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# OWNERSHIP STRUCTURE AND TAX AVOIDANCE: AUDIT QUALITY AS A MODERATION

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## ABSTRACT

In addition to examining the correlation between ownership structure and tax avoidance, this research further seeks to establish if audit quality can reinforce the effect of ownership structure on tax avoidance. The study examines manufacturing firms listed between 2019-2023 on the Indonesia Stock Exchange (IDX). Purposive sampling was employed, and 26 companies with 130 data points were selected based on a 5-year observation period (2019–2023). The analysis method employed is panel data regression utilizing the Eviews 10 software. The study's results indicate that while institutional ownership positively impacts tax avoidance, there is no correlation between tax avoidance and managerial and family ownership. While audit quality may enhance the impact of family and institutional ownership on tax avoidance, it cannot enhance the effect of management ownership on tax avoidance.

**Keywords:** Ownership Structure, Audit Quality, Tax Avoidance.

## INTRODUCTION

The Taxes are essential for the operation of a state, particularly in driving national growth and achieving prosperity across various industries. One of the obligations of society is to contribute to funding the state's activities, which is why taxes are levied. Regarding implementation and law enforcement, the government and people have different interests regarding tax payments. Taxes play a significant role in generating government income. Numerous businesses consider taxes a burden that negatively impacts their profits by reducing the company's earnings, leading to lower net income. This conflict of interests, also known as the agency problem, can result in tax violations by company management, leading to tax avoidance efforts (Pratomo & Rana, 2021).

The Ministry of Finance claims that The trade and manufacturing sectors dominated tax revenue for January 2024. These two sectors contributed 52.80% to the total tax revenue. The manufacturing sector's tax revenue reached IDR 38.14 trillion, while the trade sector's revenue amounted to IDR 38.75 trillion. The performance of both sectors was influenced by domestic economic conditions, commodity price moderation, and import performance (www.kemenkeu.go.id).



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PT. Bentoel Internasional Investama is involved in the tax dodging phenomenon in Indonesia. According to the Tax Justice Network, British American Tobacco's (BAT) tobacco company, PT. Bentoel International Investama has been involved in tax avoidance in Indonesia. As a result, the nation might lose up to $14 million annually. According to the research, BAT used two strategies to move some of its revenue outside Indonesia: first, from 2013 to 2015, through intra-company borrowing. Second, return services, fees, and royalties to the UK (www.kontan.co.id). One tactic to lower tax obligations while still abiding by relevant rules and regulations is tax avoidance. Thus, lowering the amount of tax due by lawfully making use of provisions or loopholes in the tax code while being mindful of the possible repercussions is referred to as tax evasion. Tax avoidance is one method of paying less tax than the law requires (Moeljono, 2020).

Corporate governance structure affects to what extent companies avoid taxes. "corporate governance" refers to rules that outline the obligations and rights of creditors, shareholders, management, government, employees, and different internal and external stakeholders. Another article states that a system governs and manages a business's operations (Charisma & Dwimulyani, 2019). Profitability, debt levels, firm size, intensity of fixed assets, and ownership structure are additional characteristics that motivate businesses to engage in tax avoidance methods (Noviyani & Muid, 2019). It has also been discovered that a company's tax avoidance decisions are significantly influenced by its ownership structure. Investors holding shares in a company determine the ownership structure (Hidayati & Zuhroh, 2023). In this study, the ownership structure comprises family ownership, managerial ownership, and institutional ownership.

The role of family in business operations can strengthen a company. Based on loyalty, dedication to the family business, and a sense of control over the company, efforts to reduce taxes are highly likely to be undertaken (Hartono et al., 2022). The connection between tax avoidance and family ownership has been explored by Hartono et al. (2022), who found that family ownership insignificantly affected tax avoidance. However, a different result was obtained by Maharani & Juliarto (2019), who determined that family ownership did not significantly influence tax avoidance. When managers hold shares in the company, they are worried about the company's long-term survival and do not want their business to become a target for tax audits. However, as managerial ownership increases, the personal wealth of the management becomes tied to the company's wealth, prompting them to reduce financial risk by lowering the company's debt to minimize potential losses. Furthermore, as explained by the Minister of Finance, the debt ratio indicates that the level of debt can affect the extent of tax deductions a company can achieve (Prastiyanti & Mahardhika, 2022). Studies on the connection between tax avoidance have indicated that tax avoidance is greatly affected by the management's ownership structure. However, a different result was obtained by Putri & Lawita (2019), who claimed that managerial ownership positively impacts tax avoidance.

