

The Effect of Institutional Ownership, Fiscal Loss Compensation, and Accounting Conservatism on Tax Avoidance

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Abstract: This research intends to examine the impact of institutional ownership, fiscal loss compensation, and accounting conservatism on tax avoidance in mining companies listed on the Indonesia Stock Exchange. The sample collection procedure used is purposive sampling. The sample of this research is mining companies listed on the Indonesia Stock Exchange from 2016-to 2019. Procedure analysis was used in this research is multiple linear regression. The research findings indicate no effect of institutional ownership, fiscal loss compensation, and accounting conservatism on tax avoidance. The implications of this research are to provide information for management to make decisions by considering the impact of each decision taken if the company implements tax avoidance policies and provide information for investors in assessing the factors that can influence companies to practice tax avoidance.

Keywords: *Institutional ownership, fiscal loss compensation, accounting conservatism, tax avoidance*

Introduction

Tax is the most comprehensive source of state income contrasted with other state incomes. Taxes are the most significant revenue for economic development (Marselawati et al., 2018). Taxes as the largest source of state revenue must be increased optimally so that the pace of economic growth and development can run well. Increasing taxpayer compliance in carrying out their tax obligations voluntarily under applicable tax regulations is essential to increase state tax revenues (Suhadi, 2018). Due to the constraints of the taxation system in Indonesia, most of them still adhere to self-assessment (Sari and Devi, 2018).

The realisation of tax revenues obtained by the government in Indonesia during the last six years from 2015-2020 has not received satisfactory results even though targeted revenue increased from year to year (Yanida et al., 2020). Based on information stated in Table 1, it can be concluded that the realisation of tax revenues in

Indonesia has increased during 2015-2018. However, the collection of tax revenue in Indonesia is still not achieving the expected target. In 2019 and 2020, the realisation of tax revenue in Indonesia decreased from the highest achievement tax revenue in 2018. It raises the question of whether taxpayers take actions that have the potential to reduce state tax revenues through tax management (Widyari and Rasmini, 2019).

During 2018-2020, Indonesia's tax ratio is still low compared to Singapore, Malaysia, Thailand, the Philippines, and Western Europe. During that period, Indonesia's tax ratio was stagnant at 10-12 per cent. Meanwhile, Singapore recorded at the level of 13-14 per cent, Malaysia with a level of 12-15 per cent, the Philippines with a level of 17-18 per cent, Thailand with a level of 17-17.5 per cent, and the highest in Western Europe with a level of 41 per cent (Ramalan, 2021).

Tax avoidance practices are common and legal for companies, but the government wants

the company to report its tax expenses in real terms without any tax-avoidance planning element (Lismiyati & Herliansyah, 2021). In 2019, Indonesia's mineral and coal mining companies did not report around 3,600 annual

income tax returns. It proves that the state has suffered huge losses due to tax evasion by mineral and coal mining companies allegedly due to poor corporate governance practices (Rombebunga and Pesudo, 2019).

Table 1. The realisation of Tax Revenue for 2015-2020

No.	Year	Revenue Target (in trillion rupiah)	Realised revenue (in trillion rupiah)	Percentage of Realised Revenue
1	2015	1.294	1.055	81,5
2	2016	1.539	1.283	83,4
3	2017	1.283	1.147	89,4
4	2018	1.424	1.315,9	92
5	2019	1.577,6	1.332,1	84,4
6	2020	1.198,8	1.070	89,3

Source : www.kemenkeu.go.id

Based on agency theory, the principal, the shareholder, assign specific tasks to the agent (management). The agent agrees to carry out the task by considering the principal (Rombebunga and Pesudo, 2019). Corporate governance can become a framework or system that directs and controls the organisation and incentivises all investors (Marselawati et al., 2018). Corporate governance in this examination utilised institutional ownership to turn into a vital part in observing, training, and impacting managers. By temperance of their voting power force, institutional proprietors can drive managers to zero in on monetary execution and avoid unfavourable circumstances for egotistical conduct. Institutional proprietors have impetuses to guarantee that the executives settle on choices that boost investor abundance (Suhadi, 2018). Institutional investors have the chance and capacity to control the organisation, improve it and influence management to avoid opportunistic management (Waluyo, 2017). Institutional ownership is thought to assume a significant part in diminishing tax avoidance rehearses.

