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The Influence of Independent Commissioners, Institutional Ownership, and Fiscal Loss Compensation on Tax Avoidance in Health Sector Companies in 2018-2022

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ABSTRACT

Purpose: This study aims to analyze the effect of independent commissioners, institutional ownership, and fiscal loss compensation on tax avoidance in health sector companies in Indonesia during the 2018-2022 period.

Design/methodology/approach: This research method is quantitative, using secondary data in the form of financial reports obtained from the official website of the Indonesia Stock Exchange. The sample used was 14 companies using purposive sampling method. The data analysis method used is multiple linear regression analysis method by conducting several tests. The results of this study indicate that independent commissioners, institutional ownership, and fiscal loss compensation have a negative and insignificant effect on tax avoidance. Quantitative research method using multiple linear regression analysis method.

Findings: Independent commissioners significantly do not affect Tax Avoidance in health sector companies in 2018-2022. Institutional ownership significantly does not affect Tax Avoidance in health sector companies in 2018-2022. Fiscal loss compensation significantly does not affect Tax Avoidance in health sector companies in 2018-2022.

Paper type: Research Paper

Keywords: *Tax Avoidance, Independent Commissioner, Institutional Ownership, Fiscal Loss Compensation.*

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I. INTRODUCTION

A. Background

Tax avoidance is an act of reducing the tax burden by utilizing the weakness of tax provisions in a country (Faradiza, 2019). In Indonesia, tax avoidance includes legal activities that can be carried out by utilizing legal loopholes or by making transfers to avoid taxation. The practice of tax avoidance has been widely practiced in every country in accordance with the regulations that have been enacted in that country. There are three tax avoidance practices that actually occur in Indonesia, namely grants based on Article 4 paragraph (3) Letter a Number 2 in Law No. 36 of 2008 concerning income tax, large nominal loans to banks by citing Article 6 paragraph (1) Letter a in the Income Tax Law, and utilization of PP No. 23 of 2018 (Ley 25,632, 2002).

There are several facto rs that influence tax avoidance practices, including Good Corporate Governance, Corporate Social Responsibility, profitability, leverage, and capital intensity.

Based on the factors discussed above, this study will use the Good Corporate Governance factor proxied through independent commissioners, institutional ownership, and fiscal loss compensation.

Independent commissioners have a role in monitoring and representing the interests of shareholders, efforts are made to minimize tax avoidance by forming an independent board of commissioners who are able to control management performance (Taebenu and Valentine Siagian, 2023). However, in Indonesia, the number of

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independent commissioners is proportional to the number of shares owned by non-controlling shareholders (Puspita and Harto, 2014) This indicates that independent commissioners represent the interests of minority shareholders or public shareholders. Where public shareholders usually tend to be more tax compliant. That way, independent commissioners will fight for corporate tax compliance, thereby preventing tax avoidance practices.

According to Putri & Lawita (2019) institutional ownership has a positive effect on tax avoidance, the small practice of tax avoidance is caused by the high level of supervision from institutions which causes the tax burden paid to be higher. Meanwhile, in other studies, high institutional ownership in the company encourages an increase in more optimal supervision of management performance and institutional ownership indicates pressure from institutional parties on management to carry out tax rate efficiency policies in obtaining maximum profits, thereby reducing financial fraud behavior including tax avoidance (Sujannah, 2021).

Apart from the two factors above, according to (Sitorus et al., 2022), it is also possible to use fiscal loss compensation as a way to avoid tax obligations. However, previous studies also mention that there are inconsistent results (Research gap) on the fiscal loss compensation variable.

Therefore, the authors are interested in conducting research with the title "The Effect of Independent Commissioners, Institutional Ownership, and Fiscal Gain Compensation on Tax Avoidance In Health Sector COMPANIES 2018-2022".

