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***Correspondence:**
rikanurwidiastutik73@gmail.com

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Department Of Accounting
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THE MODERATING ROLES OF ENVIRONMENTAL, SOCIAL, AND GOVERNANCE DISCLOSURES ON COMPANY OWNERSHIP STRUCTURE AND TAX AVOIDANCE

Rika Nur Widiastutik[1*], Syaiful Iqbal[2], Moh. Khoiru Rusydi[3]

Affiliation:

[1,2,3]Fakultas Ekonomi dan Bisnis, Universitas Brawijaya, Malang, Indonesia

ABSTRACT

Purpose: The aim of this study is to investigate the moderating roles of environmental, social, and governance disclosures in the relationship between company ownership structure and tax avoidance was investigated. The company ownership structure consists of family ownership, foreign ownership, and institutional ownership.

Methodology/approach: Quantitative is the type of this research with using secondary data. Data collected from company reports that is annual reports, sustainability reports, and OSIRIS database. The data was analyzed using hypothesis tests.

Findings: The results of this study demonstrated that family ownership has a positive influence and foreign ownership has a negative influence, while institutional ownership has no influence on tax avoidance. Furthermore, this study revealed that environmental, social, and governance disclosures can weaken the influence of family ownership relationships, strengthen the influence of foreign ownership relationships, and prevent tax avoidance. In addition, environmental, social, and governance disclosures cannot moderate roles the influence of the relationship between institutional ownership and tax avoidance.

Practical implications: The tax authority can improve the regulations about procedures for implementing transfer price agreements in special company relationships by considering environmental, social, and governance disclosures, so as to prevent an increase in tax avoidance.

Originality/value: This study adds environmental, social, and governance disclosures to classify the inconsistency previous research which are thought to have a combined influence on the relationship between company ownership structure and tax avoidance.

Keywords: ESG Disclosure; Family Ownership; Foreign Ownership; Institutional Ownership; Tax Avoidance.

ABSTRAK

Tujuan penelitian: Penelitian ini menguji peran moderasi *environmental, social, and governance disclosures* dalam hubungan struktur kepemilikan perusahaan dan penghindaran pajak. Struktur kepemilikan perusahaan terdiri dari kepemilikan keluarga, kepemilikan asing, dan kepemilikan institusional

Metode/pendekatan: Kuantitatif adalah jenis penelitian yang digunakan dengan menggunakan data sekunder. Data diperoleh dari laporan perusahaan yaitu laporan tahunan, laporan keberlanjutan, dan database OSIRIS. Data dianalisis menggunakan uji hipotesis.

Hasil: Hasil penelitian menunjukkan bahwa kepemilikan keluarga berpengaruh positif dan kepemilikan asing berpengaruh negatif terhadap penghindaran pajak, namun kepemilikan institusional tidak berpengaruh terhadap penghindaran pajak. Penelitian ini juga menunjukkan bahwa pengungkapan *environmental, social, and governance* dapat memperlemah pengaruh hubungan kepemilikan keluarga, memperkuat pengaruh hubungan kepemilikan asing dan penghindaran pajak. Selain itu, pengungkapan *environmental, social, and governance* tidak memiliki peran moderasi dalam pengaruh hubungan kepemilikan institusional dan penghindaran pajak.

Implikasi praktik: Otoritas pajak dapat menyempurnakan peraturan terkait tata cara pelaksanaan kesepakatan harga transfer dalam hubungan istimewa perusahaan dengan mempertimbangkan pengungkapan e*nvironmental, social, and governance*, sehingga mampu mencegah peningkatan penghindaran pajak.

Orisinalitas/kebaharuan: Penelitian ini menambahkan pengungkapan *environmental, social, and governance* untuk mengklasifikasikan inkonsistensi hasil penelitian sebelumnya yang diduga memiliki pengaruh gabungan dalam hubungan struktur kepemilikan perusahaan dan penghindaran pajak.

Kata kunci: Kepemilikan Asing; Kepemilikan Keluarga; Kepemilikan Institusional; Pengungkapan ESG; Penghindaran Pajak.

