APBN) is the annual financial plan of the Indonesian government approved by the House of Representatives (DPR)(Irene Agustina, 2023).

In the structure of state revenue, tax is an important part. From year to year, the Indonesian government always increases the target of tax revenue. Tax also functions as a tool in regulating or implementing government policies in the social and economic fields, in addition to

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its main function as state revenue. So, in order to ensure the fulfillment of the tax function, achieving the target of tax revenue is important(R. Rahmawati, 2019).

Companies contribute greatly to state revenue, but for tax companies, the burden for companies is to reduce company profits. So, some companies practice tax avoidance.(Lutfita Sari et al., 2023). *Tax avoidance*is a wayto minimize the tax burden legally and in sync with applicable laws and regulations. According toWijayanti, et al. (2023)Tax avoidance is carried out using the cash effective tax rate (CETR) method.

Tax avoidance practices carried out by companies in Indonesia will have an impact on the decline in tax revenue achievement. The decline in the percentage of tax revenue achievement is triggered by the large number of companies that carry out tax avoidance. Thus, taxes become a burden on companies because they can reduce profits. Therefore, tax avoidance is a way for companies to reduce their tax payments to the state treasury. Companies take advantage of loopholes in tax regulations as one of the legal actions in tax avoidance to reduce the tax burden owedAzizah (2023).The tax to be paid is considered a burden for the company so that company leaders often carry out tax avoidance practices. So that the principal wants the company to maximize profit.Princess & Lawita 2019.

There is a phenomenon of tax avoidance in 2016 at the company PT. Agung Podomoro Land Tbk. In the execution of the tax evasion case, 11.5 million documents were leaked which are known as the Panama Papers. The documents contain 4.8 million emails, which contain details of 2.1 million PDF documents, 1.1 million photos, 32,000 text documents, and the rest are around 2,000 other files https://www.idntimes.com in Kinasih, Nuryati, Rosa, 2023.

Regarding the above problems, the government does not remain silent. One way used by the government to address the above problems is through taxation. The potential for tax revenue from the real estate sub-sector comes from income tax (PPh) Article 4 Paragraph 2, namely income received by the seller. The tax rate for land/building sales and purchase transactions is 5% and Value Added Tax (PPN) on transactions of Taxable Goods in the form of land and buildings excluding very basic housing is 10%. Meanwhile, the tax imposed by the local government on property and real estate transactions is 5% Land and Building Acquisition Fee (BPHTP). The General Tax Administration noted that there was no actual reporting of land and building purchase and sale transactions. This occurs because tax is paid based on transactions based on Taxable Sales ((NJOP) and not based on actual transactions. Based on the above phenomenon, it can be explained that real estate companies carry out house sales and purchase transactions by hiding the actual transaction status.

There is another phenomenon regarding the third tax avoidance case regarding the tax avoidance case in the property and real estate sector in Indonesia. The potential tax revenue from the property and real estate sub-sector comes from the Final Income Tax (PPh) Article 4 paragraph 2, namely the income received by the seller (developer, developer), because they carry out land/building sales/purchase transactions of 5% and Value Added Tax (PPN) on taxable goods transactions in the form of land/buildings that are not 5 categories of very simple houses of 10%. Meanwhile, the tax collected by the regional government in property transactions is

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the Land and Building Acquisition Fee (BPHTB) of 5%. The Directorate General of Taxes found a potential loss of tax revenue due to the failure to report the actual land/building sales/purchase transactions including property, real estate and apartments. This occurs because the tax paid uses transactions based on the Taxable Object Sales Value (NJOP) rather than based on actual or real transactions(Nuraeni & Hakim 2021)

*Tax avoidance*is an attempt to avoid taxes that is carried out legally and for Taxpayers without conflicting with applicable tax provisions where the methods and techniques used tend to exploit weaknesses in the Tax Laws and Regulations themselves to reduce the amount of tax owed.(Mahmudi Chamdun, 2023).The following are some factors that influence tax avoidance, namely thin capitalization, earnings management, and institutional ownership.

The first factor of the research results, according toPrayoga, Neldi Sari (2023)affect tax avoidance. One of them is thin capitalization, where the company funds the company's operations by prioritizing debt financing compared to equity capital in its capital structure. When the amount of the company's loan increases, it will cause the interest expense to increase and taxable income to decrease, so that it will affect the income earned by the company(Gracea et al., 2022)in (Damsut & Shanti, 2023) through the ability of interest expense to reduce taxable income, thin capitalization can be considered capable of providing tax incentives for companies. This will affect the reduction of taxable income and increase interest expense, so that the income received by the state will decrease.