Institutional ownership is believed to be capable of monitoring and regulating the decisions and policies made by managers. This is anticipated to lower the likelihood of tax avoidance. Therefore, institutional ownership can enhance optimal oversight within an industry. In order to influence, discipline, and control managers, institutional ownership is essential. Because of their size and voting power, institutional owners are thought to be able to exert pressure on management to prioritize economic success ahead of opportunities for selfish or self-serving behavior (Haloho, 2021). Research investigating the connection between institutional ownership and tax avoidance was carried out by Pratomo & Rana (2021), who discovered that institutional ownership negatively impacts tax avoidance. However, a different result was obtained by Putri &

Lawita (2019). They found that tax avoidance is positively impacted by institutional ownership.

The quality of audits is another element that affects business decision-making. The capacity of an auditor to identify and report mistakes or anomalies that arise in a client organization is referred to as audit quality (Maretta et al., 2019). Thus, high-quality audits can reduce agency costs and organizational risks by improving information transparency. When financial statements are audited, management is more likely to be cautious in implementing policies that could harm the company, leading to better corporate governance (Mulyati et al., 2023). A research study analyzing the impact of audit quality as a moderating factor in the relationship between ownership structure and tax avoidance has been carried out by Charisma & Dwimulyani (2019), which found that audit quality can strengthen the negative influence of managerial and institutional ownership of companies on tax avoidance. However, Mulyati et al. (2023) obtained the difference in results. The study states that audit quality does not strengthen the effects of institutional ownership and managerial ownership on tax avoidance. This study was inspired by research (Qawqzeh, 2023), which used differences in countries, research periods, and research industries because the manufacturing sector acts as the research population. This study aims to empirically assess and describe the influence of institutional ownership, management, and family on tax avoidance, with audit quality acting as a moderating variable.

In 1976, Jensen and Meckling presented the idea of agency theory. According to this idea, A contract between management, acting as agents, and shareholders, acting as principals, is known as an agency relationship. An agency contract balances the rights and responsibilities of management (the agent) and shareholders (the principal), considering the total benefits. According to agency theory, when the interests of the principal and agent align, the agent will act in the principal's best interests. However, agents and principals frequently have different goals (Pratomo & Rana, 2021). The relationship between principals and manager-agents, which is prone to various conflicts of interest, is explained by agency theory. As agents, managers are granted the authority by shareholders to make decisions regarding the company's behavior, which serves the interests of the principals. In running the business, the principal delegates authority to the managers, who act as agents of the shareholders, with the responsibility of maximizing profits and increasing shareholder value (Arifin et al., 2023).

Family ownership refers to ownership where the shareholders are more dominant. It is a term that describes all shareholders who are individuals or a group of individuals or businesses under one close-knit family and not owned by the government, the general public, or other organizations (Arifin et al., 2023). According to agency theory, family ownership can be a watchdog within the corporate governance framework. Additionally, it can lessen agency issues and aggressive management's opportunistic behavior, leading to less aggressive tax operations (Qawqzeh, 2023). The higher the level of family ownership in a company, the lower the extent of tax avoidance practiced. As per the study by Qawqzeh (2023) and Arifin et al. (2023), Family ownership has been observed to influence tax avoidance negatively. Therefore, the hypothesis proposed is:

$H_1$ : Family Ownership Harms Tax Avoidance

Managerial ownership is the term used to describe managers' ownership of shares. Managers are both shareholders and executives of the company. Since management bears significant responsibilities, they are typically more cautious when making decisions that directly affect them as shareholders (Prastiyanti & Mahardhika, 2022). A company's

likelihood of engaging in tax avoidance decreases with the level of managerial ownership. This is because managers interested in the business are more likely to safeguard its reputation and refrain from taking any actions that can damage it. Agency theory explains that managers who hold ownership in a company may have special incentives that conflict with other types of ownership due to the lack of market control. Numerous facets of management ownership or other forms of ownership, which are represented by value, revenue, and remuneration, are associated with tax avoidance actions. For instance, managers may engage in tax avoidance to obtain unstated rewards for themselves (Qawqzeh, 2023). According to the research conducted by Qawqzeh (2023) and Prastiyanti & Mahardhika (2022), managerial ownership tends to affect tax avoidance negatively. Therefore, the proposed hypothesis is:

$H_2$ : Managerial Ownership Harms Tax Avoidance

External parties' ownership of shares, particularly that of other businesses or institutions, is referred to as institutional ownership (Suparlan, 2019). An industry benefits significantly from institutional ownership since it improves manager oversight. According to agency theory, ownership structure can significantly impact decisions about tax avoidance, and conflicts of interest cause agency issues. Institutional ownership is one corporate governance tool for monitoring agent behavior and minimizing agency issues (Qawqzeh, 2023). Because institutions that own corporate shares tend to pay more attention to compliance with tax regulations, the more institutional ownership a company has, the less likely it is to engage in tax avoidance. According to the research conducted by Qawqzeh (2023) and Hidayati & Zuhroh (2023) It is discovered that institutional ownership negatively affects tax avoidance. Therefore, the proposed hypothesis is:

$H_3$ : Institutional Ownership Harms Tax Avoidance

A competent auditor will adhere to the appropriate standards and processes to produce a high-quality audit and identify accounting issues in the audit. This will influence family ownership, which holds the majority rights, giving them authority over the company's tax policies and potentially affecting tax avoidance (Wirdaningsih et al., 2018). Families with significant ownership in a company often prioritize its long-term sustainability and reputation. When audit quality is high, the company is subject to more thorough oversight, which can help reduce tax avoidance practices. According to the study by Wirdaningsih et al. (2018) and Qawqzeh (2023), Family ownership's implications for tax avoidance are said to be mitigated by audit quality. Therefore, the proposed hypothesis is:

$H_4$ : Audit Quality Strengthens The Negative Effect of Family Ownership on Tax Avoidance

Managers who hold a significant amount of shares in the company are more likely to consider the long-term interests of the business. They would not want their company's tax reporting to be scrutinized. Audit quality is crucial in overseeing management's actions to prevent accounting manipulation and fraud, particularly tax avoidance practices (Mulyati et al., 2023). When audit quality is high, the scrutiny of financial reports becomes more stringent, prompting managers to put more effort into avoiding tax avoidance. According to the research conducted by Charisma & Dwimulyani (2019) Qawqzeh (2023) and Krisna (2019), It is asserted that the quality of the audit may alleviate the effect of managerial ownership on tax avoidance. Therefore, the proposed hypothesis is:

$H_5$: Audit Quality Strengthens The Negative Effect of Managerial Ownership on Tax Avoidance

The more substantial the level of involvement by institutional owners in a company, the lower the probability that fraud will occur. This occurs due to institutional owners actively overseeing the management or agents and managing the reporting procedure. Companies with more institutional ownership tend to choose high-quality auditors, and institutional ownership aims for efficient operations. Consequently, the percentage of institutional ownership is typically higher (Mulyati et al., 2023). The effectiveness of management oversight by institutional owners will increase with the assistance of certified external auditors. A qualified auditor can quickly identify inaccuracies and discrepancies, enhancing the accuracy and transparency of financial reporting (Charisma & Dwimulyani, 2019). According to the research conducted by Charisma & Dwimulyani (2019), Qawqzeh (2023) and Krisna (2019), Audit quality has been identified as a factor that can help reduce the impact of institutional ownership on tax avoidance. Therefore, the proposed hypothesis is:

$H_6$: Audit Quality Strengthens The Negative Effect of Institutional Ownership on Tax Avoidance

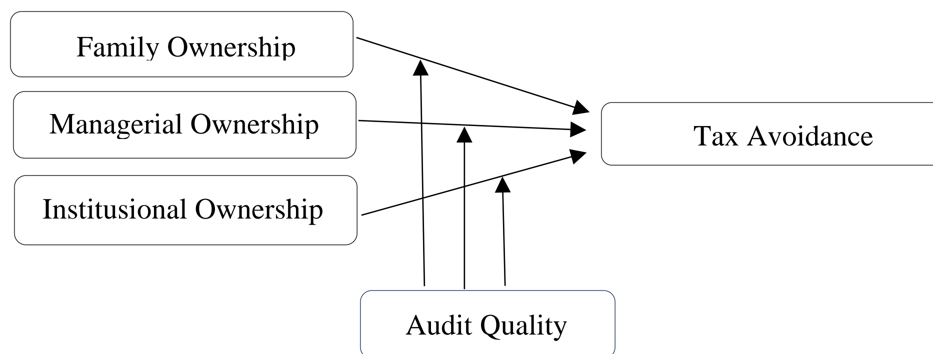


**Figure 1**. **Theoretical Framework**
Source: Research Data, 2025

## RESEARCH METHODS

The study is quantitative. A total of 164 manufacturing enterprises that were listed on the Indonesia Stock Exchange between 2019-2023 comprise the population under research. The sample for the research was chosen based on the purposive sampling method, which included 26 businesses during 5 years and 130 observations. The researcher used secondary data to get information for this investigation. The secondary data consists of the 2019–2023 annual reports and companies' financial statements on Indonesia's stock exchange. The analysis tool in this study uses the Eviews 10 program. The hypothesis test is one of the statistical tests used in this study's data processing. If $\alpha < 0.05$, Ha is accepted, and Ho is rejected when testing hypotheses with a significance level of 0.05, indicating that the independent variable significantly affects tax evasion. If $\alpha > 0.05$, Ho is accepted, and Ha is denied, suggesting that the independent variable has no discernible effect on tax avoidance.

Actions done to reduce, evade, or limit the tax due through various strategies are referred to as tax avoidance (Prastiyanti & Mahardhika, 2022).

$$ETR = \frac{\text{Income tax burden}}{\text{profit before tax}}$$

Family ownership is defined as any individual or business that holds 5.00% or more of the total ownership, except governments, public companies, financial institutions, and the general public, who are not obligated to register as owners. It refers to any ownership structure where an individual or business holds 5.00% or more of the total ownership, excluding governments, financial institutions, and public companies from this requirement (Fortuna & Herawaty, 2022).

$$KK = \frac{\text{the number of shares owned by the family}}{\text{of shares outstanding}} x100\%$$

Managerial ownership refers to a situation where managers are also involved in the company's capital structure, meaning they hold ownership in the company while simultaneously serving as its managers (Suparlan, 2019).

$$KM = \frac{\text{the number of shares owned by the manager}}{\text{of shares outstanding}} x100\%$$

Shares owned by organizations outside the business are called institutional ownership (Pratomo & Rana, 2021).

$$KI = \frac{\text{the number of shares owned by the institution}}{\text{,number of shares outstanding}} x100\%$$

Audit quality encompasses everything that occurs throughout the auditor's examination of the financial statements of the client company. Measured using a dummy variable that returns a value of 1 in the event of a Big Four KAP audit and 0 in the case of a non-Big Four KAP audit (Rospitasari & Oktaviani, 2021).