INTRODUCTION

Tax avoidance is the utilization of tax regulations by a taxpayer in an effort to reduce their tax burden (Romario & Rahmanto, 2023). Despite the fact that tax avoidance is legal, it can nonetheless lead to problems because taxes are a vital national revenue source that, if unpaid, will result in significant losses due to the impact on decreasing national revenue (Kartika et al., 2021). From a company's perspective, taxes are among the biggest expenses a company incurs and have a direct impact on profitability and shareholder value (Firmansyah et al., 2022). Meanwhile, from the government's perspective, taxes are one of the nation's main sources of revenue (Susyanti & Anwar, 2020). Tax avoidance in Indonesia can be seen from Indonesia's tax ratio data, which is still low based on OECD data in 2020.

Companies' practices of tax avoidance are inextricably linked to the policies of their owners and management (Yusri et al., 2022). These policies are described in agency theories type I and type II. Agency theory type I explains the conflict that occurs between principals and agents, whereas agency theory type II explains the conflict that occurs between majority and minority shareholders (Jensen & Meckling, 1976).

The percentage of share ownership has an impact on control over company policies, which includes those pertaining to tax avoidance policies (Yusri et al., 2022). In Indonesia, ultimate ownership frequently constitutes the majority of ownership conditions, which increases the potential for tax avoidance (Ibrahim et al., 2021). Additionally, there are three categories of ownership in the ownership structure: family ownership, foreign ownership, and institutional ownership (Kao et al., 2019).

According to research by (Krisyadi & Anita, 2022) and (Fortuna & Herawaty, 2022), family owners tend to avoid paying taxes because they are convinced the profits they will get will outweigh the costs incurred. In contrast, research by (Lee & Bose, 2021) and (Cao et al., 2023) demonstrated that family ownership tends not to avoid paying taxes due to concerns about the company's reputation.

Based on research (Nainggolan & Sari, 2020) and (Fadillah et al., 2023), management that attempts to avoid taxes tends to be opposed by high foreign ownership. This is due to the fact that tax avoidance impacts legal risks, company reputation, and market discount prices. On the other hand, research by (Riberu, 2021) and (Junaidi et al., 2023) revealed that high foreign ownership tends to carry out aggressive tax avoidance actions because they may use transfer pricing to influence company policies and engage in aggressive tax avoidance.

According to research by (Wijaya & Rahayu, 2021) and (Putri & Aryati, 2023), high institutional ownership tends to provide management with more stringent supervision as it places more emphasis on long-term company value than on short-term profits. In contrast, research by (Ashari et al., 2020) and (Moeljono, 2023) indicated that institutional ownership does not avoid tax because institutional ownership entrusts the board of commissioners to supervise the company.

The aforementioned research results from several previous studies demonstrated the inconsistent results resulting from the research conducted on the factors influencing tax avoidance (Firmansyah et al., 2022; Krisyadi & Anita, 2022; Lee & Bose, 2021; Nainggolan

& Sari, 2020; Riberu, 2021; Wijaya & Rahayu, 2021). The reasons for these inconsistent research results are differences in measurements, years of observation, research objects, and relationships between selected variables. In addition, a possible cause for the inconsistent results of previous research is the involvement of other variables, one of which is the moderating variable (Namazi & Namazi, 2016).

This study aimed to broaden the literature related to company ownership structure and tax avoidance by addressing inconsistencies in the results of previous research. In response to the inconsistent results of previous research, this study hypothesized that there is a moderating role of environmental, social, and governance disclosures on the relationship ownership structure and tax avoidance. This is because companies that disclose environmental, social and governance information can increase company transparency and be more responsible to stakeholders Boubaker et al., 2022. Additionally, this study included updates in the form of research models, measurements, objects, and periods that were used to assess the consistency of previous research results.