The second factor that can influence Earnings Management is that managing corporate taxation is important to ensure a balance between state revenues obtained from taxes and the effectiveness of tax financing.(Nirmalasari et al., 2021). Earnings management activities aim to influence financial reports that ultimately generate profits for the company by choosing an accounting model that is adopted by generally accepted accounting principles. Accounting methods that can produce the desired profit information are called earnings management. The company's goal in conducting earnings management is to increase and decrease profit reporting as desired.

The third factor that can affect institutional ownership is that it can function as a party that supervises management performance. So with the existence of institutional ownership, the company's management will be more careful in its obligations. Institutional ownership is an institution with a large interest in the investment made, including stock investment. This institution will give responsibility to a certain division to be able to manage investments that will lead to increased control over management actions.(Pratomo & Risa Aulia Rana, 2021).

Some previous studies conducted by (Nirmalasari & Susilowati, (2021)states that thin capitalization has no effect on tax avoidance. This is different from research conducted by(Abdul Latif et al., 2023)states that thin capitalization has an effect on tax avoidance. Research conducted by(Sapitri & Hunein, 2022)that earnings management has an effect on tax avoidance, whereas,(Wijayanti Wenny, 2023)that earnings management has no effect on tax avoidance. The research conducted(Ratnasari et al., 2023)that institutional ownership has an effect on tax avoidance. Meanwhile, according

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to(Septanta Renanda, 2023)institutional ownership has no effect on tax avoidance.

The property and real estate sector is one of the indicators of a country's economic growth because Indonesia has currently experienced progress as indicated by the government's various efforts in developing infrastructure facilities.(Brona et al., 2023). The property and real estate sector is one of the sectors with the highest level of tax avoidance. According to research(Sri Sri Handayani, 2023) explained that the Property and Real Estate sector is the sector with the lowest ETR value during 2016-2020, this shows that this sector carries out the greatest tax avoidance.

According to Fiscal Policy Agency, (2021) the majority of transaction activities in the real estate sector remain stable, indicating the potential of the sector as a source of government revenue that can be increased through regional tax instruments and tax burden mechanisms. The real estate sector has an important role because it attracts and encourages activities in various economic sectors, influences the development of the financial sector, and has the potential to influence economic growth and employment. Therefore, researchers chose the property and real estate sector as the object of research.

The reason researchers chose property and real estate companies as research objects is because property and real estate companies are included in the sectors that have the highest level of tax avoidance. This sector has an important role because it attracts and encourages activities in various economic sectors, and also has the potential to influence economic growth and employment. As well as influencing the development of the financial sector in the largest tax contributor in Indonesia to increase tax power,(Agustina et al., 2023)

This makes researchers interested in re-conducting the inconsistency between the variables. The difference between this study and previous researchers lies in the companies studied and also in the variables of thin capitalization, earning management on tax avoidance

2. LITERATURE REVIEW

Agency Theory

According to Jensen and Meckling (1976) defines agency theory as a binding relationship (contract) between managers and company owners. Where in an agency relationship, the party referred to as the source of funds and operational needs of the company (principal) gives its authority to the agent (management). Meanwhile, the management carries out its duties as a manager. There is a conflict where the conflict can be minimized by a monitoring mechanism, namely with institutional parties who can later align the interests of each party. The monitoring mechanism will later give rise to costs which are usually called agency costs. Agency costs are defined as costs that must be borne by the principal or shareholder in exercising control over managers with the aim that managers do not act opportunistically.

Agency theory is a correlation or contractual relationship that occurs between an agent and a principal. The relationship is carried out for a service that has been authorized by the principal in representing the best decision-making for the principal by prioritizing the interests of the company regarding maximizing the profits that will be obtained by the company to reduce the burden, including the tax burden by implementing Tax avoidance (D. Rahmawati & Anggraeni, 2023).

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The agency relationship between principal and manager can trigger information asymmetry. Where, management as the party that has direct access to company information does not disclose some information to external parties of the company. Including to shareholders as principals. This conflict is inseparable from the tendency of managers to seek their own profit (moral hazard) at the expense of the interests of other parties. Agency problems that occur between shareholders and managers give rise to equity agency costs, (Dhuwik Ratnasaria, Nuswantara 2020).

