The Influence of Institutional Ownership, Earnings Management, Audit Quality, and Leverage on Tax Avoidance in Indonesia

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Abstract
This study aims to analyze the influence of institutional ownership, earnings management, audit quality, and leverage on tax avoidance practices. The sample consisted of 34 mining companies listed on the Indonesia Stock Exchange (IDX) during the 2021-2023 period. The sample data collection method used purposive sampling, and hypothesis testing was conducted using multiple linear regression. The results show that institutional ownership and audit quality have no effect on tax avoidance, while earnings management has a negative effect on tax avoidance, and leverage has a positive effect on tax avoidance. This study suggests that the greater the level of earnings management, the lower the tax avoidance. Investors should be wary of companies that engage in minimal tax avoidance, as this does not necessarily imply compliance with accounting standards. Furthermore, high leverage can also be a concern for the government, as the corporate tax collector, as it is suspected that higher leverage levels lead to higher levels of tax avoidance.

Keywords: Tax Avoidance, Institutional Ownership, Earnings Management, Audit Quality, Leverage.

Introduction

Companies with high profits can impact their tax obligations. Therefore, companies engage in tax avoidance to reduce their profit burden. Corporate efforts to reduce taxes often conflict with public expectations, as taxes are essential for funding infrastructure, education, health, defense, and law enforcement, all public needs (Auliana, 2023). Tax avoidance by company management aims to reduce the company's tax burden. This practice is generally secretive, thus reducing transparency in reporting. Therefore, good corporate governance is necessary for management to carry out practices more responsibly (Astuti and Lestari, 2024).

According to Aditama (2020), tax is a mandatory contribution paid to the state by individuals or entities that is mandatory according to law, where the tax payer does not receive direct compensation for the contribution. In Indonesia, taxes have a very important function in national life, especially in the implementation of national development, but we often face problems related to suboptimal tax revenues so that the average tax ratio has not been able to reach the set

target (Khairunnisa, 2023). One of the obstacles faced by the government in optimizing tax revenue is the practice of tax avoidance (Fitria, 2021). Tax avoidance is defined as an effort made by companies to minimize the tax burden legally by exploiting weaknesses in laws and regulations (Dewi, 2021).

According to Lastyanto and Setiawan (2022), tax avoidance is a legal alternative to reduce the total taxes payable by both individuals and companies. Tax avoidance behavior by taxpayers is influenced by individual intentions; therefore, tax avoidance efforts are often carried out by corporations and companies, which exploit various legal loopholes and strategies to reduce their tax obligations (Sari and Baliwerti, 2023). In the context of company operations, tax avoidance practices are implemented with the aim of reducing the amount of tax payments that need to be borne and increasing the company's cash flow (Gazali et al., 2020). One company implemented a policy of shifting employee benefits from previously in the form of cash to in-kind benefits or compensation in the form of goods and services. This was done because in-kind benefits are not included as tax objects in Article 21 of Income Tax (Vidiyanna, 2021).

A case study published on the DDTCNews editorial website states that tax evasion can increase the shadow economy as a consequence of changes in the economic structure toward digitalization and the high informal sector. However, if this increase is not matched by the readiness of the tax system for digital economic activities, it can lead to increased tax evasion. According to Damayanti and Susanto (2021), institutional ownership encourages company management to make decisions that maximize shareholder welfare. Institutional ownership plays a crucial role in oversight and management because it can encourage increased oversight of business operations, leading to more effective and optimal results (Afrika, 2021). Institutional ownership in a company can improve compliance and management performance. The larger the ownership portion of financial institutions, the stronger the voice and influence of institutions in overseeing management, which ultimately provides greater incentives for management to comply with tax regulations (Siahaan, 2020). Therefore, the higher the level of institutional ownership, the stronger the supervision of company management, this can reduce aggressive tax avoidance actions carried out by companies (Wijayani, 2021).

