

## **The Effect of Accounting Conservatism, Managerial Ownership, and Independent Board of Commissioners on Tax Avoidance**

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### **ABSTRACT**

Tax avoidance is a way to reduce the tax burden that is justified by tax law. Tax avoidance can be measured using the Cash Effective Tax Rate (CETR). This study aims to determine the effect of accounting conservatism, managerial ownership, and independent board of commissioners on tax avoidance in property and real estate companies listed on the IDX for the period 2018-2021. Sample determination using purposive sampling method. The number of samples selected was 9 companies with a research period of 4 years so that a total of 36 data was obtained and after eliminating outlier data, there were 32 samples. The data used is quantitative data with data collection methods in the form of documentation methods. Data analysis using multiple linear regression analysis. The results of the study indicate that accounting conservatism and independent board of commissioners have no effect on tax avoidance, while managerial ownership affects tax avoidance.

**Keywords:** Avoidance, commissioner, conservatism, managerial, tax.

### **INTRODUCTION**

The role of tax is vital for Indonesia because it is one of the largest sources of income for the country. Revenue from the tax sector can be said to be a reflection of the nation's independence. Seeing the important role of taxes, an appropriate tax collection system is needed. The government had switched the system from the official assessment system and the self-assessment system.

Self assessment system is a tax collection system that provides authority, trust and responsibility to taxpayers to carry out their own tax obligations and rights (Pohan, 2017). Apart from the system that provides convenience and flexibility for taxpayers, in reality this system also has weaknesses. Taxpayers have a tendency to try to deposit their taxes as little as possible.

Efforts to minimize this tax burden can be done through tax planning. This method aims to find various loopholes that the company can take in the corridor of tax regulations so that the tax burden paid by the company is minimal. There are two ways that can be done in this tax planning, namely tax evasion and tax avoidance.



In essence, tax avoidance is an act that is considered legal, because it is still carried out within the corridors of the applicable tax laws and regulations. However, in doing so, company management must strive so that the company is not trapped in tax evasion.

Financial Accounting Standards (SAK) provide flexibility for companies in choosing methods of preparing financial statements, one method that can be used is accounting conservatism. This method is the reason for the tendency of an accountant or manager who requires a more detailed and more careful level of review to recognize profits (good news in earnings) than to recognize losses (bad news in earnings) (Jaya, Arafat, and Kartika, 2014). This makes this method indirectly affect the company's financial statements which will be the basis for decision making for management, one of which is related to tax avoidance.

The share ownership structure in companies that have go public according to Faizah (2017) is classified into several categories, namely individual, institutional, and managerial share ownership. Managerial ownership is the number of shares owned by management of all share capital in the company (Sartono, 2010). This share ownership makes management involved in all company policies, one of which is tax avoidance.

The company's involvement in tax avoidance according to several studies is also influenced by corporate governance through the independent board of commissioners. The board of commissioners can be said to be the highest internal control mechanism responsible for monitoring and advising the board of directors in policy making, so the board of commissioners has an important role in determining tax management.

An independent commissioner is someone who is not affiliated with shareholders, the board of directors or commissioners, and does not serve as a director of a company. Based on the Financial Services Authority Regulation (POJK) No. 33/POJK.04/2014 to maintain the independence of the board of commissioners, at least 30% of all members of the board of commissioners must be independent commissioners.

Property and real estate sector companies were used as objects because the sector experienced significant fluctuations in national tax revenue from 2018 to 2021. In addition, this sector has not been studied much by previous researchers related to the three variables that researchers use. These conditions made researchers use the property and real estate sector as the object of research.

## **RESULT AND DISCUSSION**

This study focuses on property and real estate sector companies listed on the Indonesia Stock Exchange (IDX) from 2018 to 2021, so that 96 companies were obtained as the population in this study.

The sample obtained using the purposive sampling method before deleting data(outliers) in this study was 9 companies with 4 years of research so that there were 36 data samples that met the research criteria. Outliers are carried out on data that is extreme because it has a data value that is much different from other data. The amount of outlier data is 4 data, so that after outlier data in the study the number of samples becomes 32 data.

### Descriptive Statistics Analysis

Descriptive statistics are used to provide an overview or description of the data by showing the minimum value, maximum value, average value (mean), and standard deviation of each research variable in the 2018-2021 research year range. The dependent variable used is tax avoidance, while the independent variables are accounting conservatism, managerial ownership and independent board of commissioners.

Table 1: Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
CONACC	32	-.1272937	.0509939	-.016056816	.0449475165
KM	32	.0000015	.0699062	.026689547	.0234861761
PDKI	32	.250	.600	.38944	.097453
CETR	32	.0000019	1.0534303	.234901583	.3218779963
Valid N (listwise)	32				

Data Source: SPSS Version 25 results (data processed 2023)

### Classical Assumption Test

#### Normality Test

The normality test results are used with the aim of testing whether a regression model has a normal distribution. A good regression model is a regression model with normal data distribution. This test was carried out using the *One-Sample Kolmogorov-Smirnov* test.