The relationship between agency theory and this research is the difference in interests that occur between the tax collection process, where the government as the principal wants to maximize tax collection, while taxpayers in this case the company as an agent who wants to pay the minimum amount of tax to obtain the greatest possible profit. Therefore, the company will try as much as possible to minimize the tax burden that must be paid, one way is to carry out tax avoidance which takes advantage of the weaknesses contained in the provisions of tax legislation (Wijayanti, As'ad, Ahmad, 2023).

Signaling Theory

Spance first introduced the signal theory in 1973, this theory shows how companies should send signals to users of financial statements. The signal sent is in the form of information about the company's performance communicated through financial statements. This signal theory is a signal in the form of a financial report which shows the results of the company's performance realization in the form of reported profits generated, the position of the company's nominal accounts or promotions that indicate that the company is performing well (Amanda, 2023).

According to (Ellen Dwi Lestari Liani & Lilis Karlina, 2023), signal theory explains how companies should give signals to users of financial statements. This signal is information about what management is doing to realize the owner's wishes. Information issued by the company can be a good signal for parties outside the company, especially investors, namely financial reports. The annual report should contain relevant information and disclose information that is considered important for report users to know, both inside and outside the company.

Tax Avoidance

According to (Assala, Astuti 2020), Tax in Law No. 16 of 2009 concerning General Provisions and Tax Procedures is a mandatory contribution to the state owed by individuals or entities that is mandatory based on the law, without receiving direct compensation and is used for state needs for the greatest prosperity of the people.

Tax is a contribution from the people to the state treasury based on the law without receiving direct compensation and is used to pay for general expenses, (Irawati et al., 2020) tax is the right and obligation of every individual as a citizen. Tax is an important aspect in the development of a country, including Indonesia (Ayu & Putri, 2022). Tax is a mandatory contribution to the State owed by a taxpayer or body that is coercive based on the law, without receiving direct compensation and is used for the needs of the State for the prosperity of the people. Tax payments are a manifestation of state obligations and the role of taxpayers to directly and jointly carry out tax obligations for state financing and national development (Salamah & Furqon, 2020).

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The tax collection system in Indonesia uses a self-assessment system, which is a tax imposition system that authorizes taxpayers to calculate, calculate, deposit and report the amount of tax owed themselves. In the self-assessment system, taxpayers have an obligation to calculate their tax obligations and have knowledge of payments and so on until they are fulfilled (Cita & Supadmi, 2019).

The purpose of implementing this provision is to provide more justice, improve services to taxpayers, improve certainty and law enforcement, and anticipate advances in information technology and changes in material provisions in the field of taxation. In addition, it is also to improve the professionalism of tax officials, increase the transparency of tax administration, and increase voluntary compliance of taxpayers.

Thin Capitalization

Thin capitalizationis the formation of a company's capital structure with a combination of debt ownership greater than capital. Indonesia has regulations regarding thin capitalization which go through an arm's length test to determine the amount of debt for entities with special relationships and the Debt To Equity Ratio (DER) to determine the maximum amount of debt that can be calculated as an expense. Capital (equity) and debt are two methods used by businesses to obtain funding (Damsut & Shanti, 2023).

Thin capitalizationis the planning of corporate capital ownership of higher interest debt and small capital (I.Fathurrahman, 2022). Thin capitalization and capital structure are closely related to capital structure because thin capitalization is a company asset that combines high leverage and low assets. Thin capitalization can cause tax problems because debt investment is required differently. Thin Capitalization Rules are applied, namely in Article 18 paragraph (1) of Law Number 7 of 1983 which regulates that the provisions regarding the size of the ratio between debt and capital are the authority of the Minister of Finance. The size of the comparison has been arranged in the Regulation of the Minister of Finance Number 169/PMK.010/2015 concerning the determination of the size of the ratio between debt and capital. This provision limits the debt to capital ratio to 4:1 (Rahmah & Sovita, 2023).

Earning Management

Earning managementis management in the process of preparing financial reports in external parties that can increase, decrease and balance profit reporting. Where, the Company always strives to minimize the losses it will experience (Twinfirst, 2023).

Earning managementis an activity that regulates profits according to what is desired by certain parties, especially by company management. Earning Management is defined as an effort by company managers to intervene information in financial reports for the benefit of company performance and conditions. Conceptually, managers are involved in earnings management when faced with intertemporal choice, which is a situation that encourages managers to make certain decisions in their welfare. For example, when a manager carries out earnings management to minimize the taxes he must pay (Astuti & Asalam, 2023).