According to Nugroho, et al., (2022), earnings management is an attempt by company management to alter information in financial reports so that reported profits do not reflect actual profits for the current year. Earnings management often occurs due to agency problems arising from the separation between owners and managers of a company. Research results show a tendency for companies to report higher profits in financial reports while maintaining a lower tax burden (Falbo and Firmansyah, 2021). According to Febrianti and Untung (2023), managers are able to implement earnings management to reduce the amount of tax the company needs to pay. Managers use profits as a basis for determining the amount of tax the company must bear. In the context of tax avoidance, a manager can choose an accounting method that allows for profit reduction. The discrepancy between earnings management and tax avoidance test results necessitates re-examining the relationship between the two (Manuel, 2022).

High audit quality indicates transparent financial statement disclosure. Companies audited by external auditors, such as Big Four public accounting firms, are considered to reduce the risk of tax evasion (Doho and Santoso, 2020). Financial statements audited by public accounting firms with industry specialization are considered more effective in detecting errors and reflecting the company's true value. This makes a company tend to have a lower level of fraud compared to those audited by non-industry-specialized public accounting firms (Khairunisa et al., 2021). Audit quality refers to the auditor's ability to detect and report errors in a client's financial statements and maintain their independence when reporting audit results (Simanjuntak and Suranta, 2024). If the tax liability is too large, a company may be encouraged to engage in tax evasion. However, companies with good quality tend not to manipulate tax revenues for tax purposes, indicating that quality companies prefer legal and ethical tax avoidance rather than engaging in manipulative practices.

According to Dewi and Gustia (2021), leverage is a factor influencing tax avoidance, where companies can use debt to meet operational and investment needs. The term leverage describes a company's ability to use funds with fixed costs to generate profits (Salsabilla and Nurdin, 2023). Because capital structure is treated differently, a company's financing policy influences the effective tax rate. One such policy is the use of debt, also known as leverage (Muda et al., 2020). The more debt a company uses, the greater the interest it must pay, thereby reducing pre-tax profit, which in turn reduces the amount of tax the company must pay (Kusumaningsih and Mujiyati, 2024). Therefore, if a company has a high level of debt, the debt will result in interest expenses that must be borne. This interest expense can be used to reduce the company's income (Handayani and Mildawati, 2020). There has been a lot of research on the topic of tax avoidance, but there are still many different opinions from one researcher to another, which have not shown a consistent point in the research.

Literature Review

Agency Theory

Agency theory is a concept that describes the contractual relationship between the principal and the agent. This theory assumes that each individual tends to act based on their own self-interest (Krisna, 2019). In general, agency theory explains that agents have more information than principals, thus creating an information imbalance between the two. This agency theory describes two types of agency relationships: between managers and shareholders and between managers and bondholders (Firdausi, 2020). Managers often do not act in the interests of shareholders or make decisions that conflict with shareholder expectations. This causes a conflict between company managers and shareholders, known as agency conflict, or a conflict of interest between managers and company owners (Vemberain and Triyani, 2021).

Conflicts between managers and shareholders are caused by differences in decision-making, both related to fundraising and how those funds are invested. Information imbalances and ownership conflicts between owners (principals) and managers (agents) can encourage managers to provide inaccurate information to owners, particularly regarding manager performance measurement

(Sari and Adi, 2023). Conflicts of interest related to tax avoidance often arise because management seeks to increase their compensation, making it impossible for them to accurately report company performance, as these reports are used as a benchmark for management success (Ruslan and Ardiansyah, 2023).

The relevance of agency theory in this study is that management engages in tax avoidance to maximize corporate profits, meeting stakeholder expectations of achieving the highest possible profit, and also to enhance the appearance of good management performance and year-on-year improvement (Tahar and Rachmawati, 2020). The government expects companies to pay taxes in accordance with applicable regulations to increase state revenue, while companies focus more on maximizing profits and attempting to reduce tax payments, even though this contradicts applicable tax obligations (Arliani and Yohanes, 2023).