Table 2: *One-Sample Kolmogorov-Smirnov* Test

	Unstandardized Residual
N	32
Normal Parameters <sup>a,b</sup>	
Mean	.0000000
Std. Deviation	.20761830
Most Extreme Differences	
Absolute	.153
Positive	.153
Negative	-.145
Test Statistic	.153
Asymp. Sig. (2-tailed)	.056 <sup>c</sup>

a. Test distribution is Normal.

- b. Calculated from data.
- c. Lilliefors Significance Correction.

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Data Source: SPSS Version 25 results (data processed 2023)

The test results using *One-Sample Kolmogorov-Smirnov* obtained an *Asymp. Sig (2-tailed)* value is greater than 0.05, which is 0.056. These results indicate that the data in this study are normally distributed.

### Multicollinearity Test

According to Ghozali (2018), the multicollinearity test aims to test whether the regression model found a correlation between independent variables. A good regression model should not have a correlation between the independent variables.

Table 3: Multicollinearity Test Result

Model		Coefficients <sup>a</sup>	
		Collinearity Statistics	
		Tolerance	VIF
1	CONACC	.926	1.079
	KM	.790	1.266
	PDKI	.837	1.194

a. Dependent Variable: CETR

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Data Source: SPSS Version 25 results (data processed 2023)

Based on this table, it shows that accounting conservatism with a *tolerance* value of 0.926 and a VIF value of 1.079. Managerial ownership with a *tolerance* value of 0.790 and a VIF value of 1.266. Independent Board of Commissioners with a *tolerance* value of 0.837 and a VIF value of 1.194. So it can be concluded that all variables do not occur multicollinearity because each variable has a *tolerance* value  $> 0.10$  and a VIF value  $< 10$ .

### Autocorrelation Test

According to Ghozali (2018), the autocorrelation test aims to test whether in the linear regression model there is a correlation between confounding errors in period  $t$  and confounding errors in period  $t-1$  (previous). A good regression model is one in which autocorrelation does not occur.

Table 4: Autocorrelation Test

Model Summary <sup>b</sup>					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.764 <sup>a</sup>	.584	.539	.2184577481	2.158

a. Predictors: (Constant), PDKI, CONACC, KM

b. Dependent Variable: CETR

Data Source: SPSS Version 25 results (data processed 2023)

Based on table 4, it can be seen that the Durbin-Watson (dw) value is 2.158. This value will be calculated by comparing the dw and du values, where the number of research samples after eliminating outlier data is obtained  $n = 32$  and the number of independent variables is 3 ( $k = 3$ ) and uses a significance value of 5%. Then in the Durbin-Watson table, the upper limit value (du) is 1.6505 and  $4 - du = 2.3495$ . Based on the calculation, the value ( $du < dw < 4 - du$ ) is  $1.6505 < 2.158 < 2.3495$ , so it can be concluded that the results of the autocorrelation test in the regression model of this study are free from autocorrelation and the regression model is suitable for use.

### Multiple Regression Test

This study uses multiple linear regression analysis which aims to determine and test the effect of independent variables, namely accounting conservatism, managerial ownership, and independent board of commissioners on the dependent variable, namely tax avoidance. The results of the calculation of multiple linear regression analysis are as follows:

Table 5: Multiple Linear Regression Analysis Results

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.239	.199		-1.204	.239
	CONACC	-.761	.907	-.106	-.839	.409
	KM	10.581	1.880	.772	5.628	.000
	PDKI	.461	.440	.139	1.047	.304

a. Dependent Variable: CETR

Data Source: SPSS Version 25 results (data processed 2023)

Based on table 5, the regression model used is as follows:

$$Y = -0,239 - 0,761X_1 + 10,581X_2 + 0,461X_3 + e$$

This regression equation can be interpreted as follows:

- The constant value of -0.239 indicates that if the value of the independent variables (accounting conservatism, managerial ownership, and the proportion of independent commissioners) is considered constant, the practice of tax avoidance decreases by 0.239.
- The regression coefficient value of the independent variable  $X_1$  (accounting conservatism) is -0.761. If the value of  $X_1$  is increased by 1 unit while other variables have a value of 0, it will result in a decrease in tax avoidance of 0.761.
- The regression coefficient value of the independent variable  $X_2$  (managerial ownership) is 10.581. If the value of  $X_2$  is increased by 1 unit while other variables have a value of 0, it will result in an increase in tax avoidance of 10,581.
- The regression coefficient value of the independent variable  $X_3$  (independent board of commissioners) is 0.461. If the value of  $X_3$  is increased by 1 unit while the other variables have a value of 0, it will result in an increase in tax avoidance of 0.461.

## Hypothesis Test

### Test Coefficient of Determination ( $R^2$ Test)

According to Ghozali (2018) the coefficient of determination ( $R^2$ ) test essentially measures how far the model's ability to explain the variation in the dependent variable.

