Eduvest – Journal of Universal Studies
Volume 4 Number 11, November, 2024
p- ISSN 2775-3735- e-ISSN 2775-3727

The Effect of Managerial Ownership, Institutional Ownership and Debt Levels on Tax Disclosure

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ABSTRACT

Along with the development of the business world, the demand to become a company that has transparency and accountability is an urgent need. Disclosure transparency is one of the various alternatives that can be used in overcoming tax avoidance problems. The existence of the phenomenon of tax avoidance and the still not optimal anti-tax avoidance rules, indicates the need to encourage taxpayers to increase transparency through disclosure of the tax planning schemes used. This study uses a quantitative research approach with secondary data. The population used in this study are service companies in the infrastructure, property and real estate and logistics transportation subsectors listed on the Indonesia Stock Exchange (IDX) in the 2018-2022 period. The sampling technique used purposive sampling. The results showed that managerial ownership has a positive effect on tax disclosure. institutional ownership has a positive effect on tax disclosure. The level of debt has a positive effect on tax disclosure.

KEYWORDS *Managerial Ownership; Institutional; Leverage; Disclosure*

INTRODUCTION

Taxes have an important role in a country. Tax revenue is the largest source of revenue in Indonesia that is used to finance all state expenditures (Sulastyawati et al., 2019). Indonesia positions taxation as the role and contribution of the community in financing national development (Azhari et al., 2022). The role of taxes can also be used to control and regulate the behavior of state economic activities (Ahrorov, 2020). The existence of taxes is expected to encourage equal distribution of income so that it can encourage economic growth. The large role of tax contribution in Indonesia also makes it a special concern for the government. One of the tax systems that applies in Indonesia is implementing the Self Assessment System (Zairin et al., 2024).

The level of taxpayer compliance in Indonesia is still low. The low compliance ratio of filing tax returns can also conclude that there are still many corporate taxpayers who have not carried out their business tax obligations and disclosures properly. Based on BPS 2022 data, Indonesia's tax ratio in the last 5

How to cite: Tabitha Liliana Chandra, Dian Purnama Sari. (2024). The Effect of Managerial Ownership, Institutional Ownership and Debt Levels on Tax Disclosure. *Journal Eduvest. 4* (12), 11848-11857
E-ISSN: 2775-3727

years of central taxes and state revenues from natural resources to GDP was 11.40%, 10.70%, 8.91%, 9.95%, and in 2022 10.38%, respectively (Darmawan, 2024). One of the factors causing this is the low level of awareness of taxpayers in reporting their income has not been carried out transparently (Tarwiyah, 2023). The tax ratio is highly dependent on the level of compliance and awareness of taxpayers to disclose their taxes correctly. The low tax ratio also occurs due to the existence of management in the company's business management, lack of supervision and there are still gaps in fiscal regulations. This is what makes it important and necessary to establish special rules as soon as possible regarding the importance of implementing tax disclosure.

The existence of the phenomenon of tax avoidance and the still suboptimal anti-tax avoidance rules, shows the need to encourage taxpayers to increase transparency through the disclosure of the tax planning scheme used. This disclosure has the potential to cause debate and is not easy to implement, because the tax issue is a sensitive issue for companies or other parties interested in the company (Saibi et al., 2020). Transparency of disclosure is one of the various alternatives that can be used in overcoming the problem of tax avoidance. Good information disclosure serves to facilitate risk assessment related to taxation aspects, and is expected to increase compliance (Mgammal et al., 2018).

Tax Disclosure is an activity of disclosing information about corporate taxation that can prevent aggressive tax actions (Trisnawati, 2021). Tax disclosure is still not widely found explained in detail in financial statements. In reality, in practice, this information is very important because many parties need this information. The company has the obligation to report its taxes in its financial statements in accordance with tax provisions. As a form of accountability for these obligations, it is not uncommon for further disclosure information related to the company's tax obligations. The basis for determining a company's tax obligations can be in the form of audits of financial statements and tax audits that require disclosure and proof of transactions. Increasingly transparent disclosure can reduce uncertainty and risk in the return on investment, while for the government with increased disclosure will increase information disclosure as well as be used to maximize state revenue sources, so that the equitable distribution of public welfare from tax revenues can be wider.

The existence of differences in interests between the government and companies is an obstacle in tax disclosure transparency. Companies as taxpayers will tend to try to reduce or minimize the amount of their tax payments. The company will try to pay the lowest possible tax, Paying taxes for the company is a burden that will reduce the company's net profit. Meanwhile, the government expects an increase in tax revenue to finance the implementation of state economic activities.