Fiscal loss compensation is transitioning losses from one period to another, which shows that companies losing money will not be taxed. Compensation for losses in taxation is regulated in Article 6 paragraph (2) of the Income Tax Law no. 36 of 2008. The law reveals that companies that suffered losses in the previous period can

compensate for their losses by reducing their profits in the next period for the next five years. As a result of the transfer of earnings through compensation for these losses, the following year's profit will decrease, resulting in lower taxable profits and lower corporate taxes payable (Sundari and Aprilina, 2017). Thus, it can be concluded that the less profit earned by the company, the lower the tax obligations that the company must pay.

According to Financial Accounting Standards, accounting conservatism is an accounting method that allows for recognising revenue as late as possible, identifying expenses as soon as possible, and inversely valuing inventories and liabilities where stocks may be decreased (Rusydi et al., 2017). Financial Accounting Standards also frees companies to prepare financial statements using accounting methods following the company's needs (Paradina and Tarmizi, 2017). Accounting conservatism is the reason for the tendency of an accountant or manager to require a more detailed and careful level of review for profit recognition compared to lose recognition. The utilisation of the conservatism idea is likewise founded on the most intelligent reasons for covering taxes payment (Susanti, 2019).

Under conservatism accounting, the asymmetric acknowledgement of gains and loss on book income gives stakeholders primary and

significant data to shift taxable income and reduce tax payments. In stable corporate tax rates, tax payment deferral decreases the current worth (Watts, 2003). Customarily, an expansion in conservatism accounting can show substantial tax benefits if a decrease in charge rates is impending. Losses are perceived during a higher tax payment period in the past period, while available tax payment is moved to a lower tax payment period sometime in the future. Accordingly, the distinction in tax rates between periods gives an impetus to build conservatism not long before the tax rate is brought down (Bornemann, 2018).

In Indonesia, the principle of conservatism has been replaced by prudence. The concept of conservatism which is now being replaced by sense, is not entirely abandoned. Several standards in Financial Accounting Standards still use the idea of conservatism in certain circumstances, such as capitalisation of development costs, recognition of allowance for bad debts, and impairment. Prudence is considered a limitation of accounting conservatism's principle to a reasonable limit (Ardina, 2012). Prudence focuses more on assessing uncertain conditions in a company so that the company's assessment of assets, debts, and others reflects the company's actual state without engineering. Conservative accounting has an effect as a decline in the worth of the organisation's benefit or benefit, which is utilised to compute the organisation's tax expense commitments (Sundari and Apriliana, 2017).

The difference between this research and previous research is the operationalisation of the tax avoidance variable using the Cash Effective Tax Rate. The Cash Effective Tax Rate (CETR) in measuring tax avoidance is suitable for describing tax avoidance activities by companies because the Cash Effective Tax Rate (CETR) is not affected by changes in estimates such as allowances, assessments, or tax protections. In addition, this research was also conducted in a more recent period with a duration of four years from 2016-to 2019. It used a sample of mining companies listed in the Indonesia Stock Exchange consecutively from 2016-to 2019. The purpose of this research is to demonstrate the

impact of institutional ownership, fiscal loss compensation, and accounting conservatism on tax avoidance in mining companies listed on the Indonesia Stock Exchange in 2016-2019.

Literature Review and Hypothesis Development

Agency Theory

Agency theory expresses a legally binding connection between business management and business owner. The business management plays out specific assignments to satisfy the principal's interests, and the principal commits to compensate the agent (Hendriksen and Breda, 1992). The board's organisation should be answerable for all choices to users of financial reports. The qualification in interests between the head and the agent raises the issue of information asymmetry (Situmorang, 2018). Differences in interests between management and shareholders affect various matters related to the company's condition. There was a probability for management to be concerned about the company's tax management policies with applicable tax laws in Indonesia (Asalam and Pratomo, 2020). This tax system allows management to commit fraud, such as smaller taxable income (Prapitasari and Safrida, 2019).