Earning Managementcan occur when management uses more judgment in preparing financial reports in choosing transactions that change financial reports. It is called earnings management because, as a management intervention as a process of determining profit. And there

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are several motivations that encourage earnings management, namely tax motivation, CEO changes, initial public offerings, and finally capital market motivation (Wijayanti wenny, 2023).

Earning Managementis one of the actions of managers for companies that intentionally adjust information to the company's financial statements, by supporting the desired goals. This can happen in the company's financial statements where the company's financial condition cannot be described in real terms because management has increased or decreased profits in the financial statements presented to stakeholders. One way to make financial statements look good is to reduce the tax burden by doing tax avoidance. Earnings management is a selection of accounting policies or actions that can affect a company's income in achieving the goals desired by management (Octavia and Sari 2022).

Institutional Ownership

Institutional ownership has a very important role in minimizing agency conflicts that occur between managers and shareholders, the existence of institutional investors can be called an effective monitoring procedure for every decision taken by the manager (Lucky & Martanto, 2022).

According to (Septanta Renanda, 2023), institutional ownership is the ownership of shares owned by institutions in a company, and is measured by the proportion of shares owned by institutions at the end of the year, so that institutional investors invest more of their funds. With institutional ownership, the company will encourage increased supervision to be more optimal for management performance, (Astuti & Asalam, 2023). Large

the small institutional ownership will affect the policy of actions to minimize the company's tax burden (Septanta Renanda, 2023).

Institutional ownership according to (Tarmizi & Perkasa, 2021.) is ownership of company shares owned by an institution or agency from outside the company. Such as banks, investment companies, and insurance. Institutional ownership has a sufficient position in an industry, with the provisions of institutional ownership or ownership owned by outside parties, the level of supervision of a company's management will be higher, thus minimizing management actions in tax avoidance (Pratomo & Rana, 2021).

According to Ayu Putri, (2023) institutional ownership in agency theory states that institutional investors can monitor managers and reduce their involvement in manipulating profits to be used as a mechanism for good corporate governance. Institutional ownership can be said to be an effort to monitor corporate governance (supervision of the implementation of corporate governance) such as supervising the company's operational performance.

Companies whose shares are owned by other institutions or the government, then the performance of the company's management to obtain the desired profit will tend to be monitored by institutional investors (Lestari, et al., 2021). This monitoring mechanism will guarantee the increase and prosperity of shareholders. If the institution is dissatisfied with the performance of management, they will sell their shares to the capital market. So that management will act more carefully in determining policies (Septanta; 2023)

Based on the discussion of the theory above, the hypothesis in this study is as follows:

H1 : Thin Capitalization and Earning Management, Institutional Ownership have an effect on Tax Avoidance.

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H2 : Thin Capitalization is suspected to have an effect on Tax Avoidance.
H3 : Earning Management is suspected to have an effect on Tax Avoidance.
H4 : Institutional Ownership has an effect on Tax Avoidance

3. RESEARCH METHOD

The type of research used is the quantitative research method. This method is a scientific method because it has met scientific principles in a concrete or empirical, objective, measurable, rational, and systematic manner. The method used in this study is the associative research method. The associative method aims to determine the relationship between 2 (two) or more variables. This study aims to test and provide empirical evidence regarding the independent variables and dependent variables.

The object of this study is a company engaged in the property and real estate sector where the data used is secondary data sourced from financial reports and annual reports that have been audited and registered and published on the Indonesia Stock Exchange (IDX) in 2018-2022.

3.1. Data Collection Techniques

The data collection techniques used in this study are the literature study and documentation methods. Literature study is the collection of data obtained through scientific books, writings, scientific papers related to this study. Property and real estate sector in this study, the author wants to know the effect of thin capitalization, earning management, and institutional ownership on tax avoidance. The data used in this study are secondary data. Data sourced from financial statements and audited annual reports as a form of accountability in property and real estate companies listed on the Indonesia Stock Exchange (IDX) with research methods.

The sample criteria in this study are property and real estate companies that are continuously listed on the Indonesia Stock Exchange (IDX) and do not use the rupiah currency during the period 2018 - 2022 where there are 14 companies that are samples.