Tax Avoidance

Tax avoidance is a legal effort by taxpayers to reduce the amount of tax they owe. This is done by exploiting weaknesses in tax regulations and provisions without violating applicable laws (Simanjuntak, 2020). Tax avoidance can encourage managers to behave opportunistically, making it difficult for shareholders to assess their performance due to an unclear corporate structure. In this case, external monitoring is necessary to reduce the agency costs of tax avoidance (Lastyanto and Setiawan, 2022). The goal of tax avoidance is to help companies minimize taxes paid on non-object transactions. Although legal, this practice can create unfairness in the tax system and ethical issues for taxpayers, making it a frequently controversial issue (Kristanti et al., 2024).

Institutional Ownership

Institutional ownership is the proportion of company shares owned by financial institutions such as banks, insurance, pension funds, and mutual funds. Institutional investors have a vested interest in the company's sustainability, so they tend to conduct stricter monitoring of management performance (Harianto, 2020). According to Siahaan (2020), higher institutional ownership can reduce the likelihood of tax avoidance practices because institutional investors generally have the capability to detect manipulative practices that can harm long-term company value.

Earnings Management

Alam (2021) states that earnings management is an effort by management to adjust company profits for a specific period without affecting long-term economic profits. This action can lead to discrepancies in financial statements, resulting in an inaccurate reflection of the company's financial condition due to earnings manipulation by management before the report is presented to stakeholders (Octavia and Sari, 2022).

Earnings management is an opportunistic action by managers aimed at deceiving investors and increasing personal profits by exploiting their superior information about the company (Febrianti

and Untung, 2023). Companies often engage in earnings management for tax savings. This action can impact tax planning because it can alter taxable income, which in turn can reduce the tax burden (Septiadi and Imron, 2020).

Audit Quality

Audit quality is the auditor's ability to identify potential violations in a client's or company's accounting system during a financial statement audit and report them. An auditor performs their duties in accordance with applicable audit standards and the public accountant's code of ethics. Audit quality encompasses the actual audit process, including the audit method and the final outcome, the auditor's opinion, based on quality control and auditing standards (Salsabilla and Nurdin, 2023).

A high-quality audit will produce relevant, objective, and accountable financial reports, enabling shareholders to make informed and beneficial decisions (Mayasari and Al-Musfiroh, 2020). Attempts to manipulate taxes are certainly avoided by the Big Four accounting firms, as they prioritize the principles of transparency and independence, adhering to the high standards they apply (Setyawan, 2020).

Leverage

Barli (2020) states that leverage is a company's use of debt to finance its operations. The higher the leverage, the lower the company's tax burden. Therefore, management tends to choose debt to reduce the tax burden. Leverage is also defined as a ratio used to assess a company's ability to meet its long-term obligations.

This leverage ratio measures the extent to which a company's assets are financed by debt, indicating the magnitude of the debt burden compared to the asset burden. Therefore, to meet funding needs, companies can use various sources, such as flexible borrowed capital, which encourages management to be more proactive and creative in meeting its debt obligations (Hidayat, 2020).

Research Hypotheses

Influence of Institutional Ownership on Tax Avoidance

Institutional ownership is a corporate governance mechanism that serves to address agency problems. The proportion of institutional ownership in a company can influence the process of preparing financial reports, which can potentially be adjusted to suit the interests and desires of management (Arief and Nurfauziah, 2023). According to Ayu and Sumadi (2019), the higher the institutional ownership, the stronger the third-party oversight, thereby increasing corporate tax payments and reducing the opportunity for tax avoidance. To protect their investments, institutional owners have an incentive to oversee and ensure compliance with proper tax payment regulations by monitoring and controlling manager behavior. Research by Putri and Aryati (2023) also states that institutional ownership negatively impacts tax avoidance, where the more institutions own shares in a company, the lower the company's tendency to engage in tax avoidance.

H1: Institutional Ownership Has a Negative Effect on Tax Avoidance.