Firm size is an assessment used to evaluate the magnitude of a company, which can be analyzed based on elements such as equity value, sales value, team member count, total asset value, and other associated metrics (Rahmadani et al., 2020).

$$Size = Ln\ (Total\ Assets)$$

The ability of the business to produce a profit while using all of its assets is known as return on asset (Moeljono, 2020).

$$ROA = \frac{\text{net profit after t}}{\text{otal asset}} x100\%$$

## RESULTS AND DISCUSSION

The test aims to determine if each independent variable has an independent impact on the dependent variable. The independent variable is said to have an effect if the computed t-value probability is less than 0.05. On the other hand, no effect is indicated if the computed t-value probability is higher than 0.05.

**Table 1. Hypothesis Test**

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---|---|---|---|---|
| C | 2.28 | 1.46 | 1.56 | 0.12 |
| Family Ownership | 0.44 | 0.33 | 1.32 | 0.19 |
| Managerial Ownership | -0.77 | 0.57 | -1.35 | 0.18 |
| Institusional Ownership | 0.26 | 0.05 | 5.17 | 0.00 |

**Table 1. Hypothesis Test (Continuous)**

| Variable | Coefficient | Std. Error | T-Statistic | Prob. |
|---|---|---|---|---|
| Firm Size | -0.07 | 0.05 | -1.37 | 0.17 |
| ROA | -0.67 | 0.32 | -2.08 | 0.04 |

Source: Data Processed, 2024

The primary hypothesis ($H_1$) suggests that family ownership negatively influences tax avoidance. The regression coefficient stands at 0.44, with a probability value of 0.19 > 0.05. Consequently, family ownership does not affect tax avoidance as ETR indicates. Therefore, hypothesis ($H_1$) is dismissed. It indicates that high or low family ownership does not affect tax avoidance since family ownership perceives this activity as risky.

According to the second hypothesis ($H_2$), management ownership negatively affects the ETR, which evaluates tax avoidance. The regression coefficient is -0.77, and the probability value is 0.18, which exceeds 0.05. Therefore, managerial ownership does not influence the ETR's indicator for tax avoidance. Hypothesis ($H_2$) is thus dismissed. It indicates that the degree of managerial participation does not affect tax avoidance.

According to the third hypothesis ($H_3$), institutional ownership negatively impacts tax avoidance. The probability value is 0.00 <0.05, and the regression coefficient is 0.26. The positive coefficient result does not support the hypothesis, which indicates that institutional ownership impacts tax avoidance. The hypothesis ($H_3$) is thus disproved. It demonstrates that institutional ownership oversight does not ensure that a business does not participate in tax avoidance.

Firm size, the control variable, has no bearing on tax avoidance. The regression coefficient is -0.07, and the probability value is 0.17, higher than 0.05. As a result, the ETR, a proxy for tax avoidance, is unaffected by the corporation's size. This indicates that the scale of the business does not influence tax avoidance practices. More prominent corporations will draw the scrutiny of the government, making them liable for the relevant taxes. The control variable harms tax avoidance and Return on Assets (ROA). A regression coefficient of -0.67 and a probability value of 0.04, below 0.05, are identified. Therefore, ROA influences tax avoidance as assessed by the ETR. A more excellent ROA value indicates a higher profit for the company. Tax avoidance behaviors may be reduced if management effectively generates profits.

**Table 2. Hypothesis Test (2)**

| Variable | Coefficient | Std. Error | T-Statistic | Prob. |
|---|---|---|---|---|
| C | 1.23 | 1.22 | 1.01 | 0.32 |
| Family Ownership | 2.14 | 0.47 | 4.54 | 0.00 |
| Managerial Ownership | -2.73 | 0.64 | -4.30 | 0.00 |
| Institusional Ownership | 0.71 | 0.07 | 10.42 | 0.00 |
| Family Ownership_ Audit Quality | -2.06 | 0.56 | -3.66 | 0.00 |
| Managerial Ownership_ Audit Quality | 1.92 | 3.90 | 0.49 | 0.62 |
| Institutional Ownership_ Audit Quality | -0.66 | 0.08 | -7.82 | 0.00 |
| Firm Size | -0.04 | 0.04 | -0.86 | 0.39 |
| ROA | -0.62 | 0.25 | -2.44 | 0.02 |