3.2. Operational Definitions of Variables

Tax Avoidance (Y)

According to (Stiawan & Hari, 2023) in (Riduan & Nurhasanah, 2020) the calculation of tax avoidance uses the Cash Effective Tax Rate (CETR). Cash Effective Tax Rate (CETR) is the company's effective cash tax rate. Cash Effective Tax Rate (CETR) can be calculated by comparing the amount of tax payments with profit before tax, each of which is contained in the company's profit/loss report. The tax avoidance calculation formula according to (Gracea et al., 2022) is as follows:

$$\text{CETR} = \frac{Cash\ Tax\ Paid}{Pretax\ Income}$$

Thin Capitalization (X1)

Thin capitalizationis the formation of a company's capital structure with a combination of debt ownership greater than capital. Indonesia has regulations regarding thin capitalization which go through an arm's length test to determine the amount of debt for entities with special relationships and the Debt To Equity Ratio (DER) to determine the maximum amount of debt that can be calculated as an expense. Capital (equity) and debt are two methods used by businesses to obtain funding (Damsut & Shanti, 2023). The calculation formula for the thin capitalization variable according as follows:

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$$DER = \frac{Total\ Debt}{Total\ Equity}$$

Earning Management (X2)

Earning managementis management in the process of preparing financial reports in external parties that can increase, decrease and balance profit reporting. Where, the Company always strives to minimize the losses it will experience (Twinfirst, 2023). Earning managementis an activity that regulates profits according to what is desired by certain parties, especially by company management. Earning Management is defined as an effort by company managers to intervene information in financial reports for the benefit of company performance and conditions. Conceptually, managers are involved in earnings management when faced with intertemporal choice, which is a situation that encourages managers to make certain decisions in their welfare. For example, when a manager carries out earnings management to minimize the taxes he must pay (Astuti & Asalam, 2023). Based on research by Phillips et al. (2003), the formula for the earnings management variable measured by the earnings distribution approach is :

$$\Delta E = \frac{Eit - Eit - 1}{MVEit - 1}$$

Institutional Ownership (X3)

Institutional ownership has a very important role in minimizing agency conflicts that occur between managers and shareholders, the existence of institutional investors can be called an effective monitoring procedure for every decision taken by the manager (Lucky & Martanto, 2022).

According to (Septanta Renanda, 2023), institutional ownership is the ownership of shares owned by institutions in a company, and is measured by the proportion of shares owned by institutions at the end of the year, so that institutional investors invest more of their funds. With institutional ownership, the company will encourage increased supervision to be more optimal for management performance, (Astuti & Asalam, 2023). According to Nurhidayah, the following is the formula according to (Pratomo & Rana, 2021) as follows :

$$Ins\ Own = \frac{Institutional\ Shares}{Outstanding\ Shares} \times 100\%$$

3.3. Sample Collection Techniques

According to The Greatest Showman (2020) population is the totality of each element to be studied that has the same characteristics, can be individuals from a group, events, or something to be studied. Thus, there are differences between the two opinions above, but researchers refer more to the opinion Sugiyono (2018: 117), that population is a generalization area consisting of objects or subjects that have certain qualities and characteristics determined by researchers to study and then draw conclusions. The population in this study is all property and real estate sector companies listed on the Indonesia Stock Exchange (IDX) in 2018 - 2022. The sampling technique used in the study uses the purposive sampling technique. Based on the sample selection stages that have been carried out, researchers obtained 14 companies that met the sample criteria applied. The following is a list of samples of property and real estate companies listed on the IDX in 2018-2022 that can be processed in the study.

3.4. Data Analysis Techniques

Data analysis in this study uses panel data (pooled data), which is a combination of time series data and cross

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section data. Then hypothesis testing is carried out with a panel data regression model. This study uses the Eviews 12 statistical tool with the help of the Microsoft Excel 2019 program

4. RESULTS AND DISCUSSION

4.1. Results

Normality Test

Based on the normality, the Jarque-Bera (JB) probability value is 0.101478, which means that the result is above the significance level of 0.05, so it is concluded that the residual is normally distributed.

Multicollinearity Test

Based on the test results of the multicollinearity test can be seen that the correlation value of the independent variables, namely financial distress and litigation risk where the correlation value is <0.80. This is in accordance with the test criteria that the results of the multicollinearity test have no correlation value between independent variables <0.80. So it is concluded that the analysis can be concluded that it passes the multicollinearity test.