Influence of Earnings Management on Tax Avoidance

Profit motivation drives managers to engage in earnings management activities. Agency theory provides an understanding of managerial behavior in manipulating earnings to meet investor demands. Companies focused on achieving profits strive to achieve maximum profitability through various cost-efficiency strategies. Therefore, the goal of earnings management is to satisfy investors' desire to increase profits, thereby decreasing tax avoidance practices. Research by Septiadi and Imron (2020) states that earnings management negatively impacts tax avoidance, as earnings management is carried out to meet investor demands.

H2: Earnings Management Has a Negative Effect on Tax Avoidance.

Influence of Audit Quality on Tax Avoidance

Audit quality plays a role in encouraging companies to maintain public trust, where there is a negative relationship between audit quality and tax avoidance, so companies tend to reduce tax avoidance practices when the appointed auditor has good audit quality (Aziizah, 2024). Research results from Ardianto and Marfiana (2021) state that transparency to shareholders can be achieved by reporting information such as taxation and shareholder meetings, where good audit quality plays a crucial role in ensuring accurate financial reports. Therefore, it can be said that good audit quality can negatively impact tax avoidance, because high audit quality can reduce the possibility of tax manipulation by companies.

H3: Audit Quality Has a Negative Effect on Tax Avoidance

Influence of Leverage on Tax Avoidance

Leverage is a ratio used to measure the amount of debt a company uses to meet its capital needs. Companies can utilize high levels of leverage to reduce tax liabilities by reducing interest expenses against taxable income (Vemberain and Triyani, 2021). According to Rahmiati (2024), leverage negatively impacts tax avoidance. The higher the interest expense, the greater the burden borne by the company, which ultimately reduces the amount of tax payable. In other words, high interest expenses will reduce the company's tax burden. According to Arimurti and Astriani (2022), leverage negatively impacts tax avoidance. This is because high levels of leverage indicate that a company relies heavily on debt to finance its assets, where this debt generates interest expenses that can reduce taxable income, thus enabling the company to avoid taxes.

H4: Leverage Has a Negative Effect on Tax Avoidance

Research Method

Population and Sample Determination

The population in this study is all mining sector companies listed on the Indonesia Stock Exchange (IDX) from 2021-2023, totaling 72 companies. Sample selection used purposive sampling, a technique for selecting samples based on certain relevant criteria for the research objectives. The criteria used are:

- Mining companies listed on the Indonesia Stock Exchange from 2021-2023.
- Mining companies that publish financial statements during the research period from 2021-2023 consecutively.
- Mining companies that did not experience losses during the research period from 2021-2023.

Data Collection Technique

The data used in this study is secondary data, namely annual financial reports of mining companies listed on the Indonesia Stock Exchange from 2021-2023. The data was obtained from the website www.idx.co.id.

Data Analysis Method

The data obtained will be analyzed using quantitative methods, with the help of SPSS software. Analysis is carried out through several stages:

- Descriptive Statistics Analysis
- Classical Assumption Tests
- Hypothesis Testing

Descriptive Statistics

Descriptive statistical analysis aims to provide an overview of the characteristics of the research data, such as minimum, maximum, mean, and standard deviation for each research variable.

Classical Assumption Tests

Classical assumption tests are models used to ensure that the regression model used is good or not, where this test provides certainty that the resulting regression equation is accurate, its estimation is precise, and consistent.

Normality Test

The normality test is used to test whether the residual data is normally distributed, which is an important assumption in multiple linear regression analysis. The test used in this study is the Kolmogorov-Smirnov test. Data is said to be normal if the significance > 0.05 (Sulaeman, 2021).

Multicollinearity Test

The multicollinearity test is conducted to identify whether there is a high correlation between independent variables in the model. High multicollinearity can cause instability in regression coefficient calculations. The model is said to be free from multicollinearity if the tolerance value (>0.1) and VIF (<10) are observed (Niariana and Dian, 2022).