B. Theoretical Foundation

1. Tax Avoidance

Tax avoidance is an act of reducing the tax burden by utilizing the weakness of tax provisions in a country (Faradiza, 2019). If the taxpayer does not have a business substance or personal motive for the transaction or plan he makes, then the taxpayer's action can be considered as tax avoidance. (Ley 25,632, 2002) In Indonesia, tax avoidance includes legal activities that can be done by utilizing legal loopholes or by making transfers to avoid taxation.

The types of tax avoidance based on law, according to James Kessler, are divided into:

a. Acceptable tax avoidance.
   Tax avoidance is allowed by taxpayers by conducting real transactions and without any transaction manipulation. This tax avoidance practice is so named because it is believed to have a legitimate reason and is not carried out by using fake transactions.
b. Unacceptable Tax Avoidance.
   Tax avoidance that is not allowed is a transaction carried out with the aim of avoiding taxes and manipulating transactions. Taxpayers who do this cannot be accepted by the law. This tax avoidance practice is called illegal because there is a malicious purpose and fake transactions in order to avoid tax payment obligations.

There are three tax avoidance practices that actually occur in Indonesia, namely grants based on Article 4 paragraph (3) Letter a Number 2 in Law No. 36 of 2008, large nominal loans to banks by citing Article 6 paragraph (1) Letter a in the Income Tax Law, and utilization of PP No. 23 of 2018 (Ley 25,632, 2002).

2. Independent Commissioner

According to OJK regulation No. 57/POJK.04/2017 on the implementation of governance of securities companies that conduct business as securities underwriters and securities brokerage, independent commissioners are members of the board of commissioners who are not affiliated with securities companies, have no authority to control securities companies, come from outside the securities company, and meet the requirements to become independent commissioners.

As a member who does not have a share ownership, financial or authority relationship to control the company, the existence of independent commissioners is able to oversee company management activities because it can encourage management to disclose information about the company to shareholders.

1) Institutional Ownership
   Institutional ownership is an institution that has a strong interest in the investments made, including stock investments. In managing the company's investments, institutions usually hand over responsibility to certain departments.
   Basically, institutional ownership seeks to maximize profits in order to obtain high enough dividends or convert them back into equity. This is related to tax avoidance (Ashari et al., 2017).
   The existence of institutional ownership can increase external party supervision of a company so as to minimize the company's deviant behavior. The level of institutional ownership can encourage management to conduct Tax Avoidance and maximize company profits.
2) Fiscal Loss Compensation
   Fiscal loss compensation is the process of a company experiencing a loss from one tax year to the next (timothy). According to (Sitorus et al., 2022), fiscal loss compensation is used by companies to avoid paying

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taxpayers. If the loss is obtained past the fifth year, then the loss cannot be compensated for in the following year, then the tax liability can return to normal.

Fiscal loss compensation can also be used as a way to trick to avoid tax obligations. (Mulyana 2020) because based on the political cost hypothesis theory, large companies will prefer accounting methods that display lower profits than small companies.