Heteroscedasticity Test

Based on the results of the heteroscedasticity test analysi, the results of the Prob.Chi-Square value test are 0.0965, which means that the value is > 0.05. These results indicate that there are no symptoms of heteroscedasticity and can be used for further analysis.

Autocorrelation Test

Autocorrelation test of this research found that the Durbin-Watson (DW) value is 1.740391 where the DW value is between -2 to +2 or -2 < 1.740391 < +2. So it can be concluded that there is no autocorrelation.

Hypothesis Test Results
Multiple Linear Regression Analysis of Panel Data

Table 1 : Panel Data Regression

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.345818	0.04147	8.339974	0.00000
X1	0.010046	0.01173	0.856396	0.3954
X2	-0.001098	0.00667	-0.16453	0.8699
X3	-0.456974	0.05616	-8.1364	0.00000

Source : Output Eviews 9

Based on table 1 above, after conducting regression using the random effect model, the regression equation obtained in this study is as follows:

Y = 0.345818 + 0.010046 X1 – 0.001098X2 – 0.456974+ e

Based on this equation it can be interpreted as follows:

1. The constant value of 0.345818 indicates that the independent variable is considered constant, so the dependent variable, namely tax avoidance, will experience an increase of 0.345818.
2. The regression coefficient of X1 is 0.010046. This shows that tax avoidance will increase by 0.010046.
3. The regression coefficient of X2 is – 0.001098. This shows that tax avoidance will decrease for every 1 increase in the variable X2 assuming other variables are constant.
4. The regression coefficient of X3 is – 0.456974. This shows that tax avoidance will decrease for every 1

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increase in variable X3 assuming other variables are constant.

Coefficient of Determination (R2)

Table 2 : Results of the R2 Determination Coefficient

R-squared	0.56183	Mean dependent variable	0.01945
Adjusted R-squared	0.53836	SD dependent var	0.057567
SE of regression	0.03911	Sum squared residual	0.085671
F-statistic	23.9351	Durbin-Watson stat	1.740391
Prob(F-statistic)	0.0000		

Source : Output Eviews 12

Based on table 2 above, the results of the determination coefficient test with an Adjusted R-square value of 0.561834 or 56.2%. So it can be said that the independent variables in this study have an effect on the accounting conservatism variable of 52.2% and the remaining 48.8% is influenced by other variables not used in the regression model.

F Test (Simultaneous)

Table 3 : Multicollinearity Test

R-squared	0.561834	Mean dependent variable	0.01945
Adjusted R-squared	0.53836	SD dependent var	0.057567
SE of regression	0.039113	Sum squared residual	0.085671
F-statistic	23.93512	Durbin-Watson stat	1.740391
Prob(F-statistic)	0.00000		

Source : Output Eviews 12

Based on table 3 above, it shows that the prob value (F-Statistic) is 0.000000 which is smaller than 0.05, then the third hypothesis can be accepted. This means that simultaneously the variables Thin Capitalization, Earning Management and Institutional Ownership have an effect on Tax Avoidance

T-Test (Partial)

Table 4 : T-Test Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.34582	0.04147	8.33997	0.00000
X1	0.01005	0.01173	0.85640	0.39540
X2	-0.00110	0.00667	-0.16453	0.86990
X3	-0.45697	0.05616	-8.13640	0.00000

Source : Output Eviews 9

The partial influence of independent variables on dependent variables is as follows:

1. The results of the t-test on the Thin Capitalization variable obtained a probability value of 0.3954 which is greater than 0.05, so the hypothesis is rejected. The first hypothesis is rejected, meaning that the Thin Capitalization variable has no effect on Tax Avoidance.
2. The results of the t-test on the Earning Management variable obtained a probability value of 0.8699 which is greater than 0.05, so the hypothesis is accepted. The second hypothesis is

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rejected, meaning that the Earning Management variable has no effect on Tax Avoidance.

3. The results of the t-test on the Institutional Ownership variable obtained a probability value of 0.0000 which is smaller than 0.05, so the hypothesis is accepted. The third hypothesis is accepted, meaning that the Institutional Ownership variable has an effect on Tax Avoidance.

4.2. Discussion

The Influence of Thin Capitalization, Earning Management, Institutional Ownership on Tax Avoidance.