One of the implementation of corporate governance is motivated by the ownership structure. In this study, the company's ownership structure will be focused on institutional ownership structure and managerial ownership. The ownership structure of a company consists of a comparison of the number of shareholders in the company. A company can be owned by individuals, the wider community, the government, foreign parties, or managers. Differences in the proportion of ownership held by investors can affect the level of completeness of disclosure by companies. The presence of institutional investors is expected to be able to supervise every decision taken by managers. Influential institutional ownership is important to avoid conflicts of interest of each management. Managerial ownership is the proportion of ownership owned by any party, namely the board of directors and the board of commissioners who actively participate in decision-making. The level of managerial ownership will balance the interests of the manager with the interests of shareholders, so that there is an incentive for the manager to maximize the value of the company when his managerial ownership increases (Meckling & Jensen, 1976).

Debt in the company is used as one of the sources of financing from the outside to finance the company's activities. Debt cost is a cost in the form of a rate of return that is agreed in advance with the creditor. In taxation rules, debt costs are legal costs. Debt costs are often used as operational expenses that can be used to reduce the amount of taxes. According to Brigham and Houston (2019), one of the motivations for companies to use debt funds as a source of funding is tax benefits. Interest payments on debt loans will affect the amount of corporate tax, interest payments are one of the ways companies save on taxes. There are various factors that can be affected by the cost of debt, including the transparency of the company's financial reporting. The debt-to-capital ratio can project the balance of capital and the accuracy of the target between equity capital and long-term debt. According to Resnawati's research (2021), the debt-to-capital ratio will have a positive effect on Corporate Income Tax Payable.

The topic related to tax disclosure is interesting to be researched because there are not many researchers who have conducted this research in Indonesia. This study aims to analyze and empirically test the influence of managerial ownership, institutional ownership, and debt costs on corporate tax disclosure. The selection of the industrial sector used as a sample of this study uses the service sector. The service sector is one of the sectors listed on the Indonesia Stock Exchange that plays a major role in contributing to the economy and income in Indonesia.

RESEARCH METHOD

This study uses a quantitative research approach with the type of data used is secondary data. The data used are in the form of financial and annual reports of sample companies in the research time frame. The population used in this study is service companies in the infrastructure, property and real estate and transportation logistics subsectors listed on the Indonesia Stock Exchange (IDX) in the 2018-2022 period. The sample used in the study is a service company that is selected based on the criteria determined by the researcher. The sampling technique uses purposive sampling.

Research population and sample

The population in this study is service companies (infrastructure, property and real estate and logistics transportation) listed on the Indonesia Stock Exchange (IDX). This study uses a purposive sampling technique. The purposive sampling method determines the sample based on certain criteria. The sampling criteria in this study are:

1) Companies that have conducted an IPO before the research period.
2) Companies that routinely publish audited financial statements for 2018-2022.
3) Financial statements are presented in rupiah during the research period.

4) Financial statements of companies that did not experience losses during the research period.
5) Financial statements of companies that in the research period did not experience capital deficiencies/deficits.
6) Financial statements of companies that have institutional ownership.

Research Variables

There are 3 (three) independent or independent variables, namely Managerial Ownership, Institutional Ownership, Leverage, and control variables are 3 (three), namely Company Size, Profitability and Liquidity, while the dependent variable is Tax Disclosure.

RESULT AND DISCUSSION

Descriptive Statistical Analysis

Table 2 : Descriptive Test Results.

	N	Minimum	Maximum	Mean	Std. Deviation
tax disclosure	268	0,4194	0,6129	0,514083	0,0428862
Managerial ownership	268	0,0000	0,5052	0,049109	0,1116027
Institutional ownership	268	0,0081	0,9996	0,582700	0,2308242
leverage	268	0,0125	6,9123	1,021410	1,0459944
Company Size	268	25,0751	32,1001	29,213681	1,4810858
Liquidity	268	0,0394	83,4783	3,050582	7,6905656
Profitability	268	0,0000	0,4296	0,054159	0,0546043
Valid N (listwise)	268				

Source : processed data (2023)

Classical Assumption Test

Normality Test

Table 3. Results of the Normality Test

	Unstandardized Residual
N	268
Asymp. Sig. (2-tailed)	0,082c
Monte Carlo Sig. (2-tailed) Mr.	0.466d

a. Test distribution is Normal.
b. Calculated from data.

Source : processed data (2023)

In Table 3 above, it shows that the asymptotic significance value is 0.054, this shows that the asymptotic significance value of the K-S test is above 0.05, meaning that the research data is normally distributed.

Multicollinearity Test

Table 4. Multicollinearity Test Results

Model		Collinearity Statistics	
		Tolerance	BRIGHT
1	Managerial ownership	0,896	1,117

Institutional ownership	0,882	1,133
leverage	0,793	1,260
Company Size	0,817	1,223
Liquidity	0,907	1,103
Profitability	0,922	1,084
a. Dependent Variable: tax disclosure		
Source : processed data (2023)		

The results of the multicollinearity test in table 4 show that from the three independent variables (independent variables) and the three control variables have a tolerance value of > 0.1 and a VIF value of < 10, it can be concluded that this study is free from multicollinearity symptoms.