Heteroscedasticity Test

The heteroscedasticity test aims to test whether there is inequality in the variance of residuals from one observation to another. In this study, testing is done through the Park test by regressing the natural logarithm of the squared residuals against the independent variables. If the significance value > 0.05, the model is said to be free from heteroscedasticity (Febrilyantri, 2022).

Autocorrelation Test

The autocorrelation test aims to detect whether there is a relationship between the disturbance (t) and the disturbance (t-1) in the multiple linear regression model. This test uses the Durbin-Watson. There is no autocorrelation if DW > DU and (4 - DW) > DU (Mujianti and Haryati, 2023).

Multiple Linear Regression Analysis Test

Multiple linear regression analysis aims to analyze the linear influence and predict the variables of institutional ownership, earnings management, audit quality, and leverage based on the cash effective tax rate (CETR) and predict the value of independent variables through the dependent variable. The significance level used in this multiple linear regression analysis is 0.05 (5%) (Sari, 2023).

The equation for this linear analysis is as follows:

$$Y = a + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e$$

Explanation:
- Y = Tax Avoidance
- a = Constant
- $\beta_1, \beta_2, \beta_3, \beta_4$ = Regression coefficients
- X_1 = Institutional Ownership
- X_2 = Earnings Management
- X_3 = Audit Quality
- X_4 = Leverage
- e = Error term in the research estimation / Error

Model Feasibility Test

This test is used to assess whether all independent variables simultaneously influence the dependent variable. If the F-test significance value < 0.05, the regression model is simultaneously significant, meaning all independent variables together influence tax avoidance. Conversely, if the significance value > 0.05, the model is not significant.

Partial Significance T-Test

The t-test is used to test the influence of each independent variable individually on the dependent variable. The hypotheses used are:

- H0: There is no significant influence of the independent variable on the dependent variable.
- Ha: There is a significant influence of the independent variable on the dependent variable.
- If the significance value < 0.05, H0 is rejected and Ha is accepted, meaning the variable has a partial influence (Wijaya and Sulistiyowati, 2022).

Coefficient of Determination Test

The coefficient of determination (Adjusted R^2) is used to measure how much the independent variables can explain the dependent variable in the model. The Adjusted R^2 value ranges from 0 to 1. The closer to 1, the greater the variation in tax avoidance that can be explained by the variables of institutional ownership, earnings management, audit quality, and leverage (Rusdiani and Umaimah, 2023).

Findings and Research Results

Descriptive Statistics

Table 1 shows the results of descriptive statistical analysis of research variables.

Table 1

	N	Minimum	Maximum	Mean	Std. Deviation
Institutional Ownership	102	.070	1.000	.49633	.217549
Earning management	102	-.275	.427	-.02211	.117917
Audit quality	102	.000	1.000	.50000	.502469
DAR	102	.103	.894	.40951	.220065
CETR	102	.031	.965	.30774	.167144
Valid N (listwise)	102				

The institutional ownership variable has a minimum value of 0.070 (Golden Energy Mines, 2023) and a maximum of 1.000 (Archi Indonesia, 2023). The average is 0.49633 with a standard deviation of 0.217549 from 102 samples. The earnings management variable has a minimum value of -0.275 (Energi Mega Persada, 2021) and a maximum of 0.427 (PAM Mineral, 2022). The average is -0.2211 with a standard deviation of 0.117917. The audit quality variable has a minimum value of 0 and a maximum of 1. The average is 0.50000 with a standard deviation of 0.502469. The leverage variable has a minimum value of 0.103 (Bumi Resource Mineral, 2023) and a maximum of 0.894 (Atlas Resource Indonesia, 2021). The average is 0.40951 with a standard deviation of 0.220065. The tax avoidance variable has a minimum value of 0.031

(Golden Eagle Energy, 2021) and a maximum of 0.965 (Delta Dunia Makmur, 2021). The average is 0.30774 with a standard deviation of 0.167144.

Normality Test

In Table 2, the Kolmogorov-Smirnov test results show a significance value of 0.110 (> 0.05), meaning the residual data is normally distributed.

