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The Effect of Capital Structure, Profitability and Institutional Ownership on Tax Avoidance in Manufacturing Companies in the Consumption Industry Sector Listed on The Indonesian Stock Exchange in 2020-2022

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ABSTRACT
Objective - This research aims to examine the influence of capital structure, profitability and institutional ownership on tax avoidance in manufacturing companies in the consumer industry sector listed on BEI in 2020-2022.
Design/Methodology - The population in this research is all manufacturing companies in the consumer industry sector listed on the Indonesia Stock Exchange (BEI) in 2020-2022. The sampling technique in this research uses a purposive sampling method with the criteria of companies in the consumer goods industry sector that disclose financial reports consecutively for the 2020-2022 period . The data used is secondary data. The data analysis method used is Multiple Linear Regression Analysis with the help of the SPSS 25 application.
Results - The results of the research show that simultaneously and partially Capital Structure, Profitability and Institutional Ownership affect Tax Avoidance.

KEYWORDS: Capital Structure, Profitability, Institutional Ownership and Tax Avoidance.

1. INTRODUCTION

A country's main income comes from various sectors, one of which comes from the tax sector. In various countries, tax revenues are very important for national development activities and a source of funds for public welfare. Tax is one of the sources of state revenue which makes the largest contribution to the implementation of state activities (Ningsih & Noviari, 2021). Efforts to optimize tax sector revenues have been prepared by the Indonesian government, namely with various policies in the form of intensification and extensification in line with the development of the economy, information technology, social and political legislation and regulations htat will continue to be refined (Noviani , 2017).

Indonesian citizens who are taxpayers are obliged to pay taxes to the state treasury. Meanwhile, in practice taxpayers and the government do not have the same goals. For taxpayers, the tax paid is a cost that can reduce net income while for the government, taxes are a source of state financing needed for national development. As a result of this misalignment of objectives, taxpayers tend to make efforts to minimize tax costs by carrying out tax avoidance actions (Octaviani, 2020).

One way of tax resistance is tax avoidance, where companies reduce their tax burden legally and do not conflict with applicable tax regulations. The problem of tax avoidance is a complicated and unique problem because in this case, tax avoidance does not violate the law (legal). On the other hand, tax avoidance is not expected by the government. The opportunity for tax avoidance is also caused by the Indonesian government adopting a self-assessment system in its tax collection system. Taxpayers are given complete freedom in calculating, paying and reporting their own tax obligations. The implementation of this taxation seems to open up opportunities for mandatory taxes to carry out tax avoidance actions by reducing company profits so that the taxes that must be paid are also lower (Mangoting & Sukoharsono, 2018).

According to Dewi & Noviari (2016) Tax avoidance is a unique problem, because tax avoidance is something that is undesirable for the government, but on the other hand, this action is classified as a legal action and does not violate the law because the methods and techniques used are by exploiting weaknesses (gray areas) contained in the law. the tax laws and regulations themselves, so that in this case the Directorate General of Taxes cannot legally prosecute perpetrators of tax avoidance.

Tax avoidance actions are carried out with the aim that the company can achieve its main goal, namely optimizing profits which is expected to have an impact on increasing the company's competitiveness, and at the same time the company remains able to fulfill its responsibilities as a taxpayer to the government, which is one of the company's stakeholders. Tax avoidance is carried out by many companies by taking advantage of it differences in rules or standards for calculating profits according to commercial rules and profits according to tax rules, because not all income or expenses recognized in SAK can also be recognized by tax regulations. This difference in the recognition of expenses and income is what companies use to look for loopholes in regulating the amount of tax so that it can be as minimal as possible through such facts and planning (Sianturi et al., 2021).

The number of cases of tax avoidance that occur in Indonesia is still quite large, so this has an impact on reducing tax revenues which results in losses experienced by Indonesia, as well as giving rise to sub-optimal national development and unequal welfare and prosperity of the people. Then, it becomes the background for this research.