Based on agency theory type II, problems occur between majority and minority shareholders (Jensen & Meckling, 1976). The desire for personal benefits, such as tax avoidance, by majority shareholders may detrimentally impact minority shareholders if it is known by the public (Gaaya et al., 2017). This theory is in line with research conducted (Krisyadi & Anita, 2022) and (Fortuna & Herawaty, 2022), which suggested that family companies tend to encourage managers to take actions that would benefit them financially, such as tax avoidance. They determined that the advantages of tax avoidance outweigh the expenses involved in engaging in it. Tax avoidance can reduce the tax burden, enabling the maintenance of available cash and using it for more profitable activities. Based on the aforementioned description, the hypothesis proposed is as follows:

H$_1$: Family ownership has a positive influence on tax avoidance.

Based on agency theory type I, problems occur between principals and agents due to information asymmetry (Jensen & Meckling, 1976). The agent takes advantage of this condition to avoid paying taxes for personal interests that may detrimentally impact the principal (Nainggolan & Sari, 2020). This theory is in line with research conducted (Fadillah et al., 2023) and (Putri & Aryati, 2023), which showed that foreign and institutional shareholders tend not to support agents engaging in tax avoidance actions. If this action is known by the public, the company's reputation will be negatively impacted, tax authorities will impose sanctions, and market price discounts will follow. Based on the aforementioned description, the hypotheses proposed are as follows:

H$_2$: Foreign ownership has a negative influence on tax avoidance.

H$_3$: Institutional ownership has a negative influence on tax avoidance.

Based on stakeholder theory, there is a environmental, social, and governance disclosures that refers to three main criteria used to measure sustainability (Bella & Murwaningsari, 2023). This disclosures was chosen as a moderating variable because it was considered to have a higher level of social responsibility and transparent disclosure, so it tends to avoid tax manipulation (Yoon et al., 2021). Furthermore, research by (Boubaker et al., 2022) and (Hidayat & Zuhroh, 2023) shows that, as environmental, social, and governance disclosures information may be used as an effective tool for stakeholders to monitor, tax avoidance decreases when companies disclose it.

Based on stakeholder theory, corporate responsibility to stakeholders includes environmental, social, and governance disclosures (Boubaker et al., 2022). This disclosure also encourages family companies to avoid aggressive tax avoidance, as they damage the company reputation. Minority shareholders may find this disclosure to be an effective monitoring tool (Hidayat & Zuhroh, 2023), and family companies are encouraged to avoid aggressive tax avoidance because it can negatively impact the company's reputation if it is known by the public (Cao et al., 2023). One of the main goals of a family company is to pass on the company to subsequent generations, thereby minimizing actions that can negatively impact the company's reputation (Lee & Bose, 2021). Additionally, this disclosure can able to improve social status, create sustainable relationship, and protect minority shareholders, so will reducing tax avoidance (Dayan et al., 2019; Ernst et al., 2022; Lähdesmäki et al., 2019). Therefore, this disclosure was hypothesized to be able to weaken the relationship between family ownership and tax avoidance. Based on the aforementioned description, the hypothesis proposed is as follows:

H_{4a}: Environmental, social, and governance disclosures can weaken the influence of the relationship between family ownership and tax avoidance.

Stakeholder theory explains environmental, social, and governance disclosures can serve as an indicator of company performance for stakeholders, demonstrating the company's responsibility to environmental, economic, and social aspects (Oktaviani et al., 2023). This disclosure creates company transparency, thereby minimizing aggressive tax avoidance (Jankensgård, 2018). Additionally, high disclosures encourages companies to be more transparent, due to concern for economic, social, and environmental activities for the company's wishes. This disclosure can ensure and guarantee the rights of shareholders such as foreign and institutional ownership from management actions to avoid tax (Yoon et al., 2021). Therefore, this disclosure was hypothesized to be able to strengthen the influence of foreign and institutional ownership on tax avoidance because it may be used as a tool for shareholders to monitor company management. Based on the aforementioned description, the hypotheses proposed are as follows:

H_{4b}: Environmental, social, and governance disclosures can strengthen the influence of the relationship between foreign ownership and tax avoidance.

H_{4c}: Environmental, social, and governance disclosures can strengthen the influence of the relationship between institutional ownership and tax avoidance.