Source: Data Processed by SmartPLS 3, 2024

The fourth hypothesis ($H_4$) proposes that audit quality enhances the negative effect of family ownership on tax avoidance. A regression coefficient of -2.06 and a probability value 0.00, which is less than 0.05, have been observed. Therefore, as indicated by the ETR, or effective tax rate, audit quality enhances family ownership's negative effect on tax avoidance. Consequently, the fourth hypothesis ($H_4$) is confirmed. As per the fifth hypothesis ($H_5$), the quality of audits enhances the negative influences of managerial ownership on tax avoidance. The regression coefficient is 1.92, and the probability value is 0.62, exceeding 0.05. Thus, based on the ETR, the negative effect of managerial ownership on tax avoidance is not amplified by the quality of the audit. As a result, the fifth hypothesis ($H_5$) is false. According to the sixth hypothesis ($H_6$), the quality of audits reinforces the adverse effects of institutional ownership on tax avoidance. The probability value is 0.00, below 0.05, and the regression coefficient is -0.66. When evaluated based on ETR, the quality of audits does strengthen the negative effect of institutional ownership on tax avoidance. Therefore, the sixth hypothesis ($H_6$) is confirmed.

**The Effect of Family Ownership on Tax Avoidance**

A regression coefficient of 0.44 and a significance level of 0.19 ($p > 0.05$) are derived from the regression test findings above. It suggests that family ownership status, whether high or low, has no bearing on tax avoidance. These findings demonstrate that tax avoidance is unaffected by family ownership. Family businesses are unlikely to be drawn to short-term profits by evading taxes that would harm the company's position (Selistiaweni et al., 2020). The findings of this study align with the discoveries of Riandani & Misra (2023). Tax avoidance is typically seen as a dangerous practice by family owners. Tax avoidance may result in lower government tax payments, but its unfavorable effects are thought to be more dangerous. These hazards include interacting with tax officials, getting public scrutiny, and harming the company's image and reputation. Therefore, family-owned businesses avoid tax avoidance techniques to preserve their integrity and reputation. According to agency theory, family ownership might be more concerned with immediate family wealth. They might be more motivated to use tax avoidance to lessen their tax burden. It is additionally backed by the data acquired, which shows that in 2023, PT Japfa Comfeed Indonesia Tbk had a family ownership value of 0.32. However, the Effective Tax Rate (ETR) remained high at 0.25. However, a different trend is observed in PT Sat Nusapersada Tbk in 2021, where the family ownership value was 0.70, followed by an ETR of 0.22. Based on this data, the high or low family ownership level does not impact tax avoidance. This research yields different outcomes compared to earlier studies (Fortuna & Herawaty, 2022; Gaaya et al., 2017; Marfiana & Andriyanto, 2021; Tanujaya & Angelin, 2022; Wirdaningsih et al., 2018) which indicates that family ownership exerts a beneficial influence on tax avoidance.

**The Effect of Managerial Ownership on Tax Avoidance**

A regression coefficient of -0.77 and a significance level of 0.18 ($p > 0.05$) are derived from the regression test findings above. It suggests that tax avoidance behavior is unaffected by managerial ownership levels, regardless of how high or low they are. It indicates that managerial ownership will not engage in tax avoidance because it has little influence over business decision-making. These findings demonstrate that tax avoidance is unaffected by managerial ownership.

This finding is consistent with Muslim & Nengzih's (2021) study. Although managers hold shares in the company, they tend to act in their interests (entrenchment) rather than aligning their interests with those of the company owners (alignment) because

the managers own a comparatively small number of shares. The agency dilemma between the principal (owner) and the agent (manager), wherein the manager's opportunistic conduct may still hurt the company's owners, even with managerial shares, is not resolved by the relatively tiny managerial ownership. Based on agency theory, a standard conflict of interest exists between the principal and the agent, where managers might be more driven to optimize their immediate financial benefits, which may impact their decision to evade taxes. It is further supported by the data obtained, which shows that in 2021, PT Indofood Sukses Makmur Tbk had a managerial ownership value of 0.00. However, the Effective Tax Rate (ETR) remained high at 0.22. In contrast, PT Japfa Comfeed Indonesia Tbk in 2021 had a managerial ownership value of 1.81, followed by an ETR of 0.25. Based on this data, the level of managerial ownership, whether high or low, does not impact tax avoidance. This research yields different outcomes compared to earlier studies (Meliani & Lesmana, 2023; Prastiyanti & Mahardhika, 2022; Putri & Lawita, 2019; Setiawan et al., 2021) which indicates that managerial ownership affects tax avoidance.