Tax Avoidance

Tax avoidance is a plan to limit or dispense taxation rates by considering tax expense results (Zain, 2003). Tax avoidance is a design charge undertaking still inside the tax arrangements (legal) (Suandy, 2008). The organisation's board does tax avoidance to diminish the tax rate paid by exploiting escape clauses in the applicable laws and guidelines (Valensia and Khairani, 2019). Tax avoidance is not an infringement of the tax law because the taxpayer's endeavours to diminish and limit or ease the taxation rate (Kurniasih and Sari, 2013). Policymakers and interested parties often use the cash effective tax rate as a tool to conclude the corporate tax system by using fixed and temporary differences (Asalam and Pratomo, 2020). The effective tax

rate provides an accessible statistical summary of the cumulative effect of giving various tax incentives and changes in the level of tax income (Wicaksono, 2017).

Corporate Governance

Corporate governance is a set of cooperative relationships between various directors, management, shareholders, the board of commissioners, and stakeholders (Organization for Economic Cooperation and Development, 2004). The company's strategic decisions are strongly influenced by corporate governance. One of them is an effort to avoid the company's tax burden. The shareholder (principal) demands tax avoidance of the manager (agent). When managers can minimise the tax burden, profits obtained by the company can be increased (Desai and Dharmapala, 2006).

Institutional Ownership

Institutional ownership is the responsibility for shares claimed by foundations or companies, for example, insurance agencies, banks, speculation companies, and different institutions (Tarjo, 2008). Institutions as shareholders are viewed as more equipped for distinguishing errors that occur. Institutional investors are more capable than individual investors (Zahirah, 2017). Institutional owners assume a vital part in observing, training, and affecting choices made by the board. Institutional owners' uprightness of their democratic force can compel supervisors to zero in on monetary execution and avoid favourable circumstances for self-centred conduct. The duty of the executives to institutional owners can cause institutional owners to provide incentives to give motivating forces to guarantee that companies settle on choices that will amplify shareholder welfare (Suhadi, 2018).

Fiscal Loss Compensation

Compensation for losses related to income tax is regulated in article 6 paragraph 2 of the Income Tax Law No. 17 of 2000. Several things need to

be considered regarding compensation for financial losses. The term loss refers to a financial loss, not a commercial loss. Fiscal loss or gain is the difference between income and expenses that have taken into account the provisions of Income Tax. Compensation for losses is only permitted for the next five consecutive years. If at the end of the fifth year it turns out that there are remaining losses, the remaining losses cannot be compensated. Compensation for loss is only intended for corporate taxpayers and individual taxpayers conducting business activities whose income is not subject to final income tax. The calculation of income tax does not use the calculation norm. Loss of business abroad cannot be compensated with income from within the country (Kurniasih and Sari, 2013). Fiscal loss compensation arises if a financial loss for the previous tax year occurs when allowable deductions reduce gross income. Fiscal losses are compensated with fiscal net income or fiscal net profit starting in the following tax year after the loss is obtained in a row for up to five years (Rinaldi and Cheisviyanny, 2015).

Accounting Conservatism

Conservatism is a demonstration or rule of reasonability in financial reporting detailing circumstances where the organisation is not rushing to perceive resources and benefits but should quickly perceive losses and obligations. As a result of applying the principle of conservatism, companies must choose an accounting method that makes the company's profits and assets reported lower than they should be and the company's debt reported higher. Conservatism works as an act of lessening benefits in light of awful news that does not expand benefits in reacting to uplifting news (Hand, 2017). Accounting conservatism reduces managers' opportunistic behaviour related to contracts that use financial statements as a medium of agreement related to higher earnings reporting for the benefit of attracting investors by managers. On the other hand, accounting conservatism is considered an obstacle that affects the quality of financial reports because

lower earnings reporting can contain bias (Sjahputra, 2019).