METHODS

This type of study is quantitative explanatory research. Research that explains cause-and-effect relationships is referred to as explanatory research (Bougie & Sekaran, 2019). Furthermore, the population of this study comprised manufacturing companies registered on the IDX for the 2018–2022 period. Additionally, the purposive sampling technique employed in this study took into account the following criteria: manufacturing companies listed on the IDX for the 2018–2022 period and manufacturing companies that publish sustainability reports for the same period. Moreover, the type of data is secondary data using unbalanced panel data due to the limitations on companies disclosing sustainability reports. In addition, a sample of 254 companies was obtained over a 5-year observation period using data collected from annual reports, sustainability reports, and the OSIRIS database.

The dependent variable in this study is tax avoidance, which was calculated using the effective tax rate proxy to identify tax avoidance (Krisyadi & Anita, 2022; Putri & Damayanti, 2021; Stiglingh et al., 2022). The formulation to calculate tax avoidance is as follows:

$$\textbf{ETR} = \frac{\textbf{Tax Expense}}{\textbf{Net Profit Before Tax}}$$

An ultimate approach was employed to investigate family ownership (La Porta et al., 1999). A company is classified as a family business if it is owned by two or more family members or if they own more than 5% of the company's shares. The ownership more than 5% can be categorized as a family business because this percentage shows significant ownership and can have an influence on the company (Claessens et al., 2000; Fortuna & Herawaty, 2022; Naz et al., 2023). This variable was measured by the percentage of share ownership by the family (Kuo, 2022; Tarmizi & Perkasa, 2022). The measurement formula for family ownership is as follows:

$$\textbf{KK} = \sum \textbf{Percentage of shares owned by family}$$

The foreign ownership was measured by the percentage of share ownership by foreigners (Fadillah et al., 2023; Junaidi et al., 2023; Nainggolan & Sari, 2020). The measurement formula for foreign ownership is as follows:

$$\textbf{KA} = \sum \textbf{Percentage of shares owned by foreigners}$$

The institutional ownership was measured by the percentage of share ownership by institutions (Fadillah et al., 2023; Fortuna & Herawaty, 2022; Nainggolan & Sari, 2020). The measurement formula for institutional ownership is as follows:

$$\textbf{KI} = \sum \textbf{Percentage of shares owned by institutions}$$

The environmental, social, and governance disclosures were measured using content analysis, which referred to the Bumi Global Karbon (Erlin et al., 2023) Foundation standard with 33 criteria. Each item has a score of 1, hence the calculation involves dividing the total score of the item by the total of all 33 items (Jeanice & Kim, 2023).

Category	Item
Environmental	ENV1 - GHG Emissions ENV2 – GHG Intensity ENV3 – Energy Usage ENV4 – Energy Intensity ENV5 – Energy Mix ENV6 – Water Usage ENV7 – Environmental Operations ENV8 – Climate Oversight/Board ENV9 – Climate Oversight/Management ENV10 – Climate Risk Mitigation ENV11 – Forestry CSR
Social	SOC1 – CEO Pay Ratio SOC2 – Gender Pay Ratio SOC3 – Employee Turnover SOC4 – Gender Diversity SOC5 – Temporary Worker Ratio SOC6 – Non-Discrimination SOC 7 – Injury Rate SOC8 – Global Health and Safety SOC9 – Child and Forced Labor

	SOC10 – Human Rights SOC11 – Social CSR
Governance	GOV1 – Board Diversity GOV2 – Board Independence GOV3 – Incentivized Pay GOV4 – Collective Bargaining GOV5 – Supplier Code of Conduct GOV6 – Ethics and Anti-Corruption Compliance GOV7 – Data Privacy GOV8 – ESG Reporting GOV9 – Disclosure Practices GOV10 – External Assurance GOV 11 – Tax Transparency

Tabel 1. ESG Disclosure

The measurement formula is as follows:

$$\mathbf{ESG = \sum ESG_t / ni}$$

ESG is environmental, social, and governance disclosure. ESG_t is the sum of environmental, social, and governance criteria disclosed in the sustainability report for the year in company. ni is the total of environmental, social, and governance disclosures based on Earth Global Carbon.