In its implementation, taxation in Indonesia still has several problems. First, taxpayer compliance in Indonesia is still low. Second, moral law enforcement is still low. Third, the tax rate is too high and the tax form is too complicated, and the fourth is more macro, the power of the Director General of Taxes is still too large because it includes the executive, legislative and judiciary as well as giving rise to injustice in serving taxpayers' rights which has an impact on the level of taxpayer compliance. Then finally, fifth, there is still low trust in tax officials and complicated tax regulations (Chandra & Sundarta, 2016).

One related phenomenon tax avoidance , namely where the Director General of Taxes at the Ministry of Finance (Kemenkeu) stated the findings of tax avoidance which is estimated to cause losses to the State of up to IDR 68.7 trillion per year. These findings were announced by the Tax Justice Network, reporting that due to tax avoidance , Indonesia is estimated to lose up to US$ 4.86 billion per year, equivalent to IDR 68.7 billion rupiah. In the Tax Justice Network report entitled The state of Tax Justice 2020: Tax Justice in the time of Covid-19, it is stated that from this figure, as much as US$ 4.78 billion , equivalent to Rp. 67.6 trillion, of which is corporate tax avoidance in Indonesia. Meanwhile, the remaining US$ 78.83 million around Rp. 1.1 trillion, came from individual taxpayers. The Director General of Taxes stated that tax avoidance arises because of transactions that occur between parties who have special relationships both domestically and abroad (Kontan.co.id, 2020).

The 2021 APBN-P showed that tax sector revenues reached IDR 1,277.5 trillion of total state revenue amount IDR 1,743.6 trillion. APBN-P in 2021 experienced an increase compared to APBN-P in 2020, tax sector revenues reached IDR 1,072.1 trillion of total state revenue (Kemenkeu.go.id). The achievement of the 2021 APBN-P target was higher than the 2020 APBN-P because 2020 was affected by the Covid-19 pandemic (Kemenkeu.go.id).

Tax revenues experienced pressure throughout 2020, manufacturing companies were one of the sectors that experienced the largest decline in tax payments to the state treasury. Manufacturing companies are companies that operate in the field of processing raw materials into semi-finished goods or finished goods that can be processed or used directly by consumers. Manufacturing companies listed on the Indonesia Stock Exchange (BEI) are divided into three types, namely the basic and chemical industry sector, the miscellaneous industry sector, and the consumer goods industry sector (Lestari, 2022).

This research chose the consumer goods industry sector because from the BEI/IDX statistics report (June 2020), in the period June 2019 to June 2020, the consumer goods industry sector experienced the lowest decline compared to other sectors at 251,757 or 12.26 %. The decline over the years was partly influenced by world economic conditions during the Covid-19 pandemic, and began to enter Indonesia in March 2020. So in the first month the consumer goods industry sector experienced a decline of 5,828 or 0.32%, and also the consumer goods industrial sector is an industry that produces consumer products and has a high level of sales, which has an impact on the growth of the manufacturing industry. The manufacturing industry itself plays an important role in the national economy because this industry is one of the highest contributors to state revenue (Janah, 2021).

It is important and interesting to study further the factors that are thought to influence tax avoidance. The first factor is capital structure which is an important element in managing the financial function to meet its funding needs. The company's funding needs are used to run activity operation and development his business. Companies tend to choose to use their own (internal) capital as permanent capital rather than foreign (external) capital, which is only if the company is insufficient to meet its funding needs. Capital structure is related to the use of long-term spending by a company by comparing the proportion of long-term debt with its own capital (Devi & Arinta, 2021).

Fahmi (2015) explains that capital structure is a ratio used by companies to measure how big a company is financed by his debts. Companies that use debt too high will be dangerous for the company itself because it will enter into the extremes of capital structure. Extreme capital structure is a company who are trapped in debt levels that are too high and find it difficult to escape the debt burden. Therefore, it is best way for a company to balance what debt it deserves and where the funds that can be used to pay the debt come from. The capital structure measuring instrument consists of several ratios, but the main measuring instrument used to measure capital structure ratios is the Debt to Equity Ratio (DER). The higher the DER owned by a company, indicating the composition of total debt, both short-term and long-term, the greater the company's burden on external parties or creditors. The increasing burden on external parties shows that the capital sources owned by the company are very dependent on external parties. Companies that make debt payments will also have interest costs to pay, the greater the debt paid by the company, the higher the interest the company will bear (Darmawan and Sukartha, 2014).