The Effect of Institutional Ownership on Tax Avoidance

Institutional ownership assumes a significant part in monitoring management because institutional ownership can build oversight of more optimal direction. After all, it is considered capable of effectively controlling decisions taken by management. The more prominent, the degree of governance to the board and can diminish irreconcilable situations among the executives and company owners. So that, the agency problems are reduced and can lessen openings for tax avoidance (Winata, 2014). Proprietors of institutional offers dependent on size and voting rights owned that can drive managers to focus on economic performance to get high profits by staying away from tax (Rombebunga and Pesudo, 2019). Institutional investors can analyse information and have a solid motivation to control the company's operations (Waluyo, 2017). The sizeable long-term ownership of institutional shareholders can make their aggressive tax policies smaller (Kurana and Moser, 2009).

Research on institutional ownership and tax avoidance that proves institutional ownership affects tax avoidance has been carried out by Fadila (2017), Sari and Devi (2018), Marselawati et al. (2018), Krisna (2019), Jiang et al. (2020), Fitriana & Rachmawati (2021), Ningrum & Nurasik (2021), and Damayanti & Wulandari (2021). Research by Waluyo (2017), Zahirah (2017), and Suhadi (2018) proves that institutional ownership does not affect tax avoidance. The same results are also shown by Fitria (2018), Rombebunga and Pesudo (2019), who, in their research, prove that institutional ownership does not affect tax avoidance.

Ha₁: Institutional ownership affects tax avoidance

The Effect of Fiscal Loss Compensation on Tax Avoidance

Fiscal loss compensation can be utilised as a tax avoidance strategy since companies that have

endured losses in an accounting period can be given relief from paying taxes owed (Yanida et al., 2020). Companies that have lost in one accounting period are relieved of paying the tax payable. These fiscal losses can be made up for over the following five years, and the company's profits can be utilised to lessen the measure of remuneration for these losses (Kurniasih and Sari, 2013). Fiscal loss compensation can potentially reduce the tax burden because companies that suffer losses in one period can reduce tax payments in the next period in a way that is allowed in the law (Sundari and Aprilina, 2017).

Research on fiscal loss compensation and tax avoidance has been carried out by Fadila (2017) and Asalam and Pratomo (2020), which demonstrates that fiscal loss compensation affects tax avoidance. Situmorang (2018), in his research, proves that fiscal loss compensation negatively affects tax avoidance. In contrast, the research results from Rinaldi and Cheisviyanny (2015), Suhadi (2018), Sundari and Aprilina (2018), Yanida et al. (2020), Andriyani and Mahpudin (2021), and Kurnia et al. (2021) confirm that fiscal loss compensation does not influence tax avoidance.

Ha₂: Fiscal loss compensation affects tax avoidance

The Effect of Accounting Conservatism on Tax Avoidance

According to Financial Accounting Standards, accounting conservatism is an accounting method that allows to recognise revenue as late as possible, identify expenses as quickly as possible, lower inventory valuation and higher liability valuation. The choice of a conservative accounting method to avoid taxes can reduce the amount of tax owed by the company because choosing a traditional accounting policy can create an earlier expense recognition and not recognise revenue directly (Jaya et al., 2013).

Sundari and Aprilina (2018), Suhadi (2018) and Sjahputra (2019), Lismiyati & Herliansyah (2021), in their research, prove that accounting conservatism affects tax avoidance. Other research results from Pramudito and Sari (2015), Ningsih et al. (2020), Mira & Situmorang

(2021), and Nuryeni & Hidayati (2021) confirm the opposite result that accounting conservatism does not affect tax avoidance. This study was replicated by Sundari and Aprilina (2018) to empirically prove the effect of institutional ownership, fiscal loss compensation, and accounting conservatism on tax avoidance.

Ha₃: Accounting conservatism affects tax avoidance

Methods

Research Design

The research period had a source from the financial statements of mining companies for four consecutive years during 2016 - 2019. The research method utilised in this study was an associative quantitative technique with causality type. Associative quantitative methods are used because this study means to test the connection between at least two variables (Sugiyono, 2017). The population in this study is mining companies listed on the Indonesia Stock

Exchange that was chosen because there were still many business owners in the mining area who did not satisfy and report their tax commitments. The sample selection procedure in this research used purposive sampling. Purposive sampling is a strategy for choosing samples with specific objectives or focuses that are not irregular (Indriantoro and Supomo, 2013: 131). The selection to determine the sample in this study is per the following criteria such as (1) mining companies continuously recorded on the Indonesia Stock Exchange during the study period from 2016-2019, (2) have positive profit in the 2016-2019 research period, (3) have all the information and complete data required during the research period from 2016-2019, and (4) have a CETR value below

According to these criteria above, there are 90 data from 41 companies that become the research population with a four-year research period from 2016-to 2019. The following are the results of the research sample selection, which are presented in table 2.