The Eviews 12 program was used for the data analysis, which employed two methods: panel data regression and moderated regression analysis. Panel data regression was used to test the influence of independent variables on the dependent. Moreover, moderated regression analysis was used to discover the influence of additional independent variables on the relationship between independent and dependent variables (Ghozali & Ratmono, 2017).

The panel data regression equation is as follows:

$$\mathbf{ETR = \alpha + \beta_1 KK + \beta_2 KA + \beta_3 KI + e}$$

The moderated regression analysis equation is as follows:

$$\mathbf{ETR = \alpha + \beta 1\ KK + \beta 2\ KA + \beta 3\ KI + \beta 4\ KK{*}ESG + \beta 5\ KA{*}ESG + \beta 6\ KI{*}ESG + e}$$

ETR is effective tax rate to measure tax avoidance. KK is family ownership, KA is foreign ownership, KI is institutional ownership, ESG is environmental, social, and governance disclosures, α is constant, β is beta, and e is error.

RESULTS AND DISCUSSION

An overview of the state research data was provided by this study using a descriptive statistical analysis. Furthermore, the data processing results are presented in Table 1, in which it is evident that family ownership and foreign ownership as the independent variables, as well as tax avoidance as the dependent variable, have standard deviations higher than average values. This indicates a large data variable distribution, which can be considered unreliable data for KK, KA, and PP. Additionally, this suggests that there are some outliers or data that is too extreme that were present in the KK, KA, and PP. Meanwhile, institutional ownership as the independent variable and environmental, social, and governance as the moderating variables have a standard deviation lower than the average value. This indicates that the distribution of data variables is small or that the gap between the lowest and highest KI and ESG is not large enough.

A normality test is necessary to be conducted on regression to ensure that the residual values in the regression model are normally distributed. Furthermore, the skewness-kurtosis test was employed as the normality test in this study. Based on the result of the normality test, there is a probability value of more than 0.05, indicating that the data used is normal.

The correlation between independent variables in a panel data regression model was estimated using the estimation of multicollinearity. In this study, independent variable averaging was employed to conduct multicollinearity analysis. If the covariance is less than 0.80, multicollinearity is considered to not occur. On the other hand, if the covariance is greater than 0.80, multicollinearity is considered to occur among independent variables.

A heteroscedasticity test is necessary to be conducted to determine whether there is a variance inequality in the panel data regression model's residuals. Additionally, the Breusch-Pagan Lagrange multiplier test probability value was employed to determine whether heteroscedasticity occurs or not in the regression model.

Tabel 2. Descriptive Statistics

Variable	N	Minimum	Maximum	Average	Std. Dev.
KK	254	0.000000	0.869400	0.211863	0.276076
KA	254	0.000000	1.000000	0.282133	0.312806
KI	254	0.000000	1.000000	0.617078	0.343917
ESG	254	0.333333	0.939394	0.730017	0.093815
ETR	254	0.000230	0.952889	0.244995	0.346874

Source: Data processed by *Eviews* 12

Tabel 3. The Results of the Normality Test – Skewness Kurtosis

	Prob. Normality
Direct Testing	0.196204
Testing with Moderation	0.102603

Source: Data processed by *Eviews* 12

Tabel 4. The Results of the Multicollinearity Test

	KK	KA	KI	ESG
KK	1.000000	-0.238088	0.148150	-0.021459
KA	-0.238088	1.000000	-0.722576	0.171431
KI	0.148150	-0.722576	1.000000	-0.253557
ESG	-0.021459	0.171431	-0.253557	1.000000

Source: Data processed by *Eviews* 12

Tabel 5. The Results of the Heteroscedasticity Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
KK	0.588707	0.401272	1.467102	0.1470
KA	-0.877373	0.992519	-0.883986	0.3799
KI	-0.524856	0.910729	-0.576303	0.5663
ESG	2.423809	1.680005	1.442739	0.1538
C	-1.895782	1.541640	-1.229717	0.231

Source: Data processed by *Eviews* 12

Based on the results of the heteroscedasticity test conducted using the glejser test, the KK, KA, KI, and ESG variables do not exhibit heteroscedasticity, as evidenced by the prob value. Moreover, since the coefficient values of KK, KA, KI, and ESG are greater than 0.05, then H_0 was accepted. This indicates that the panel data regression model does not exhibit heteroscedasticity.