Table 2

		Unstandardized Residual
Normal Parameters[a,b]	Mean	-0.015907
Std Deviation		0.112692
Most Extreme Differences	Absoulte	.082
	Positif	.082
	Negatif	-.035
Test Statistic		.082
Asymp.Sig. (2-tailed)		.110[c]

Multicollinearity Test

In Table 3, the multicollinearity test results show that the Variance Inflation Factor (VIF) for all variables < 10 and tolerance > 0.1, so it can be concluded that there is no multicollinearity.

Table 3

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig	Collnearitity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
Institutional ownwership	-.110	.067	-.143	-1.646	.103	.845	1.183
Earning management	-.294	.118	-.207	-2.483	.015	.913	1.095
Audit Quality	.048	.029	.144	1.671	.098	.855	1.170
DAR	.359	.064	.473	5.604	.000	.893	1.120

Heteroscedasticity Test

In Table 4, the heteroscedasticity test results show that the significance value of all variables > 0.05, meaning there is no heteroscedasticity.

Table 4

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig
1 (Constant)	.231	.107		-2.772	.033
Institutional ownwership	-.089	.132	-.071	-.201	.503
Earning management	.388	.235	.168	1.648	.103
Audit Quality	.079	.057	.146	1.393	.167
DAR	.225	.127	.181	1.762	.081

Autocorrelation Test

In Table 5, the autocorrelation test has a Durbin-Watson (DW) value of 1.844 with a 5% significance level, with 4 independent variables. DU is obtained as 1.7596 and DW as 2.4031 (4 – 1.5969). So, it can be concluded that DW > DU and 4 - DL > DW. This shows that the regression model has no autocorrelation symptoms.

Table 5

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.639[a]	.408	.377	.132468	1.844

Multiple Linear Regression Analysis Test

In Table 6, the regression analysis results show the regression equation as follows: CETR = 0.185 + -0.110 Institutional Ownership + -0.294 Earnings Management + 0.088 Audit Quality + 0.359 DAR + e.

Table 6

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig
1 (Constanta)	.185	.054		3.445	.001
Institutional ownwership	-.110	.067	-.143	-1.646	.103
Earning management	-.294	.118	-.207	-2.483	.015
Audit Quality	.084	.029	.144	1.671	.098
DAR	.359	.064	.473	5.604	.000

Model Feasibility Test

In Table 7, the F-test results show an F-count value of 15.091 with significance 0.000 (< 0.05), meaning the regression model is feasible for prediction.

Table 7

Model	Sum of Squares	df	Mean Square	F	Sig
1 Regression	1.082	4	.271	15.091	.000[b]
Residual	1.739	97	.018		
Total	2.822	101			

Partial Significance T-Test

In Table 8, the t-test results show that the institutional ownership variable has a significance value of 0.103 (> 0.05), so it has no significant influence on tax avoidance, and the first hypothesis is rejected. The earnings management variable shows a significance value of 0.015 (< 0.05), so it has a significant negative influence on tax avoidance, and the second hypothesis is accepted. The audit quality variable has a significance value of 0.098 (> 0.05), meaning it has no significant influence on tax avoidance, so the third hypothesis is rejected. Meanwhile, leverage has a significance value of 0.000 (< 0.05), showing that leverage has a significant influence on tax avoidance, but the negative direction causes the fourth hypothesis to be rejected.

Table 8

Model	Sum of Squares	df	Mean Square	F	Sig
1 Regression	1.082	4	.271	15.091	.000[b]
Residual	1.739	97	.018		
Total	2.822	101			

Coefficient of Determination Test

In Table 9, the Adjusted R Square value is 0.385, indicating that institutional ownership, earnings management, audit quality, and leverage can explain tax avoidance by 38.5%, while the rest (61.5%) is influenced by variables outside this study