Table 2. Result of Sample Selection Procedure

No.	Criteria Description	Amount of Data
1.	Mining companies listed on the Indonesia Stock Exchange or not being delisted consecutively during the study period from 2016-to 2019.	164
2.	Mining companies with negative profit before tax and profit after tax in the 2016-2019 research period.	(64)
3.	Mining companies that do not have all the necessary complete data and information during the research period from 2016-to 2019.	(5)
4.	Mining companies that have a CETR of more than 1	(5)
Amount of data used in the study over four years from 2016-to 2019		90

Source: Data Collection Results (2021)

Data Collection Technique

The information utilised in this study uses secondary information obtained through existing sources. Researchers themselves should gather it from government publications, data published by companies, library documents, bulletins, online data, websites, and the internet (Sekaran, 2013). The secondary data in this study was obtained

from the yearly report of mining companies acquired from the Indonesia Stock Exchange site.

Tax Avoidance Measurement

Cash Effective Tax Rate (CETR) is cash given for tax charges divided by profit before tax. Cash Effective Tax Rate (CETR) in estimating tax avoidance is very much used to depict tax

avoidance activities by companies. The Cash Effective Tax Rate (CETR) changes do not influence estimation such as allowances, evaluation, or tax assurance (Dyrenge et al., 2010). If the Cash Effective Tax Rate (CETR) value is less than one, the company is indicated to be tax evasion. On the other hand, if the Cash Effective Tax Rate (CETR) value is more than one, the act is tax evasion. Many companies do tax avoidance because they want to reduce their tax burden (Alam, 2019). The formula for calculating tax evasion is as follows.

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

Institutional Ownership Measurement

Institutional ownership is the extent of proprietorship by corporate institutions and not by open institutional investors. Institutional ownership is estimated by the level of the composition of shares claimed by internal institutional stockholders (Fadhilah, 2014). Institutional ownership shows possession by the establishment, which generally controls countless offers to impact the company's decision-making. The higher the degree of institutional ownership, the stronger the degree of oversight and maintain the organisation's external parties stifle the executives' pioneering conduct (Putra et al., 2019).

Institutional ownership = number of shares owned by the institution/Number of issued shares by the company

Fiscal Loss Compensation

Fiscal loss compensation is the company's compensable fiscal loss which is only allowed for five consecutive years. Fiscal loss compensation can be measured using a dummy variable assigning the 0 dan 1. The criteria to give a value of 1 if the company receives compensation for fiscal loss at the beginning of year t. The criteria to provide a value of 0 if the company does not receive compensation for financial loss at the beginning of year t (Sari and Martani, 2010).

Accounting Conservatism Measurement

Accounting conservatism is the practice of recognising losses and debt immediately by lowering profits and net assets in response to bad news but not increasing profits and increasing net assets in response to good news (Jaya et al., 2013; Lismiyati and Herliansyah, 2021). The application of accounting conservatism can be known through the conservatism index based on total accruals divided between reducing net income from depreciation and operating cash flows total asset and total asset (Belkaoui, 2006; Sari et al., 2016). Companies with positive total accruals apply conservative accounting, while those with negative accruals use optimistic accounting (Putra et al., 2019).

$$\text{Total accrual} = (\text{Net income} + \text{depreciation expense}) - \text{cash flow from operating activities} / \text{Total asset}$$

Data Analysis Method

Data analysis is an activity after information from sources is gathered. The data analysis technique used in this research is quantitative analysis utilising the multiple linear regression method. This research has used descriptive statistical analysis has been made in this research by determining the average value, standard deviation, maximum, and minimum on the variables studied. The classical assumption test of the regression model uses normality test, multicollinearity test, heteroscedasticity test, and autocorrelation test. The coefficient of determination test and the t-test is used to test how far the relationship and variation of the independent variables to the dependent variable are (Ghozali, 2016). The equation used in this research to do the hypothesis test is as follows.