This is in line with several studies which state that capital structure has a positive effect on tax avoidance (Rachmat, 2021; Dakhli, 2022; Richardson et al., 2016; Prabowo, 2020). While, different from research by Zendrato (2021) stated that capital structure has no effect on tax avoidance.

The second factor that is thought to influence tax avoidance is profitability, which is an ability where a company can gain profits or profit from managing assets using Return On Assets (ROA) calculations. The relationship between profitability and tax avoidance is that if the profits generated are high then the taxes paid will also increase, which will trigger tax avoidance actions. This is in line with several studies which state that profitability has a positive effect on tax avoidance (Praditasari & Ery Setiawan, 2017; Sulaiman, 2021; Sherly, 2022; Setyawan, 2020). While different research by Mailia & Apollo (2019) and Ariska et al. (2020) stated that profitability has no effect on tax avoidance.

The final factor that influences tax avoidance is institutional ownership, which is an indicator of corporate governance. Ownership Institutional is percentage shares owned institution And ownership investors with position ownership share at least 5%). The higher institutional ownership is expected to be able to create better control (Ngadiman, & Puspitasari, 2014). Institutional ownership is expected to be able to control deviant management behavior because institutional ownership is a fairly large ownership structure in a company where the majority of company shares are owned by institutions or agencies. According to Ulupui (2016), the higher the institutional ownership so the better control it is expected to create over company policies so that the company is expected to have high institutional ownership. The influence of institutional ownership on tax avoidance has been studied by several researchers with different research results. Some state that institutional ownership influences tax avoidance (Sanchez & Mulyani, 2020; Ngadiman, & Puspitasari, 2014; Khan et al., 2017). However Sari & Kinasih (2021) showed that institutional ownership does not have a significant effect on tax avoidance. This indicates that low or high institutional ownership in a company will not affect tax avoidance.

Based on the case phenomena described above, it increasingly shows that the level of compliance with tax payments in Indonesia, especially in property and real estate sector companies is low, which is an indication of the practice of tax avoidance. In practice, tax avoidance is a legal thing, but the government also experiences a dilemma because in this act of tax avoidance, taxpayers reduce their tax burden must be paid which does not conflict with tax regulations. However, the government, especially the Directorate General of Taxes, cannot take firm action, even though tax avoidance actions will affect the amount of state revenue from the tax sector.

2. LITERATURE REVIEW, THEORETICAL FRAMEWORK, AND HYPOTHESIS DEVELOPMENT

2.1 Compliance Theory

Compliance Theory is a theory regarding a person's obedient behavior towards applicable regulations or laws. According to Tyler (1990), there are two perspectives in the sociological literature regarding compliance with the law.

According to Tahar & Rachman (2014), compliance theory is closely related to the compliant attitude of a company as a Corporate Taxpayer towards the government and capital owners. A company established in a certain country is expected to comply with applicable laws and regulations. Regulations and legislation are implemented so that companies can comply with each of their obligations, so that they do not violate or deviate. The government implements regulations and legislation so that the desired goal can be achieved, namely obtaining maximum income from taxes.

2.2 Agency Theory (Agency Theory)

Agency theory was chosen as the basis for concept development in this research. Agency theory is a theory that explains the contractual relationship between one or more people (principals) who employ other people (agents) to provide a service and delegate decision-making authority to the agent (Jensen and Meckling, 1976).

The tax system in Indonesia uses a self-assessment system, namely an authority or trust given by the government to taxpayers to calculate and report their own taxes. Using a self-assessment system can give agents the opportunity to calculate the lowest possible taxable income, so that the tax burden borne by the company is lower than it should be.