Table 6 shows that the value of the coefficient of determination R^2 of the direct test is 0.052434, and the value of testing with moderation is 0.109185. Therefore, family ownership, foreign ownership, and institutional ownership can be explained by the tax avoidance of 5%, while the rest of the 95% can be explained by other variables not examined in this study. In addition, environmental, social, and governance disclosure as moderating variables can be explained by the relationship between family ownership, foreign ownership, institutional ownership, and tax avoidance (11%), while the rest of the 89% can be explained by other variables not examined in this study.

Tabel 6. The Results of the R2 Coefficient of Determination Test

	Adjusted R^2 Square
Direct Testing	0.052434
Testing with Moderation	0.109185

Source: Data processed by *Eviews* 12

Table 7. Result Summary

Tabel 7. Result Summary

Hypothesis	Coefficient	t-statistic	Prob.	Explanation
H_1	0.199359	2,6	0,0104	**H_1 Accepted**
H_2	-0.116998	-2,1	0,0363	**H_2 Accepted**
H_3	-0.175377	-1,1	0,2773	**H_3 Rejected**
H_{4a}	-1.170594	-1,2	0,0286	**H_{4a} Accepted**
H_{4b}	-0.517148	-2,4	0,0423	**H_{4b} Accepted**
H_{4c}	0.862593	0,6	0,4950	**H_{4c} Rejected**
F-statistic	3.508558			
Prob (F-statistic)	0.017194			

Source: Data processed by *Eviews* 12

Based on the table above, H_1, H_2, H_{4a}, and H_{4b} have statistical probability values <0.05. Therefore, it can be concluded that family ownership has a positive influence on tax avoidance, while foreign ownership has a negative influence on tax avoidance. Additionally, environmental, social, and governance disclosures can strengthen the influence of the relationship between foreign ownership and tax avoidance, while environmental, social, and governance disclosures can weaken the influence of the relationship between family ownership and tax avoidance. The H_3 and H_{4c} have a statistical probability values >0.05. Therefore, it can be concluded that institutional ownership has no influence on tax avoidance. Additionally, environmental, social, and governance disclosures cannot strengthen or weaken the influence of the relationship between institutional ownership and tax avoidance.

DISCUSSION

The Influence of Family Ownership on Tax Avoidance

According to the results of this study, family ownership has a positive influence on tax avoidance. Moreover, it was explained that the higher the family ownership in the company, the more aggressive tax avoidance will be. These results are in line with agency theory type II. According to agency theory type II, majority shareholders (family ownership) have the opportunity and incentive to use tax avoidance strategies to benefit themselves personally (expropriation) at the expense of other parties, such as minority shareholders.

Family ownership will experience a trade-off between the non-tax costs of tax avoidance and the increased benefits of tax avoidance. If the benefits of tax avoidance exceed the non-tax costs, family ownership are willing to pay less taxes than non-family ownership. Therefore, family ownership tend to avoid taxes (Lee & Bose, 2021). Additionally, family ownership as majority shareholders get the opportunity to exploit minority shareholders by extracting money from tax savings (Gaaya et al., 2017).

Findings (Flamini et al., 2021), prove the weak supervisory role of independent board members in family ownership. In fact, in family ownership, independent board members are mostly selected from people trusted by the owners, such as certified public accountants, tax advisors, or consultants. They are asked to provide strategic advice rather than protect minority shareholders. The number of independent board members is usually quite low compared to the total number of board members, and this situation does not allow them to have a significant impact on decision-making.

The result of this study aligns with research by (Fortuna & Herawaty, 2022); (Kepramareni et al., 2020) and (Krisyadi & Anita, 2022), who discovered that family ownership tends to encourage managers to take actions that will maximize their personal profits, such as tax avoidance. Companies that avoid paying taxes can keep more of their cash on hand and invest it in more lucrative ventures. Family ownership considers that the benefits of tax savings from tax avoidance are still greater than the possible costs of tax avoidance.