Table 9

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.619[a]	.384	.385	.133905

Findings and Discussion

Based on the T-test results in Table 6, the first hypothesis, namely that institutional ownership has a negative effect on tax avoidance, is rejected. The significance value of the institutional ownership variable is greater than 0.05. Therefore, it can be concluded that institutional ownership has no effect on tax avoidance. Therefore, high or low institutional ownership cannot influence tax avoidance activities. The results of this study differ from the opinion of Putri and Aryati (2023), who stated that institutional ownership has a negative effect on tax avoidance. In this study, the effect of institutional ownership on tax avoidance was not strong enough to be considered significant, so these results do not fully support the first hypothesis. From an agency theory perspective, the greater the institutional ownership, the tighter the supervision given to managers. According to Ayu and Sumadi (2019), higher institutional ownership means stronger third-party supervision, thereby reducing the opportunity for tax avoidance practices. However, in this study, although institutional ownership showed a negative relationship with tax avoidance, its effect was not significant. This could be due to the possible differences in the characteristics of institutional investors in overseeing company policies. This is because, in principle, investors desire high corporate profits.

Based on the results of the T-test in Table 6, the t-value for earnings management is -2.483 and has a significance value of 0.015, which is less than 0.05 (0.015 <0.05). Therefore, it can be said that earnings management has a negative effect on tax avoidance. The results of this study are in line with the results of research conducted by Septiadi and Imron (2020), which resulted in earnings management having a negative effect on tax avoidance. This can be interpreted as meaning that the higher the practice of earnings management in a company, the lower the company's tendency to engage in tax avoidance. The practice of tax avoidance is one strategy used to minimize the amount of tax paid legally by exploiting loopholes in tax regulations. Meanwhile, the goal of earnings management tends to be to meet the desires of investors who increase profits.

Based on the T-test results in Table 6, the third hypothesis, namely that audit quality has a negative effect on tax avoidance, is rejected. The significance value of the audit quality variable is 0.098. This significance value is greater than 0.05 (0.098 > 0.05). Therefore, it can be

concluded that audit quality has no effect on tax avoidance. This study's results differ from those of Ardianto and Marfiana (2022), which found that audit quality has a negative effect on tax avoidance. This is because both auditors from the Big Four and non-Big Four public accounting firms only audit financial statements without identifying fraud. This study is based on agency theory, which states that both Big Four and non-Big Four public accounting firms continue to conduct audits according to their standards and maintain professional standards. The resulting audit quality is maintained, so auditing by both Big Four and non-Big Four public accounting firms does not influence tax avoidance.

Based on the T-test results in Table 6, it is known that leverage has a positive effect on tax avoidance. The significance value of the leverage variable is 0.00. This significance value is less than 0.05 (0.00 < 0.05). This indicates that the higher the leverage ratio, the greater the company's tax avoidance practices. A high leverage ratio indicates that the company has a large amount of debt, resulting in increased interest expenses. High interest expenses reduce company profits, thereby reducing the amount of tax payable. The results of this study differ from the results of research by Rahmiati (2024), Arimurti and Astriani (2022), which stated that leverage has a negative effect on tax avoidance.

Conclusion

This study aims to test the influence of institutional ownership, earnings management, audit quality, and leverage on tax avoidance practices in mining companies listed on the Indonesia Stock Exchange from 2021 to 2023. The results show that institutional ownership has no significant influence on tax avoidance, so high institutional ownership does not directly reduce tax avoidance practices in companies. Earnings management is found

Recommendations

Based on the research results and conclusions outlined, further research is recommended to expand the sample size to include companies from various industrial sectors, so that the results can better represent the general condition of companies in relation to tax avoidance practices. Furthermore, future research is also expected to add or replace the independent variables used, as well as consider the use of different proxies to obtain a more comprehensive picture of the factors influencing tax avoidance.

Implication

This study suggests that the greater the level of earnings management, the lower the tax avoidance. Investors should be wary of companies that engage in minimal tax avoidance, as this does not necessarily imply compliance with accounting standards. Furthermore, high leverage can also be a concern for the government, as the corporate tax collector, as it is suspected that higher leverage levels lead to higher levels of tax avoidance.

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