2.3 Capital Structure on Tax Avoidance

Capital structure is the ratio between the company's total debt to total equity. Capital structure is a form of funding to meet investment needs and company operational activities. Based on agency theory, information asymmetry arises between the company and outside parties, where investors' ability to obtain internal company information is more limited than management. The influence of capital structure on tax avoidance can be projected using the Debt Equity Ratio (DER) ratio which reflects the company's ability to utilize its own capital to finance its obligations or debts (Darmawan and Sukartha, 2014).

Capital structure is something that describes a company referring to financial proportions, namely between capital that comes from its own capital and long-term debt which is used by the company as a source of financing. The capital structure formation mechanism through the Thin Capitalization mechanism causes various impacts. The debt given gives rise to interest expenses, where the treatment of interest in taxation is different from the treatment of dividends. Interest expenses in tax provisions are allowed as a deduction from income (Buettner et al., 2012). Therefore, this creates gaps and opportunities for companies to avoid tax through the use of interest. This is in line with several studies which state that capital structure has a positive effect on tax avoidance (Rachmat, 2021; Dakhli, 2022; Richardson et al., 2016; Prabowo, 2020).

H1: Capital Structure has an effect on Tax Avoidance

2.4 Profitability on Tax Avoidance

Companies are able to generate high profits by managing their income and tax payments so that they have low tax avoidance. In this research, it is proxied by ROA. In a company, the higher the value of ROA, the higher the value of the company's net profit and the higher its profitability. Companies that have high profitability have the opportunity to position themselves in tax planning which reduces the amount of tax liability burden. The definition of ROA is the company's ability to generate profits.

The basis for assessing profitability is the financial report which consists of the company's balance sheet and profit and loss report. Based on these two financial reports, the results of the analysis of a number of ratios can be determined and then these ratios are used to assess certain aspects of the company's operations. Profitability is also a form of accountability of the agent who has control over a company, therefore the company will definitely disclose its financial reports and reporting. The concept of legitimacy also links the profits generated by a company with the disclosure of its financial statements. If a company has high profits, management as an agent must also provide social and environmental activities as an embodiment of the social contract that occurs in interactions in society.

A company with high profitability shows that the company has good tax planning, it also means the company is able to use its resources to make the best use of tax incentives. So that the company obtains optimal taxes, therefore the company does not need to take tax avoidance measures. This is in line with several studies which state that profitability has a positive effect on tax avoidance (Praditasari & Ery Setiawan , 2017 ; Sulaiman , 2021 ; Sherly, 2022 ; Setyawan, 2020).

H2: Profitability has an effect on Tax Avoidance

2.5 Institutional Ownership on Tax Avoidance

Institutional ownership is share ownership by parties in the form of institutions. According to Ngadiman and Puspitasari (2014), these institutions can be government institutions, financial institutions, legal entities, foreign institutions, and trust funds and other institutions. Institutions can own majority shares because institutions have greater resources than other shareholders.

Institutional ownership is part of the ownership structure which is included in the good corporate governance mechanism, which is one of the characteristics that is believed to reduce agency conflicts.

According to Ratnasari & Nuswantara (2020) The greater the institutional ownership, the greater the voting power and encouragement of the institution to supervise management. As a result, it will provide greater encouragement to optimize company value so that company performance will increase. This increased performance will be profitable for shareholders because in other words shareholders will get a lot of benefits in the form of dividends. Supervision carried out by institutional investors will ensure shareholder prosperity. The influence of institutional ownership as a supervisory agent is suppressed through their sizable investment in the capital market. A high level of institutional ownership will lead to greater monitoring efforts by institutional investors so that they can deter managers' opportunistic behavior.