$$\text{CETR} = \alpha + \beta_1 \text{IO} + \beta_2 \text{FLC} + \beta_3 \text{AC} + e$$

Results

Descriptive statistics

The result of the descriptive statistics test for tax avoidance, institutional ownership, and accounting conservatism can be described in table 3, and the frequency distribution result for fiscal loss compensation can be described in table 4. In table 3, tax avoidance has a minimum value of 0 at PT. Ratu Prabu Energi Tbk. in 2016 and a maximum value of 0.8056 at PT Dian Swastastika Sentosa Tbk. in 2016. The average value of tax avoidance is 0.3410, and the standard deviation is 0.1599. It shows the need for sufficient cash paid for taxes from the company's pretax profits, making tax avoidance practices

unavoidable for critical management. The value of the standard deviation of tax avoidance is smaller than the average value. Institutional ownership has a minimum value of 0.1 and a maximum of 0.97. Institutional ownership has an average value of 0.6216 and a standard deviation of 0.2039. It shows that the average institutional ownership of mining companies is relatively high because the average institutional ownership has reached more than 50%. It means that the institution has full authority in making various decisions that prioritise their interests to be more flexible. The companies can carry out tax avoidance practices because the institution is the controlling shareholder with significant influence.

Table 3. Descriptive Statistics Results

Variable	Min	Max	Mean	Dev Std.
Tax avoidance	0	0.8056	0.3410	0.1599
Institutional Ownership	0.1	0.97	0.6216	0.2039
Accounting Conservatism	-0.0873	0.3891	0.0095	0.0768

In table 4, there are 44 data on mining companies listed on the Indonesia Stock Exchange that received fiscal loss compensation with a total percentage of 48.9%. The remaining 46 data did not receive compensation for financial losses, with a total allocation of 51.1%. It shows that some mining companies receive compensation for financial losses in previous years. It proves that companies must strive to continue to maintain the company's viability. The mining business sector is a cyclical business sector that is

highly dependent on demand and supply in the market, changes in commodity prices, and the strengthening or weakening of the rupiah and dollar exchange rates. From table 3, accounting conservatism has a minimum value of -0.0873 and a maximum value of 0.3891. Accounting conservatism has an average value of 0.0095 and a standard deviation of 0.0768. It shows that the accounting conservatism in this sector is low but has applied accrual accounting conservatively.

Table 4. Frequency Distribution Results

Variable	No fiscal loss compensation	With fiscal loss compensation
Fiscal Loss Compensation	51,1%	48,9%

Classic Assumption Test

The results of the normality test show the asymp.sig value. obtained is 0.130, which means the value of asymp. Sig above 0.05. It implies that H_0 cannot be rejected, which shows that the data on institutional ownership, fiscal loss

compensation, accounting conservatism, and tax avoidance are typically distributed. The multicollinearity test results show that institutional ownership, fiscal loss compensation, and accounting conservatism have tolerance values above 0.1 and VIF values below 10. It indicates that institutional ownership, fiscal loss

compensation, and accounting conservatism do not experience multicollinearity problems.

The results of the heteroscedasticity test show that institutional ownership, fiscal loss compensation, and accounting conservatism have sig values above 0.05. It shows that institutional ownership, fiscal loss compensation, and accounting conservatism do not experience heteroscedasticity problems. The regression model does not have heteroscedasticity problems and can be used in research. The results of the autocorrelation test show that the residual data has a sig value of 0.139, which means the value of asymp. Sig obtained above 0.05. It implies that H_0 cannot be rejected, which shows no autocorrelation between institutional ownership, fiscal loss compensation, and accounting conservatism with the absolute residual value.

Coefficient of Determination Test

The adjusted R-square value obtained in this study is 0.012. It can be concluded that 1.2% of the variation in tax avoidance can be explained by institutional ownership, fiscal loss compensation, and accounting conservatism. The remaining 98.8% of the variation in tax avoidance is explained by other factors not included in the regression model.

Hypothesis Test

The hypothesis test results in this study are presented in table 2 below.