II. METHODS

A. Research Design

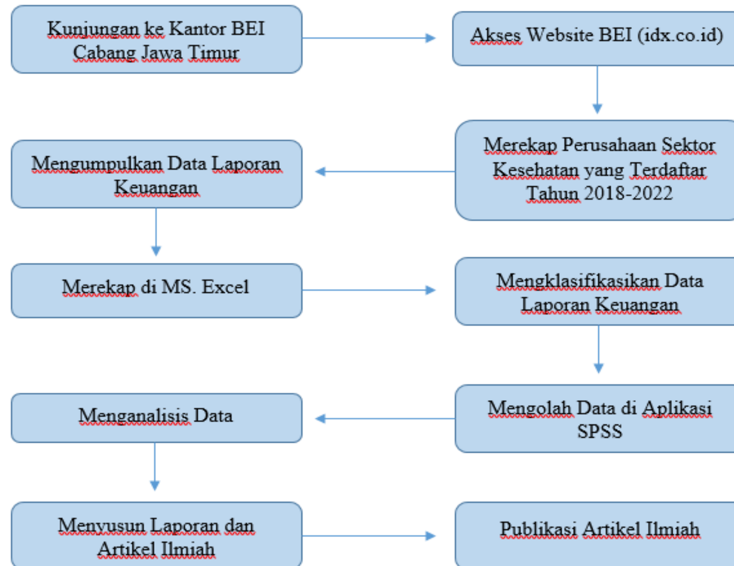

Figure 1 Flowchart

B. Research Stages

The research stage begins with searching for data on health sector companies listed on the Indonesia Stock Exchange in the 2018-2022 period by accessing the idx.co.id website. After that, collect data on the annual financial statements of the health sector companies and recap them in Ms.Excel in order to find out what companies qualify as research samples by showing the completeness of the annual financial statements for 5 years. The next stage is collecting research data according to the independent variables and dependent variables that the author uses. The final step is to process the data in the SPSS application.

C. Research Variables and Indicators

This study uses one dependent variable, namely Tax Avoidance and three independent variables, namely Independent Commissioner, Institutional Ownership, Fiscal Loss Compensation. Variable measurements are carried out as follows:

1. Dependent Variable
   Tax Avoidance This variable is measured using the CETR indicator with the calculation formula Tax payment divided by profit before tax.
2. Independent Variable

1) Independent Commissioner
   This variable is measured by the percentage indicator of the number of independent members of the board of commissioners to the total number of members of the board of commissioners.
2) Institutional Ownership
   This variable is measured by the indicator of the percentage of institutional ownership shares to the number of shares outstanding.
3) Fiscal Loss Compensation
   This variable is measured by a dummy variable indicator, namely if there is fiscal loss compensation, it is worth 1, but if there is no fiscal loss compensation, it is worth 0.

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D. Data Collection Sources and Techniques

The data source comes from the annual financial statements of health sector companies listed on the Indonesia Stock Exchange for the period 2018-2022. The data collection technique is to access the IDX official website, namely the idx.co.id website. for the retrieval of annual financial reports of health sector companies listed in that year period.

E. Data Analysis Technique

The data analysis technique used in this study is to use multiple linear regression methods. Multiple linear regression is a regression model that involves more than one independent variable. By using multiple linear regression analysis, it will determine the direction and how much influence the independent variable has on the dependent variable. The following multiple linear regression equation will be used in the research analysis:

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3$$

$$Y = a + b\,X_{11} + b\,X_{22} + b\,X_{33}$$

$$Y = a + b\,X_{11} + b\,X_{22} + b\,X_{33}$$

$$Y = a + b\,X_{11} + b\,X_{22} + b\,X_{33}$$

Description:

Y = Tax Avoidance
a = Constant
X_1 = Independent Commissioner
X_2 = Institutional Ownership
X_3 = Fiscal Loss Compensation
$b_1 = b_2 = b_3$ = Regression Coefficient

F. Summarizing Research Results

The conclusion of the results of this research is that there is no influence of independent commissioners, institutional ownership, and fiscal loss compensation on tax avoidance in health sector companies in 2018-2022 which is tested using multiple linear regression analysis methods.

III. RESULTS AND DISCUSSION

In this study, the number of samples used was 14 companies from 28 health sector companies listed on the Indonesia Stock Exchange in 2018-2022. The classification is based on the completeness of the research subject, namely the company's financial statements and annual reports taken directly from the official website of the Indonesia Stock Exchange (IDX), namely www.idx.co.id and the official website of each company.

The results of data analysis using multiple linear regression methods by showing the results of hypothesis testing as follows:

A. Multiple linear regression analysis test results

Figure 2 Multiple Linear Regression Analysis Test Results

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	,654	,793		,824	,413		
	Komisaris Independen	,010	1,284	,001	,008	,994	,979	1,022
	Kepemilikan Institusional	-,085	,773	-,014	-,110	,913	,989	1,012
	Kompensasi Rugi Fiskal	,570	,850	,083	,671	,505	,980	1,021

a. Dependent Variable: Tax Avoidance

Based on the table above shows the results of multiple linear regression testing at a significance level of 5%, the following equation is obtained:

Based on the results of calculations using SPSS, the number of constants ɑo 0.793 is obtained, the regression coefficient β1 for independent commissioners is 1.284, β2 for institutional ownership is 0.773, β3 for fiscal loss

compensation is 0.850. The results of multiple linear regression analysis using SPSS 29 can be seen in Figure 3.1 below:

$$\mathbf{Y = a + b\,X_{11} + b\,X_{22} + b\,X_{33}}$$

$$TA = 0.793 + 1.284\ KOM + 0.773\ KEP + 0.850\ KRF$$

B. T statistical test (Partial Test)

Figure 3 T Statistical Test Results

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
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	Kompensasi Rugi Fiskal	,570	,850	,083	,671	,505	,980	1,021

a. Dependent Variable: Tax Avoidance

The partial t test was conducted to determine the partial effect between the independent variables, namely independent commissioners, institutional ownership, and fiscal loss compensation with the dependent variable, namely tax avoidance. This test is done by comparing the significance value of t with the significance level used in this study. The significance level used in this study is 0.05. If the significance of t < 0.05 then individually one independent variable affects the dependent variable. If the significance of t> 0.05 then individually one independent variable has no effect on the dependent variable.

The results of the research above show that the significance value on the variables of independent commissioners, institutional ownership, and fiscal loss compensation is more than 0.05. The independent commissioner variable has a significance value of 0.994, the institutional ownership variable has a significance value of 0.913, and the fiscal loss compensation variable has a significance value of 0.505. This indicates that the three independent variables are partially rejected / have no effect on the dependent variable, namely tax avoidance.

C. Test the coefficient of determination

The coefficient of determination test aims to test how far the model's ability to explain the dependent variable.

Figure 4 Coefficient of Determination Test Results

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	,083[a]	,007	-,038	1,4256	,007	,154	3	66	,927	2,024

a. Predictors: (Constant), Kompensasi Rugi Fiskal, Kepemilikan Institusional, Komisaris Independen
b. Dependent Variable: Tax Avoidance

Based on the test results of the coefficient of determination above, the R Square number is 0.007. This means that the detection of tax avoidance by the variables of independent commissioners, institutional ownership, and fiscal loss compensation is 0.7%. And the other 99.3% is caused by other factors not included in this study.

With the results of this study, of course, there are several other factors that influence it, including:

1. Indeed, there is no relationship between the independent variable and the dependent variable.
2. Selection of company sectors that are different from previous research so as to produce different data.
3. Sample limitations that have completeness of research subjects

IV. CONCLUSION

This research aims to determine the effect of independent commissioners, institutional ownership, and fiscal loss compensation on Tax Avoidance, so that it can be used as a reference to obtain information related to the influence of Tax Avoidance. For that, it is necessary to understand in advance the results of the analysis of the effect of independent commissioners, institutional ownership, and fiscal loss compensation on Tax Avoidance as follows:

1. Independent commissioners significantly have no influence on Tax Avoidance in health sector companies in 2018-2022. This result is different from the development of the first hypothesis which states that independent

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commissioners have a positive effect on tax avoidance. This means that the existence of an independent board of commissioners is not effective in preventing tax avoidance.
2. Institutional ownership significantly has no influence on Tax Avoidance in health sector companies in 2018-2022. The results of the second hypothesis are different from the development of the second hypothesis which states that institutional ownership has a positive influence on tax avoidance, so (H2) is rejected. According to Fadhilah (2014) the results of the second hypothesis have no effect because institutional owners are less concerned with the company's image. So that any management decision as long as it can maximize their welfare will be supported. Even though the decision is to do tax avoidance.
3. Fiscal loss compensation significantly has no influence on Tax Avoidance in health sector companies in 2018-2022. This result is different from the development of the third hypothesis which states that fiscal loss compensation has a positive effect on tax avoidance. This means that whether or not fiscal loss compensation occurs cannot prevent tax avoidance.

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