According to Darsani & Sukartha (2021) showed the size of the institutional ownership concentration will influence the company's aggressive tax policy, and the greater the concentration of short-term institutional shareholders will increase aggressive

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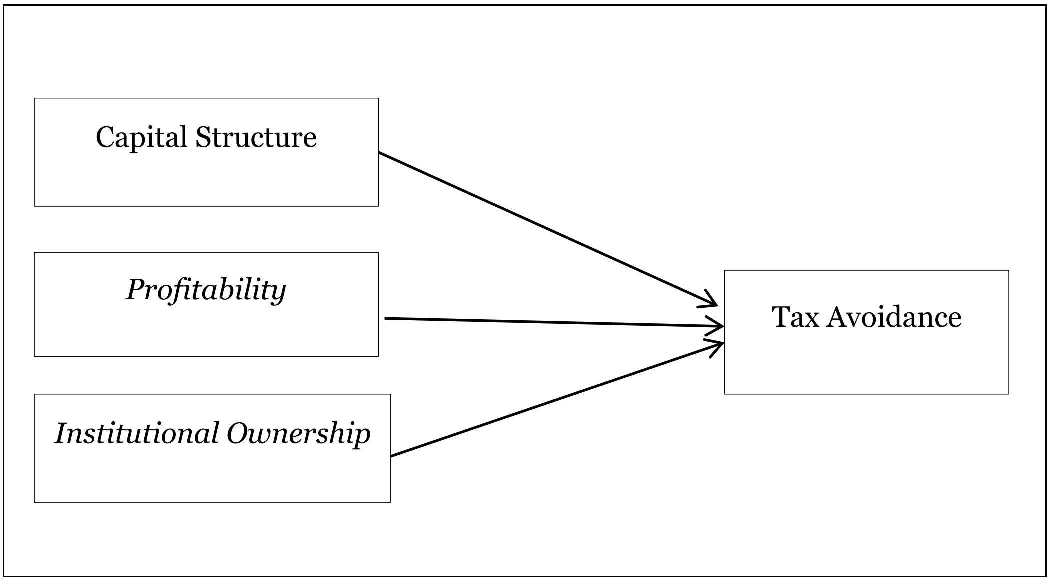
tax policy, but the greater the concentration of long-term shareholder ownership , the greater the reduction in aggressive tax policy actions.

Some state that institutional ownership influences tax avoidance (Sanchez & Mulyani, 2020; Ngadiman, & Puspitasari, 2014; Khan et al., 2017). Based on the explanation regarding the relationship of influence between variables that has been explained above, the framework for thinking regarding the relationship between capital structure variables, profitability and institutional ownership on tax avoidance In summary, it can be seen in Figure 2.1 below :

H3: Institutional Ownership has an effect on Tax Avoidance

The conceptual framework in this research can be seen in Figure 2.



3. RESEARCH METHODS

The population used is all manufacturing companies in the consumer industry sector listed on the Indonesia Stock Exchange (BEI) in 2020 - 2022. Meanwhile, the sample is part of the number and characteristics found in the population to be studied. The sampling technique in this research used the purposive sampling method. According to Sugiyono (2017) purposive sampling is a sampling method by determining criteria that meet certain requirements . Some of the criteria used in determining the sample are as follows:

1) Manufacturing companies in the consumer goods industry sector listed on the Indonesia Stock Exchange in 2020-2022.
2) Companies in the consumer goods industry sector that disclose financial reports consecutively for the 2020-2022 period.
3) Companies in the consumer goods industry sector registered on the IDX in 2020-2022 are not in a state of loss, because if the company makes a loss, then there is no basis for the company to calculate its income tax.

Table 1. Research Sample

No	Company Code	Company name
1.	ADES	Akasha Wira International Tbk
2.	CAMP	Campina Ice Cream Industry Tbk
3.	CEKA	Cahaya Kalbar Tbk
4.	CINT	Chitose International Tbk
5.	CLEO	Sariguna Primatirta Tbk
6.	DLTA	Delta Djakarta Tbk
7.	DVLA	Darya Varia Laboratoria Tbk
8.	GGRM	Gudang Garam Tbk