Uji Autokorelasi

Table 5. Runtest Results

	Unstandardized Residual
Test Value	0,00211
Cases < Test Value	133
Cases >= Test Value	134
Total Cases	267
Number of Runs	133
With	-0,184
Asymp. Sig. (2-tailed)	0,854
a. Median	
Source: processed data(2023)	

Based on the Runs Test using the spss above, the Asymp value is known. Sig. (2-tailed) of 0.854 is greater > than 0.05, so it can be concluded that there are no autocorrelation symptoms. Thus, the autocorrelation problem cannot be solved with the Durbin Watson Test but can be solved through the Runs Test so that the linear analysis can be continued.

Heteroscedasticity Test

Table 6. Glejser Test Results

Model	**Sum of Squares**	**df**	**Mean Square**	**F**	**Mr.**
1 Regression	0,012	6	0,002	3,954	0,001
Residual	0,136	261	0,001		
Total	0,148	267			

a. Dependent Variable: abs_res

b. Predictors: (Constant), profitability, managerial ownership, company size, liquidity, institutional ownership, leverage

Source: processed data (2023)

Based on the results of the heteroscedasticity test with the Glejser test, with the Abs_RES variable acting as a dependent variable. The results of the study were obtained as a result that heteroscedasticity symptoms still occur using this test. This is shown by the significant value of the test is only 0.001, which is smaller than the criteria for passing the heterokedasticity test, which is above 0.05.

Model feasibility test

Determination Coefficient Test (R2)

Table 7. Determination Coefficient Test Results (R2)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0,331	0,109	0,089	0,0409345	0,809

a. Predictors: (Constant), profitability, managerial ownership, company size, liquidity, institutional ownership, leverage

b. Dependent Variable: tax disclosure

Source : processed data (2023)

Based on table 7, it can be seen that the magnitude of the R value is 0.089. This shows that 8.9% of tax disclosure can be explained by the variation of the three independent variables (independent variables), namely managerial ownership, institutional ownership and leverage. While the remaining 91.1% were explained by other reasons outside the study.

Statistical Test F

Table 8. Test Results F

ANOVA

Model		Sum of Squares	df	Mean Square	F	Mr.
1	Regression	0,052	6	0,009	5,172	0,000
	Residual	0,439	261	0,002		
	Total	0,491	267			

a. Dependent Variable: tax disclosure

b. Predictors: (Constant), profitability, managerial ownership, company size, liquidity, institutional ownership, leverage

Source: processed data(2023)

Based on the results of the statistical test f, it shows that the value of f is calculated as 5.172 and the significant value is 0.000, with a significance value of 0.000 < a significant level of 0.05. Therefore, it can be said that together (scientifically) the independent variables of managerial ownership, institutional ownership, leverage and the variables of company age control, liquidity, and profitability) have a significant influence on the tax disclosure variables.

Findings

The 1st hypothesis that states: managerial ownership has a positive effect on tax disclosure is rejected. The results of this study show that managerial ownership has a negative effect on tax disclosure. This shows that the influence of managerial ownership on tax disclosure is shown from several samples of companies in this study have a low level of managerial ownership followed by quite high tax disclosure activities.

The 2nd hypothesis that states: institutional ownership has a positive effect on tax disclosure is accepted. The results of this study show that institutional ownership plays a functional role, the higher the proportion of institutional ownership, the more monitored the level of supervision of company activities, so that the manager's operational can be suppressed.

The 3rd hypothesis that states that leverage has a positive effect on paka disclosure is accepted. The results of this study show that the greater the amount of debt owned, there will be a special demand from the funding party for the company to convey important information related to the business finance

Discussion

1. The Influence of Managerial Ownership on Tax Disclosure

Based on the results of statistical tests, it can be concluded that institutional ownership has a positive effect on tax disclosure. So the second hypothesis stating that "institutional ownership has a positive effect on tax disclosure" is accepted. Evidence of the influence of institutional ownership has a significant effect on tax disclosure is shown from several samples of companies in this study have a high level of institutional ownership followed by high tax disclosure activities. So that the high or low level of institutional ownership in a company affects the tax disclosure activities that will be taken. Institutional investors will help monitor the performance and decisions made by the company's managerial ranks can have an impact on how much information the company will disclose in its financial statements can be used as a description of tax disclosure activities.

Based on agency theory, managers and shareholders have different interests. Managers want to get profits and incentives for their work, while company shareholders want the company to be profitable and able to grow. Therefore, these two interests must be adjusted to the ownership of the company. The institution is responsible for supervising and controlling managers so that they do not act at will. The institution can pressure managers to pay attention to the welfare of investors; As a result, the institution will force managers to make more conservative decisions (Ratnasari & Nuswantara, 2020). The results of this study are in line with the research of Sibuea and Arieftiara (2022), Singal and Putri (2021) and Rivandi (2022) that institutional ownership has a positive effect on disclosure.