**The Effect of Institutional Ownership on Tax Avoidance**

The preceding regression data derives a regression coefficient of 0.26 and a significance level of 0.00 ($p < 0.05$). It shows that institutional ownership positively promotes tax avoidance. This demonstrates that tax avoidance activity increases with institutional ownership. The discoveries of this investigation align with those of Ariawan et al. (2017). The presence of institutional ownership suggests that there is institutional influence on management to adopt assertive tax strategies to maximize earnings relative to the capital invested by institutional owners. The tax liabilities may decrease corporate profits. Thus, institutional owners will more closely oversee management to lessen the company's tax obligations, resulting in heightened tax avoidance actions by the company. As agency theory states, Companies with significant institutional ownership will be more proactive in lowering their taxes. As a result, firms are progressively resorting to tax evasion to decrease their tax obligations.

It is supported by the data obtained where PT Betonjaya Manunggal Tbk in 2023 recorded an institutional ownership variable value of 0.00, yet its Effective Tax Rate (ETR) remained high at 0.08. In contrast, PT Indo Acidatama Tbk in 2023 had an institutional ownership variable value of 0.18, accompanied by an ETR of 0.22. Based on this data, the level of institutional ownership, whether high or low, does not affect tax avoidance. The outcomes of this study differ from those of previous investigations (Dewi & Oktaviani, 2021; Diantari & Ulupui, 2016; Fitria, 2018; Sari & Kinasih, 2021; Zainuddin & Anfas, 2021).

**Audit Quality Strengthens Family Ownership of Tax Avoidance**

The regression outcomes indicate a regression coefficient of -2.06 and a significance level 0.00 ($p < 0.05$). This suggests that the detrimental impact of family ownership on tax avoidance can be reinforced by audit quality. This suggests that KAP always adheres to the stated quality standard criteria when conducting the audit process as an external auditor. Professional auditors can also stop fraud and modification of financial records used to evade taxes. The findings of this study align with those of Maharani & Juliarto (2019), where family ownership combined with high audit quality indicates that the family has fewer opportunities to engage in misconduct due to strong corporate governance practices overseeing their actions. According to agency theory, tax avoidance is evident in conflicts of interest. Family owners have a long-term stake in the company's success and may use tax avoidance to increase profits and control the business. However, audit quality can enhance oversight and compliance. This is further supported

by the data obtained, where PT Barito Pacific Tbk in 2022 recorded a family ownership variable value of 0.71 and an ETR of 0.79 while utilizing the services of a Big Four affiliated accounting firm, Deloitte, for its financial statement audit. Based on this data, audit quality can influence the reduction of tax avoidance activities, particularly when coupled with high family ownership. This research yields different outcomes compared to earlier studies (Christa & Adi, 2020; Gaaya et al., 2017; Tanujaya & Angelin, 2022; Wirdaningsih et al., 2018), which indicates that audit quality does not enhance the impact of family ownership on tax avoidance.