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9.	HMSP	Hanjaya Mandala Sampoerna Tbk
10.	HOKI	Buyung Poetra Sembada Tbk
11.	HRTA	Hartadinata Abadi Tbk
12.	ICBP	Indofood CBP Sukses Makmur Tbk
13.	INDF	Indofood Sukses Makmur Tbk
14.	KLBF	Kalbe Farma Tbk
15.	KINO	Kino Indonesia Tbk
16.	MERK	Merck Indonesia Tbk
17.	MLBI	Multi Bintang Indonesia Tbk
18.	MYOR	Mayora Indah Tbk
19.	PYFA	Pyridam Farma Tbk
20.	SIDO	Industri Jamu dan Farmasi Sido Tbk
21.	SKBM	Sekar Bumi Tbk
22.	SKLT	Sekar Laut Tbk
23.	STTP	Siantar Top Tbk
24.	TSPC	Tempo Scan Pacific Tbk
25.	ULTJ	Ultra Jaya Milk Industry and Trading Company Tbk
26.	UNVR	Unilever Indonesia Tbk
27.	WIIM	Wismilak Inti Makmur Tbk
28.	WOOD	Integra Indocabinet Tbk

Source: Data processed (2023)

The dependent variable chosen in this research is tax avoidance. Tax avoidance is carried out with the aim that the company can achieve its main goal, namely optimizing profits which is expected to have an impact on increasing the company's competitiveness, and at the same time the company remains able to fulfill its responsibilities as a taxpayer to the government which is one of the company's stakeholders. The following is the formula for the Tax avoidance variable:

$$CETR = \frac{Taxes\ paid}{Profit\ before\ tax}$$

The independent variables in this research are Capital structure, Profitability and Institutional ownership. According to Devi & Arinta (2021) capital structure is a ratio used by companies to measure how big a company is financed by his debts. Capital structure is an important issue for companies because good or bad capital structure will have a direct effect on the company's financial position, especially with very large debt which will put a burden on the company. In this research, capital structure is measured using the Longterm Debt to Asset Ratio (LDAR) and Debt to Equity Ratio (DER). The following is the formula for the Capital Structure variable:

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

Profitability is a determining ratio for assessing a company's ability to gain profits (Ariska et al., 2020). This ratio can also show the level of effectiveness of a company's management with the income obtained from sales and investment income. The indicator for this variable is Return On Assets.

$$ROA = \frac{Earning\ After\ Tax}{Total\ Asset}$$

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According to Ngadiman and Puspitasari (2014) Institutional ownership is share ownership by parties in the form of institutions. These institutions can be government institutions, financial institutions, legal institutions, foreign institutions, and trust funds and other institutions. The indicators for this variable are :

$$IO = \frac{Number\ of\ Institutional\ shares}{Total\ outstanding\ shares}$$

4. RESULTS AND DISCUSSION

The data description provides an overview of the characteristics of the variable data used in the research. The data description function is to determine the minimum value, maximum value, average value, standard deviation (the level of deviation in the spread of data for each variable), and the amount of data analyzed. Table 2 shows the descriptive statistical values of each variable .

Table 2. Descriptive statistics

Descriptive Statistics					
	N	**Minimum**	**Maximum**	**Mean**	**Std. Deviation**
Tax Avoidance	84	0,01	0,54	0,2592	0,12428
Capital Structure	84	0,11	3,83	0,7909	0,77442
Profitability	84	0,00	0,43	0,1470	0,10848
Institutional Decree	84	0,00	0,98	0,6040	0,34799
Valid N (Listwise)	84				

Source: SPSS output (2023)

Hypothesis testing is carried out to test and analyze hypotheses based on the model structure and its suitability to previously formulated hypotheses. The method used in this research is multiple linear regression analysis. This analysis is used to determine the magnitude of the influence of the independent variable on the dependent variable. Based on multiple linear analysis calculations, the results obtained can be seen in table 3 below:

Table 3. Regression Analysis Results

Model	**Unstandardized Coefficients**		**Standardized Coefficients**	**t**	**Sig.**	**Collinearity Statistics**	
	B	**Std. Error**	**Beta**			**B**	**Std. Error**
(Constant)	0,092	0,020		4,527	0,000	0,092	0,020
Capital Structure	0,048	0,013	0,241	3,718	0,000	0,048	0,013
Profitability	0,558	0,94	0,012	5,968	0,000	0,558	0,94
Institutional Ownership _	0,078	0,027	0,213	2,873	0,005	0,078	0,027