Table 6: Test Results of the Coefficient of Determination ( $R^2$ )

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.764 <sup>a</sup>	.584	.539	.2184577481

a. Predictors: (Constant), PDKI, CONACC, KM

Data Source: SPSS Version 25 results (data processed 2023)

The results of the calculation of the coefficient of determination ( $R^2$ ) test in table 6 show the *Adjusted R Square* value of 0.539 or 53.9%. This shows that the tax avoidance variable can be explained by 3 independent variables, namely accounting conservatism, managerial ownership, and independent board of commissioners. While the remaining 46.1% is explained by other variables that are different from the variables in this study.

### Statistical Test F

The test F is used to determine whether the independent variables together affect the dependent variable. The results of the statistical test F can be seen in the table below:

Table 7: Statistical Test F Results

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.876	3	.625	13.100	.000 <sup>b</sup>
	Residual	1.336	28	.048		
	Total	3.212	31			

a. Dependent Variable: CETR

b. Predictors: (Constant), PDKI, CONACC, KM

Data Source: SPSS Version 25 results (data processed 2023)

Based on table 7, the significance value is 0.000 and the  $F_{\text{count}}$  is 13.100, while for  $F_{\text{table}}$  it is obtained using the formula  $df_1 = k-1$  ( $df_1 = 3-1 = 2$ ) and  $df_2 = n-k$  ( $df_2 = 32-3 = 29$ ) so that the  $F_{\text{table}}$  value is 3.328. It can be seen from the results of these calculations that the significance value is  $0.000 < 0.05$  and  $F_{\text{count}} > F_{\text{tabel}}$  ( $13.100 > 3.328$ ), so it can be concluded that all independent variables can simultaneously influence the dependent variable.

### Statistic Test t

The statistical test t aims to determine whether there is a partial or individual influence of the independent variable on the dependent variable. The results of the t statistical test can be seen from the significance value and the t value of each independent variable.

Table 8: Statistical Test t Results

Coefficients <sup>a</sup>						
Model		Unstandardized		Standardized		Sig.
		Coefficients		Coefficients		
		B	Std. Error	Beta	t	
1	(Constant)	-.239	.199		-1.204	.239
	CONACC	-.761	.907	-.106	-.839	.409
	KM	10.581	1.880	.772	5.628	.000
	PDKI	.461	.440	.139	1.047	.304

a. Dependent Variable: CETR

Data Source: SPSS Version 25 results (data processed 2023)

Based on the results of the t statistical test in table 15 with the t table value which can be seen through the statistical t table, namely  $df = n-k-1$  ( $32-3-1 = 28$ ) with a significance level of 5% so that the t table value of 2.04841 is obtained, the following results can be obtained:

- a. The effect of accounting conservatism on tax avoidance ( $H_1$ )

Variable  $X_1$  (accounting conservatism) partially has no effect on tax avoidance in property and real estate companies listed on the Indonesia Stock Exchange (IDX) in 2018-2021, because in

table 15 the significance value of variable X<sub>1</sub> is 0.409. These results show that  $0.409 > 0.05$  and the t count value is  $-0.839 < t$  table 2.04841. So it can be concluded that H<sub>1</sub> is rejected, meaning that accounting conservatism has no effect on tax avoidance.

b. The effect of managerial ownership on tax avoidance (H<sub>2</sub>)

The X<sub>2</sub> variable (managerial ownership) partially affects tax avoidance in property and real estate companies listed on the Indonesia Stock Exchange (IDX) in 2018-2021, because in table 15 the significance value of the X<sub>2</sub> variable is 0.000. These results show that  $0.000 < 0.05$  and the t count value is  $5.628 > t$  table 2.04841. So it can be concluded that H<sub>2</sub> is accepted, meaning that managerial ownership has an effect on tax avoidance.

c. The effect of the independent board of commissioners on tax avoidance (H<sub>3</sub>)

Variable X<sub>3</sub> (independent board of commissioners) partially has no effect on tax avoidance in property and real estate companies listed on the Indonesia Stock Exchange (IDX) in 2018-2021, because in table 15 the significance value of variable X<sub>3</sub> is 0.304. These results indicate that  $0.304 > 0.05$  and the t count value of  $1.047 < t$  table 2.04841. So it can be concluded that H<sub>3</sub> is rejected, meaning that the independent board of commissioners has no effect on tax avoidance.

## CONCLUSION

Based on the data that has been collected and the tests that have been carried out, it can be concluded that accounting conservatism has no effect on tax avoidance, managerial ownership affects tax avoidance, and the independent board of commissioners has no effect on tax avoidance.

Seeing the shortcomings that exist in the study, the authors provide suggestions for further research to explore other more varied independent variables such as capital intensity, company size, corporate governance, and so on so as to expand the disclosure of tax avoidance, it is also recommended to add or replace the existing company sector so that the research results can explain the phenomenon of tax avoidance as a whole, and extend the research period so as to provide a larger sample.

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