The Influence of Foreign Ownership on Tax Avoidance

According to the results of this study, foreign ownership has a negative influence on tax avoidance. Moreover, it was explained that the higher the foreign ownership in the company, the lower the tax avoidance will be. These results are in line with agency theory type I. According to agency theory type I, principals oppose agents who take advantage of conditions to avoid paying taxes.

Based on the cost-benefit theory, decisions are evaluated by considering the potential consequences (Drèze & Stern, 1987). In the case of company owners, tax avoidance is advantageous as it results in greater dividends, because tax avoidance can increase the company profits and indirectly also have an impact on increasing dividends distributed (Stiglingh et al., 2022); for management, it is advantageous as it results in larger bonus incentives (Krisyadi & Anita, 2022. However, tax avoidance has risks for companies, such as decreased company reputation, stock price discounts, and sanctions from the tax authorities. Therefore, company owners tend not to avoid paying taxes.

The foreign ownership plays an effective role in carrying out strict and careful supervision of management so that the possibility of tax avoidance by management is reduced (Nainggolan & Sari, 2020). They will maintain the company's good image by not avoiding taxes and providing benefits to society through paying taxes in accordance with tax regulations (Al Hasyim et al., 2023). Additionally, the foreign ownership really considered the cisrs arising from tax avoidance, such as legal risks, company reputation, and tax consultation costs which are obstacles to tax avoidance (Maisaroh & Setiawan, 2021).

The result of this study aligns with research by (Hasan et al., 2017); (Putri & Damayanti, 2021) and (Fadillah et al., 2023), who revealed that significant foreign ownership has an influence on tax avoidance. Due to the fact that they place a higher priority on the company's long-term value than the benefits of tax avoidance practices, they prefer to minimize tax avoidance. If aggressive tax avoidance occurs, foreign ownership will have to deal with high relational costs, unknown costs, and unfamiliarity costs due to institutional distance.

The Influence of Institutional Ownership on Tax Avoidance

According to the results of this study, institutional ownership has no influence on tax avoidance. Moreover, it was explained that high or low institutional ownership has no influence on the aggressiveness of tax avoidance. The results of this study are not in line with agency theory type I. According to agency theory type I, principals oppose agents who take advantage of conditions to avoid taxes.

Based on the Slippery Slope Model Theory (Kirchler et al., 2008), procedural justice, distributive justice, and retributive justice increase voluntary tax compliance. Moreover, taxpayers (institutional ownership) consider that the tax authority may collect taxes in an equitable and transparent manner (Putri & Aryati, 2023). Furthermore, the perception among taxpayers is that tax revenue is allocated towards clean and authoritative government and development (good governance) (Herman et al., 2023).

Even though there are a lot of company shares owned by institution, but not can guarantee that institutional ownership can influence companies to carried out tax avoidance. This is because control of the company's is generally held by management (Ashari et al., 2020). The result of this study aligns with (Arianandini & Ramantha, 2018); (Lestari, 2023) and (Moeljono, 2023), who demonstrated that significant institutional ownership has no influence on tax avoidance.

The Moderating Roles of Environmental, Social, and Governance Disclosures in Relationship Between Family Ownership and Tax Avoidance

According to the results of this study, environmental, social, and governance disclosures can moderate the influence of family ownership on tax avoidance. This disclosure can weaken the positive influence of family ownership on tax avoidance. The result is in line with stakeholder theory. This disclosure is a form of the company's responsibility to stakeholders, particularly investors, due to investors' tendency to be concerned with environmental, social, and governance activities.

A high score for environmental, social, and governance disclosures in family companies encourages corporate transparency, helping companies minimize aggressive tax avoidance as a form of social responsibility and protect their reputation. Family companies will pass on the company to subsequent generations, thereby avoiding behavior that can negatively impact the company's reputation. The results can minimize the occurrence of conflicts in agency theory type II between majority shareholders and minority shareholders. Therefore, this disclosure can guarantee and secure the rights of minority shareholders from tax avoidance actions carried out by majority shareholders.