Source: Processed data (2023)

Based on the data test results in Table 3 showed that the calculated t value Capital Structure is 3,718 and the t table value is 1.663. Based on the explanation previously explained, if the calculated t value > t table using a significance level of 5% then the hypothesis can be accepted. So it can be seen that the calculated t value > t table is 3,718 > 1.663 with a significance level of 5%, so the null hypothesis (H01) is rejected and the alternative hypothesis (Ha3) is accepted. This means that Budget Planning has a significant effect on Tax Avoidance.

Based on the data test results in Table 3 showed that the calculated t value Profitability is 5,968 and the t table value is 1.663. Based on the explanation previously explained, if the calculated t value > t table using a significance level of 5% then the hypothesis can be accepted. So it can be seen that the calculated t value > t table is 5,968 > 1.663 with a significance level of 5%, so the null hypothesis (H02) is rejected and the alternative hypothesis (Ha2) is accepted. This means that Profitability has a significant effect on Tax Avoidance.

Based on the data test results in Table 3 showed that the calculated t value Institutional Ownership is 2,873 and the t table value is 1.663. Based on the explanation previously explained, if the calculated t value > t table using a significance level of 5% then the hypothesis can be accepted. So it can be seen that the calculated t value > t table is 2,873 > 1.663 with a significance level of 5%, so the null hypothesis (H03) is rejected and the alternative hypothesis (Ha4) is accepted. This means that Institutional Ownership has a significant effect on Tax Avoidance .

4.1 The Effect of Capital Structure on Tax Avoidance

Based on the results of statistical testing, it can be seen that the calculated t value for the variable Capital Structure is 3,718 which is greater than the t table value which is 1.663. Thus, it can be said that Capital Structure has a significant influence on Tax Avoidance and this is in accordance with the previously formulated hypothesis.

Capital structure is a ratio used by companies to measure how big a company is financed by his debts. Companies that use debt too high will be dangerous for the company itself because it will enter into the extremes of capital structure. Extreme capital structure is a company who are trapped in debt levels that are too high and find it difficult to escape the debt burden. Therefore, it is best for a company to balance what debt it deserves and where the funds that can be used to pay the debt come from. In this research, the influence of capital structure on tax avoidance can be projected using the Debt Equity Ratio (DER) ratio (Prabowo, 2020).

Debt to Equity Ratio reflects the company's ability to operate fulfill all its obligations as indicated by several parts of capital itself is used to pay debts. The higher the Debt to Asset Ratio then the company's interest expense will also increase which is capable of affects the company's tax burden, so that the company can use it in tax planning.

This is in line with several studies which state that capital structure has a positive effect on tax avoidance (Rachmat, 2021; Dakhli, 2022; Richardson et al., 2016; Prabowo, 2020). Different from research by Zendrato (2021) which states that capital structure has no effect on tax avoidance .

4.2 The Effect of Profitability on Tax Avoidance

Based on the results of statistical testing, it can be seen that the calculated t value for the variable Profitability is 5,968 which is greater than the t table value , namely 1.663. Thus, it can be said that Profitability has a significant influence on Tax Avoidance and this is in accordance with the previously formulated hypothesis.

Profitability as is a description of the company's financial performance in generating profits, the higher the level of profitability the company, the better the company's performance will be in generating company profits. ROA is one approach to measuring profitability ratios. The ROA approach shows that the amount of profit obtained by the company uses the total assets owned by the company (Darmawan and Sukartha, 2014).

According to Law no. 36 of 2008 article 1 explains that income received by tax subjects will be subject to income tax. The size of the tax that taxpayers must pay is directly proportional to the amount the small income earned by taxpayers in a period, so that the higher the company's profitability , the higher the tax that must be paid, while companies that have a low level of profit or even experience losses will pay less tax or not at all.