Tabel 2. Hypothesis Test Result

Variable	Coefficient	Sig.	Conclusion
Constant	0,510		
Institutional Ownership	-0,260	0,074	Has an effect
Fiscal Loss Compensation	-0,017	0,771	No effect
Accounting Conservatism	0,108	0,775	No effect

The multiple regression equation used in this research according to the result of the t-test is as follows.

$$\begin{aligned} \text{CETR} &= \alpha + \beta_1 \text{IO} + \beta_2 \text{FLC} + \beta_3 \text{AC} + e \\ \text{CETR} &= 0,510 - 0,260 \text{IO} - 0,017 \text{FLC} + 0,108 \\ &\text{AC} + e \end{aligned}$$

Based on the test results on the regression model, there is a partial effect of the independent variable on the dependent variable with the following explanation. Institutional ownership has a significance value of 0.074, which means the significance value is less than 0.1, which means H_{a1} is rejected. It shows that institutional ownership affects tax avoidance. Fiscal loss compensation has a significance value of 0.771, which means a significance value greater than 0.1, which implies H_{a2} is rejected. It shows that fiscal loss compensation does not affect tax avoidance. Accounting conservatism has a

significance value of 0.775, which means a significance value greater than 0.1, which means H_{a3} is rejected. It shows that accounting conservatism does not affect tax avoidance.

Discussion

The Effect of Institutional Ownership on Tax Avoidance

Institutional ownership has a significance value of 0.074, and the coefficient of institutional ownership on tax avoidance is negative at -0.260, which means that the greater the institutional ownership in the company's stock ownership, the practice of tax avoidance will decrease. It shows that institutional ownership has a negative influence on tax avoidance. The results of this study are inconsistent with Rombebunga and Pesudo (2019), Suhadi (2018), Fitria (2018), Waluyo (2017), and Zahirah (2017), which state

that institutional ownership does not affect tax avoidance. The results of this study are also inconsistent with Fadila (2017), Sari and Devi (2018), Marselawati et al. (2018), Krisna (2019), Jiang et al. (2020), Fitriana & Rachmawati (2021), Ningrum & Nurasik (2021), and Damayanti & Wulandari (2021) which state that institutional ownership has a positive effect on tax avoidance.

Institutional parties who control more shares than other shareholders can supervise larger management policies so that management will avoid behaviour that is detrimental to shareholders. An increase in institutional ownership will reduce the ownership held by management and should increase oversight of company management. With more supervision from other institutions, management will be more careful in making decisions that harm shareholders, such as increasing tax aggressiveness.

Companies that are obedient in paying taxes pay attention to the number of institutional shareholdings of the company so that management can prioritise the company's interests not practice tax avoidance that can damage the company's good name. Institutional ownership can help shareholders improve management's supervision more optimally because they can better monitor management's decisions that do not conflict with shareholders. These results support the agency theory, which states that institutional ownership can increase more optimal management supervision because it is considered that shareholders can reduce conflicts of interest between management and shareholders and monitor every decision taken by management effectively.

The Effect of Fiscal Loss Compensation on Tax Avoidance

Fiscal loss compensation has a significance value of 0.771, and the coefficient of fiscal loss compensation on tax avoidance is negative at -0.017, which means that the smaller the company's accumulated fiscal loss compensation, the practice of tax avoidance will increase. It shows that fiscal loss compensation does not

affect tax avoidance. The results of this study are consistent with Rinaldi and Cheisviyanny (2015), Suhadi (2018), Sundari and Aprilina (2018), Yanida et al. (2020), Andriyani and Mahpudin (2021), and Kurnia et al. (2021) state that financial loss compensation does not affect tax avoidance. The results of this study are inconsistent with Fadila (2017) and Asalam and Pratomo (2020), who proves that fiscal loss compensation affects tax avoidance, and Situmorang (2018), which demonstrates that fiscal loss compensation negatively affects tax avoidance.