**Audit Quality Strengthens Managerial Ownership of Tax Avoidance**

The regression results reveal a regression coefficient of 1.92 and a significance level of 0. 62 (p > 0. 05). This indicates that the negative effect of managerial ownership on tax avoidance is not strengthened by audit quality. This outcome aligns with the studies conducted by Mulyati et al. (2023); it implies that high-quality audits strengthen the connection between management ownership and tax avoidance. However, the low average value of managerial ownership and audit quality creates opportunities for management to engage in opportunistic behavior. Additionally, choosing a non-Big Four audit firm raises concerns about Information openness to shareholders, potentially leading to tax avoidance practices. Agency theory states that the relationship between the principal and the agent frequently involves a conflict of interest. While managers, acting as agents, may be driven by their self-interest, the owner aims to maximize the company's value. This is likewise validated by the subsequent data, where PT Barito Pacific Tbk in 2021 recorded a managerial ownership variable value of 0.71 and an ETR of 0.39 while utilizing the services of a Big Four affiliated accounting firm, Deloitte, for its financial statement audit. According to this data, even in cases where managerial ownership is strong, The quality of audits and the decline in tax avoidance are unrelated. This research yields different outcomes compared to earlier studies (Charisma & Dwimulyani, 2019; Krisna, 2019; Regina et al., 2021), which indicates that audit quality can enhance the effect of management ownership on tax avoidance.

Audit Quality Strengthens Institutional Ownership of Tax Avoidance

The findings indicate a regression coefficient of -0.66 and a significance level of 0.00 (p < 0.05). This suggests that the detrimental effect of institutional ownership on tax avoidance can be reinforced by audit quality. The company's management will exercise caution in making financial reports if institutional owners carry out strict supervision aligned with the audit of financial reports by the Big Four KAP. This can make management prioritize the interests of the company. This is further supported by the data obtained, where PT Barito Pacific Tbk in 2022 recorded an institutional ownership variable value of 0.79 and an ETR of 0.79 employing the services of an auditing company that is among the Big Four, Deloitte, for its financial statement audit. Based on this data, audit quality has little bearing on the decline in tax avoidance despite high institutional ownership.

This finding aligns with studies by Charisma & Dwimulyani (2019). Audit firms specializing in a particular area are better at identifying problems in financial statements, thus demonstrating the company's actual worth. In contrast to those reviewed by non-specialized audit firms, this enables businesses to have a reduced level of fraud. According to agency theory, institutional owners tend to focus more on regulatory compliance and prudent management because these affect the long-term survival and reputation of the firm. The presence of strict supervision and high audit quality can also encourage this. The results of this study are in line with Krisna (2019). However, research

by Mulyati et al. (2023) shows that audit quality is insufficient to strengthen institutional ownership of tax avoidance.

## CONCLUSION

The research results indicate that institutional ownership positively affects tax avoidance, whereas family ownership and management do not have any effect. Additionally, audit quality can enhance the negative impact of institutional and family ownership on tax avoidance, but it does not enhance the negative impact of management ownership on tax avoidance. Companies with specific ownership structures might be more susceptible to tax avoidance practices. Company management needs to comprehend how the quality of audits can decrease the chances of engaging in risky tax avoidance. Understanding Audit quality's impact on tax avoidance can offer direction to tax authorities in formulating stricter policies and regulations aimed at diminishing tax avoidance. For instance, enhancing audit quality can be a strategic measure to avert excessive corporate tax avoidance that could negatively impact the state.

This study has limitations, such as focusing on companies with family ownership, which results in a small sample size. Additionally, the research only examines three independent variables: family ownership, managerial ownership, and institutional ownership. The results suggest that other factors might be more important in tax avoidance and should be explored further in future research. The researchers propose multiple further research opportunities grounded in the findings of the research carried out. Specifically, Future investigators interested in conducting analogous studies may consider adding more independent variables that might affect tax avoidance. For instance, the variable of Fixed Asset Intensity suggests that firms with elevated fixed asset intensity usually participate in more significant amounts of tax avoidance. The possession of fixed assets results in depreciation expenses, a cost that decreases taxable income, consequently impacting the organization's tax liabilities. This is supported by research results Noviyani & Muid (2019), Mariadi & Dewi (2022), and Azwar & Fitrijanti (2024). Future researchers should lengthen the study period to achieve a more comprehensive analysis and lessen the possibility of tax avoidance; the business sector must recognize the significance of transparency within their ownership framework and guarantee high-quality audits.

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