According to Sulaeman (2021) Profitability can provide an overview of the level of management effectiveness in carrying out its operational activities, therefore the higher the level of profitability, the more effective the company will be in carrying out their tax management. Based on the descriptions above, the researcher assumes that companies that have high profitability indicate that the company has good financial performance and has a high reputation, so that in general companies that have profitability those who are high tend to be under stricter government supervision. Therefore the company with Profitability those who are high will tend to be reluctant to carry out tax avoidance actions, this is because tax avoidance actions are actions that have a high risk, and can reduce the company's reputation if the company is detected in carrying out tax avoidance actions which will also have an impact on reducing profitability company in the future.

Companies that are detected to have committed tax avoidance will definitely lose credibility with stakeholders, so that most companies have a level of profitability those who are high will prefer to be obedient in paying taxes so that the company can maintain its survival in the long term. This is in line with several studies which state that profitability has a positive effect on tax avoidance

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(Praditasari & Ery Setiawan, 2017; Sulaeman, 2021; Sherly, 2022; Setyawan, 2020). Different from research by Mailia & Apollo (2019) and Ariska et al. (2020) which states that profitability has no effect on tax avoidance.

4.3 The Effect of Institutional Ownership on Tax Avoidance

Based on the results of statistical testing, it can be seen that the calculated t value for the variable Institutional Ownership is 2,873 which is greater than the t table value of 1.649. Thus, it can be said that Institutional Ownership has a significant influence on Tax Avoidance and this is in accordance with the previously formulated hypothesis.

Based on agency theory, Jensen & Meckling (1976), which reveals that differences in interests between the principal and agent will trigger agency problems, so to prevent agency problems, supervision from external parties is needed. An external party that can monitor each party who has different interests is institutional ownership. Institutional ownership is a larger share ownership of a company owned by other corporate institutions or the government .

The greater the institutional ownership, the greater the voting power and encouragement from institutions to supervise management, and this will have an impact on better company performance and will generate more profits. In other words, institutional investors get incentives and opportunities to supervise managers so that managers do not do things that prioritize their personal interests. Apart from that, institutional investors will try to make positive efforts to increase the value of their companies (Khan et al., 2017).

According to Dakhli (2022) said that institutional ownership plays an important role in monitoring, disciplining and influencing managers in carrying out tax management. The size of the concentration of institutional ownership will influence the company's tax avoidance policy, where the greater the concentration of institutional short-term share ownership, the higher the tax avoidance will be, and vice versa.

In research Sanchez & Mulyani (2020) stated that high institutional ownership tends to reduce tax avoidance, because when a company wants to carry out tax planning in an effort to reduce the tax burden, the percentage of shares owned by institutional investors can be used to reduce the company's taxable profit with the dividend burden which is a reduction in taxable income. corporate tax. Apart from that, large share ownership from institutional investors can also reduce debt costs by reducing agency problems, so that the opportunity for tax avoidance actions by companies will also be reduced.

Several studies state that institutional ownership influences tax avoidance (Sanchez & Mulyani, 2020 ; Ngadiman, & Puspitasari, 2014 ; Khan et al . , 2017). However Sari's research & Kinasih , 2021 which shows that institutional ownership does not have a significant effect on tax avoidance .

5. CONCLUSION, IMPLICATIONS AND LIMITATIONS

Based on the results of the research discussion previously explained, it can be concluded that: Capital Structure, Profitability and Institutional Ownership have a simultaneous effect on Tax Avoidance. Capital Structure has a significant effect on Tax Avoidance. Profitability has a significant effect on Tax Avoidance. And Institutional Ownership has a significant effect on Tax Avoidance.

Future researchers are expected to be able to use other industrial sectors such as mining, agricultural, financial and telecommunications sector companies, with different research periods to expand the number of samples listed on the Indonesian Stock Exchange so that it is hoped that they can obtain comprehensive research results. Future researchers can use other independent variables to better understand what factors influence tax avoidance.

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