Compensation for loss can be made by a taxpayer who, based on his bookkeeping, experiences a loss and can be made in the following year for five consecutive years. Fiscal Loss Compensation is carried out based on Income Tax Law No. 36 of 2008 article 6 paragraph 2. The criteria to determine compensation for the loss are that if the taxpayer's gross income after deducting costs for collecting, maintaining, and earning income is a loss, the loss can be compensated on income starting in the next tax year and carried out consecutively for up to 5 years. Companies that suffer losses are assumed not to evade taxes because their business losses can be compensated for from accumulated losses in previous years.

Companies do not need to do tax evasion, which can risk the company's reputation and be in the spotlight for the public. The data in this study also proves that the sample companies in this study period only partially received compensation for financial losses compared to the number of companies that received compensation for economic losses. Measurement of fiscal loss compensation is limited only by using a dummy variable based on the presence or absence of tax loss compensation reported by the company. It is what causes fiscal loss compensation not to affect tax avoidance.

The Effect of Accounting Conservatism on Tax Avoidance

Accounting conservatism has a significance value of 0.775. The coefficient of accounting conservatism on tax avoidance is positive at

0.108, which means the more significant the company's accounting conservatism, the more tax avoidance will increase. It implies that accounting conservatism does not affect tax avoidance. The results of this study are consistent with Pramudito and Sari (2015), Ningsih et al. (2020), Mira & Situmorang (2021), and Nuryeni & Hidayati (2021), which state that accounting conservatism does not affect tax avoidance. The results of this study are inconsistent with Suhadi (2018), Sjahputra (2019), and Lismiyati & Herliansyah (2021), which say that accounting conservatism influences tax avoidance.

Conservative accounting is the attitude taken by accountants in dealing with two or more alternatives in preparing financial statements. If more than one alternative is available, the company's conservative management should choose the alternative that will not make assets and income too large. When it comes to tax avoidance, management's commitment to providing transparent, accurate, and not misleading financial statements is a factor that determines the level of accounting conservatism in financial reporting.

The use of the principle of accounting conservatism in the taxation aspect received by the tax authorities can be proven from the applicable accounting policies under the Income Tax Law no. 36 of 2008, such as the establishment of an allowance for doubtful accounts except for banks and leasing companies with option rights, reclamation costs for mining companies, the prohibition of using the LIFO method for inventory valuation, and the calculation of inventory usage in determining the cost of purchases. Based on the law, accounting conservatism is not a reason for companies to avoid tax because accounting conservatism is used to maximise tax revenue.

Conclusion

This study was conducted to prove the effect of institutional ownership, fiscal loss compensation, and accounting conservatism on tax avoidance. Based on the problem formulation, research objectives, framework of thought, and the results

and discussion of data analysis, the following conclusions can be drawn. The results of the first hypothesis test prove that H_{a1} is rejected, which means that institutional ownership does not affect tax avoidance to the country in the absence of tax evasion efforts. The results of the second hypothesis test prove that H_{a2} is rejected, which means that financial loss compensation does not affect tax avoidance. The companies that suffer losses can compensate for accumulated losses in previous years, so companies do not need to do tax avoidance which can risk the company's reputation and can be in the spotlight for the public. The results of the third hypothesis test prove that H_{a3} is rejected, which means that accounting conservatism does not affect tax avoidance. After all, based on tax provisions, accounting conservatism is not the reason companies do tax avoidance because the government uses accounting conservatism to maximise tax revenue.

Based on the conclusions that have been described previously, some implications can be given to be used by various parties, namely as follows. For management, this research can provide information to make decisions by considering the impact of each decision if the company implements tax avoidance policies. For investors, this study can consider the factors that can influence the company to practice tax avoidance and analysis based on the monetary value of income tax paid by the company, which is in line with the company's profit in making investment decisions.

The research period used in this study is only four years, starting from 2016-to 2019. For further research, future researchers are expected to do at least five years to provide research results that better describe the actual situation. The research population used is limited to mining companies listed on the Indonesia Stock Exchange. As a result, this research does not represent the entire sector of public companies in Indonesia. Future research is also expected to use a sample of companies with other business sectors, such as the manufacturing sector, which is the company sector with the most significant number of public companies in Indonesia. To predict a better research model, the next

researcher can add other independent variables that affect tax avoidance, such as financial difficulties, company characteristics, and other corporate governance indicators.

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