2. The Influence of Institutional Ownership on Tax Disclosure

The regression coefficient of the institutional ownership variable is 0.000, this means that institutional ownership has a positive influence on tax disclosure So if the value of the institutional ownership variable increases by 1% and other variables have constant values, then the tax disclosure value will increase by 0.000. Based on the results of the t-test, the institutional ownership variable has a significant value of 0.030. Based on these results, a significant value of 0.030 < a significant value of 0.05 means that institutional ownership has an influence on this test and the coefficient number has a positive value. So the second hypothesis stating that "institutional ownership has a significant positive effect on tax disclosure" is accepted.

Based on agency theory, managers and shareholders have different interests. Managers want to earn profits and incentives for their work, while shareholders want to live prosperously. Therefore, these two interests must be adjusted to the ownership of the company. The institution is responsible for supervising and controlling managers so that they do not act at will. The institution can pressure managers to pay attention to the welfare of investors; As a result, the institution will force managers to make more conservative decisions (Ratnasari & Nuswantara, 2020). The results of this study are in line with the research of Singal and Putra (2019), Ratnasari and Nuswantara (2020) which have institutional ownership results that have a positive effect on disclosure. The results of this study are that management ownership can have a negative effect on the company's tax disclosure, this is contrary to the agency theory where to reduce the occurrence of information asymmetry with stakeholders, information reporting/disclosure should be more transparent and complete. The more management owns shares in the company, it is possible that there is a difference of interest between the shareholders, who serve as principals, and the management, who serves as agents. These conflicts and tug-of-wars of interests can lead to problems known as Asymmetric Information (AI), which occurs due to the unequal distribution of information between principals and agents. External parties' reliance on accounting figures, managers' tendency to seek their own profits, and unfair levels of information, managers tend to manipulate the reported work for their own personal interests Because management is directly responsible for the decisions made and must bear the consequences if the wrong decision is made. This proportion of ownership will encourage management to be more careful when making decisions. With greater management ownership, management's focus is more on generating profits, which eliminates the company's policy push to increase value such as disclosure (Rivandi & Pramudia, 2022).

The results of this study are in line with the research: Sibuea and Arieftiara (2022), Rivandi (2022) prove that Managerial Ownership has a negative effect on tax disclosure This indicates that the larger the amount of managerial ownership, the lower the level of tax disclosure carried out, and vice versa.

3. Effect of Leverage on Tax Disclosure

Based on the results of statistical tests, it can be concluded that the level of debt has a positive effect on tax disclosure. So the third hypothesis stating that "debt levels have a significant positive effect on tax disclosure" is accepted. Evidence of the influence of debt levels has a significant effect on tax disclosure is shown from several samples of companies in this study have high debt levels followed by high tax disclosure activities. So that the high or low level of debt in a company will affect managerial decisions in the company's financial disclosure and reporting activities that will be taken, especially in its tax reporting. The company's funding decision can be an illustration of the company's financial reporting disclosure activities. Tax disclosure reporting is related to the nominal amount of tax owed that must still be paid.

Due to the fiscal benefits derived from the use of debt, debt levels can have a positive effect on tax disclosure. According to the trade-off theory, companies tend to use more debt to gain fiscal benefits because debt provides tax protection, i.e. the interest expense of debt can be deducted from their income tax calculations. As a result, companies tend to use more debt to gain these fiscal benefits, which can have a positive impact on tax disclosures. Compared to companies with low debt levels, companies with high debt levels tend to be more transparent in their tax information disclosure due to reporting demands requested from external funders. This result is in line with the research of Harsono and Lazarus (2021) which obtained the results of research on debt levels that have a positive effect on tax disclosure.

CONCLUSION

Based on the results of the study, several main points can be concluded, namely the influence of Managerial Ownership: Managerial ownership shows a negative influence on tax disclosure, which is contrary to agency theory. This indicates that the greater the managerial ownership, the lower the level of tax disclosure that the company makes. Influence of Institutional Ownership: Institutional ownership has a significant positive influence on tax disclosure. The higher the institutional ownership, the greater the supervision carried out, thereby increasing transparency in tax disclosure. Effect of Leverage: Leverage has a positive effect on tax disclosure. The high level of debt motivates companies to be more transparent in tax reporting to meet demands from creditors and ensure the company's credibility. Overall, the study shows that the ownership structure and leverage level affect the extent to which a company discloses tax information. This research underscores the importance of the role of institutional ownership and leverage in increasing tax disclosure transparency, which has an impact on the fulfillment of corporate responsibilities and compliance with tax regulations.

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