Environmental, social, and governance disclosures improve the reputation of family ownership, while tax avoidance behavior can damage the company's reputation. Family ownership will pass on the company to their children and grandchildren, so that they will avoid behavior that damages the company's reputation. One behavior that damages a company's reputation and threatens business continuity is tax avoidance (Lee & Bose, 2021). Therefore, environmental, social, and governance can be moderating variables by weakening the influence of family ownership on tax avoidance.

The result of this study aligns with research by (Boubaker et al., 2022); (Hidayat & Zuhroh, 2023) and (Yoon et al., 2021), who discovered that environmental, social, and governance disclosures have a negative influence on tax avoidance. As a result of this disclosure, aggressive tax avoidance can be reduced because companies are more well-organized, efficient, and make more prudent decisions, therefore avoiding tax avoidance.

The Moderating Roles of Environmental, Social, and Governance Disclosures in Relationship Between Foreign Ownership and Tax Avoidance

According to the results of this study, environmental, social, and governance disclosures can moderate the influence of foreign ownership on tax avoidance. This disclosure can strengthen the influence of foreign ownership on tax avoidance. The result is in line with stakeholder theory. This disclosure is a form of the company's responsibility to stakeholders, particularly foreign investors, due to their tendency to be concerned with economic, social, and environmental activities to improve the company's reputation. If a company shows a high score of environmental, social, and governance disclosures, it indicates that the company does not carry out tax avoidance practices as a form of social responsibility, maintains the company's reputation, avoids tax authority sanctions, and discounts market prices.

Environmental, social, and governance disclosures make companies more well-organized, efficient, and prudent in making decisions, which minimizes aggressive tax avoidance. The results can minimize the occurrence of conflicts in agency theory type I between shareholders and management. Moreover, high disclosure encourages companies to be more transparent due to their concern for economic, social, and environmental activities and their sustainability. Therefore, this disclosure can guarantee and safeguard the rights of shareholders, particularly foreign investors, from tax avoidance practices carried out by management.

The result of this study aligns with research by (Boubaker et al., 2022); (Hidayat & Zuhroh, 2023) and (Yoon et al., 2021), who demonstrated that environmental, social, and governance disclosures have a negative influence on tax avoidance. Due to the fact that this disclosure encourages good corporate governance and increases transparency within a company, it can reduce aggressive tax avoidance.

The Moderating Roles of Environmental, Social, and Governance Disclosures in Relationship Between Institutional Ownership and Tax Avoidance

According to the results of this study, environmental, social, and governance disclosures have no moderating roles in the relationship between institutional ownership and tax avoidance. This is a result of institutional ownership not being involved directly in the company's supervision. Institutional ownership entrusts this supervision to the company's board of commissioners so that environmental, social, and governance disclosures have no influence on the relationship between institutional ownership and tax avoidance. Therefore, environmental, social, and governance disclosures cannot minimize the occurrence of conflicts in agency theory type I between principal and agent.

Additionally, the Existence of environmental, social, and governance disclosures does not have an effect on institutional ownership and tax avoidance. This is because the disclosures is currently a mandatory disclosure for every company, and the main control of the companies with management (Moeljono, 2023). Thus, the disclosures are unable to protect institutional ownership in companies from tax avoidance practices, because the sustainability reports are prepared by management on company and institutional ownership does not directly participate in the company (Lestari, 2023).

CONCLUSION

Based on the data collected and tests conducted on manufacturing companies listed on the IDX for the 2018–2022 period, it can be concluded that family ownership has a positive influence on tax avoidance, foreign ownership has a negative influence on tax avoidance, and institutional ownership has no influence on tax avoidance. Moreover, this study revealed that environmental, social, and governance disclosures can weaken the positive influence on the relationship between family ownership and tax avoidance; environmental, social, and governance disclosures can strengthen the negative influence on the relationship between foreign ownership and tax avoidance; and environmental, social, and governance disclosures have no moderating roles on the relationship between institutional ownership and tax avoidance. Furthermore, there are limitations in this study, one of which is that a few companies published sustainability reports, which resulted in the limited samples used in this study. In addition, it was expected that further research would add years of observation and expand the object of research, resulting in broadening the research scope.

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