The Third Hypothesis (H1) states that it is suspected that Thin Capitalization and Earning Management, Institutional Ownership have an effect on Tax Avoidance. Based on the results of the F test analysis in table 4.18, the Probability value is 0.0000 which is less than 0.05, so the hypothesis can be accepted. The results of the analysis state that Thin Capitalization, Earning Management and Institutional Ownership have an effect on Tax Avoidance, so the Third Hypothesis (H1) is accepted. The relationship between agency theory and this research is the difference in interests that occur between the tax collection process, where the government as the principal wants to maximize tax collection, while taxpayers in this case the company as an agent who wants to pay taxes in the minimum amount possible to obtain maximum profit. There are many factors that influence tax avoidance. In a study conducted by Mailia (2020) Thin Capitalization, Return On Asset, and Company Size have a joint influence on tax avoidance. The amount of company profits generated through asset management and the total amount of assets owned by a company will encourage the company to carry out tax planning with tax avoidance measures (Rahmah & Ingra, 2023).

The Effect of Thin Capitalization on Tax Avoidance.

The first hypothesis (H2) states that Thin Capitalization is suspected to have an effect on Tax Avoidance. Based on the results of the t-test analysis in table 4.17, it can be seen that the Thin Capitalization variable obtained a Probability value of 0.3954, which is greater than 0.05. The results of the analysis state that Thin Capitalization does not affect Tax Avoidance, so the second hypothesis (H2) is rejected. According to the agency theory which assumes that risk avoidance in the practice of thin capitalization is carried out to make the company report smaller profits. This is because the interest that must be recognized is high as a result of the tax that must be paid is lower. Companies have a high tendency to practice tax avoidance. The original estimate of the agency theory does not have harmony using the results of the study, thin capitalization does not have a significant effect on tax avoidance. This study shows that thin capitalization in property and real estate companies does not charge interest on debt for tax avoidance purposes. However, the debt is for other purposes such as company expansion and operations. The results of this study are in line with research conducted by (Nirmalasari & Susilowati, 2021) which states that thin capitalization has no effect on tax avoidance, where it can be concluded that thin capitalization does not show an impact on tax avoidance because companies finance with debt not to minimize the taxes they have to pay, but to use it for the company's operational needs.

The Influence of Earning Management on Tax Avoidance.

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The Third Hypothesis (H3) states that Earning Management is suspected to have an effect on Tax Avoidance. Based on the results of the t-test analysis in table 4.17, it can be seen that the Earning Management variable obtained a Probability value of 0.8699, which is greater than 0.05. The results of the analysis state that Earning Management does not affect tax avoidance, so the Third Hypothesis (H3) is rejected. Earnings management is a consideration in financial reporting used by managers and transaction structures to change financial report transactions by manipulating stakeholders regarding the reported results. This Signal Theory is information about what management does to realize the owner's wishes. Information issued by the company can be a good signal for parties outside the company, especially investors, namely financial reports. The annual report should contain relevant information and disclose information that is considered important to be known by report users, both inside and outside the company.

This shows that if the profit value is greater, the higher the tax value that must be paid. Therefore, the company will take tax avoidance actions. The results of this study have the same test results as research and research (Twinfirst, 2023).

The Influence of Institutional Ownership on Tax Avoidance.

The Fourth Hypothesis (H4) states that it is suspected that Institutional Ownership has an effect on Tax Avoidance. Based on the results of the t-test analysis in table 4.17, it can be seen that the Institutional Ownership variable obtained a Probability value of 0.0000 which is greater than 0.05. The results of the analysis state that Institutional Ownership has an effect on tax avoidance, so that the Fourth Hypothesis (H4) is accepted. So it can be concluded that institutional ownership has a significant effect on tax avoidance. In order for companies to reduce agency problems and achieve higher bottom line performance profits and ensure sustainable investment, the company's tax burden must be minimized through aggressive tax planning driven by institutional owners (Prasetyo & Pramuka, 2018)

5. CONCLUSION

This study aims to prove the Influence of Thin Capitalization, Earning Management, Institutional Ownership on Tax Avoidance. This study uses Property and Real Estate companies listed on the Indonesia Stock Exchange in 2018-2022. Based on the results obtained from data processing with the help of E-Views 12 software with 12 company samples and studied for 5 years of observation period in Property and Real Estate companies, the following conclusions can be drawn:

1. The variables Thin Capitalization, Earning Management and Institutional Ownership have an effect on Tax Avoidance.
2. The Thin Capitalization variable has no effect on Tax Avoidance.
3. The Earning Management variable has no effect on Tax Avoidance.
4. Institutional Ownership Variables Influence Tax Avoidance.

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