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**THE EFFECT OF EARNING MANAGEMENT, INSTITUTIONAL OWNERSHIP, MANAGERIAL OWNERSHIP, FIXED ASSETS INTENSITY AND FAMILY OWNERSHIP ON TAX AVOIDANCE ON MANUFACTURING COMPANIES LISTED ON THE INDONESIA STOCK EXCHANGE IN 2016-2018**

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**Abstract** - This study aims to analyze the effect of earning management, institutional ownership, managerial ownership, fixed assets intensity and family ownership on tax avoidance on manufacturing listed companies listed on the Indonesia Stock Exchange (IDX).

The data collection method used is purposive sampling. The population in this manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the period of 2016 to 2018 with a sample of 177 companies. This study uses multiple linear regression analysis. The data in this study were obtained from the annual report available on the Indonesia Stock Exchange in the period 2016-2018.

The results showed that (1) Earning Management do not effect on tax avoidance, (2) Institutional Ownership effect on tax avoidance, (3) Managerial Ownership effect on tax avoidance, (4) fixed assets intensity do not effect on tax avoidance, and (5) family ownership effect on tax avoidance

**Keywords** : **Earning Management, Institutional Ownership, Managerial Ownership, Fixed Assets Intensity, Family Ownership, Tax Avoidance**

**Abstrak** – Penelitian ini bertujuan untuk menganalisis pengaruh manajemen laba, kepemilikan institusional, kepemilikan manajerial, intensitas aset tetap dan kepemilikan keluarga terhadap tax avoidance pada perusahaan manufaktur yang terdaftar di Bursa Efek Indonesia (BEI).

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*Metode pengambilan data yang digunakan adalah purposive sampling. Populasi dalam penelitian ini adalah perusahaan manufaktur yang terdaftar di Bursa Efek Indonesia (BEI) periode 2016 sampai 2018 dengan sampel berjumlah 177 perusahaan. Penelitian ini menggunakan analisis regresi linear berganda. Data dalam penelitian ini diperoleh dari laporan tahunan perusahaan yang tersedia di Bursa Efek Indonesia (BEI) periode 2016-2018.*

*Hasil penelitian menunjukkan bahwa (1) Manajemen laba tidak berpengaruh terhadap Tax Avoidance, (2) Kepemilikan Institusional berpengaruh terhadap Tax Avoidance, (3) Kepemilikan Manajerial berpengaruh terhadap Tax Avoidance, (4) Intensitas Aset Tetap tidak berpengaruh terhadap Tax Avoidance dan (5) Kepemilikan Keluarga berpengaruh terhadap Tax Avoidance.*

**Kata Kunci:** *Manajemen laba, Kepemilikan Institusional, Kepemilikan Manajerial, Intensitas Aset Tetap, Kepemilikan Keluarga dan Tax Avoidance.*

## **I. INTRODUCTION**

### **Background of the Problem**

Legal tax avoidance efforts that do not violate taxation regulations Number 28 of 2007 concerning the third of Law Number 6 of 1983 the fourth amendment of General Provisions and Tax Procedures Article 1 paragraph 1 which states compulsory contributions to the state which is owed by an individual or entity that is compelling, what the taxpayer will do is to reduce the amount of tax owed. The action taken by the company to reduce the tax burden is what is called tax evasion (*Tax Avoidance*). ([www.pajak.go.id](http://www.pajak.go.id))

Tax avoidance is a part of *tax planning*, is the process of controlling actions to avoid unwanted tax consequences. Tax evasion is a completely legal act. Just as a court cannot convict a person because his actions do not violate the law or are not included in the category of violation or crime, so is the tax that cannot be taxed, if there is no taxable action / transaction. In this case there is absolutely no violation of the law committed and on the contrary, tax savings will be obtained by regulating actions that prevent the application of taxation through controlling the facts in such a way, so as to avoid the imposition of a larger tax or not at all. tax.

Reducing the tax burden can be done in a number of ways, ranging from methods that are still within the scope of tax regulations to those that violate tax regulations (Sari, 2014). Reducing tax liability does not violate ordinary law (legal) referred to as *tax avoidance* or tax evasion, while the business tax deductions illegally called tax evasion (*Tax Evasion*) (Hanafi and Harto, 2014).

In addition to practices *tax avoidance*, company management usually also practices *earnings management* in order to increase their firm value. As mentioned by Nanik Lestari and Selvy Agita Ningrum (2018), accrual earnings management is a form of manipulation of financial statements to increase company profits in order to look good in investor perceptions.

One of the factors that can affect *tax avoidance* is earnings management. Earnings management is also associated with corporate tax aggressive behavior. One of the motivations for management to do earnings management is taxation motivation. This can be explained because the

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basis for taxation is the amount of taxable income reported by the company, so the company tends to keep its profits at a certain level. (Tiaras et al, 2015).

The next factor that can influence *tax avoidance* is institutional ownership and managerial ownership which are part of *corporate governance*. The implementation of *corporate governance* in companies has an effect on determining policies for paying corporate income tax. Income tax payments are based on the amount of profit the company receives. Companies of course always want large profits, but large profits will be subject to large taxes. The large tax burden causes the company to try to avoid taxes with little risk. (Hendy and Sukartha, 2014).

Another factor that can cause *tax avoidance* is the intensity of fixed assets. The intensity of ownership of fixed assets can affect company tax payments. The intensity of the company's fixed assets illustrates the amount of company investment in the company's fixed assets. The choice of investment in the form of fixed assets regarding taxation is in terms of depreciation. Depreciation expense attached to the ownership of fixed assets will affect corporate taxes, this is because depreciation expense will act as a tax deduction. The decreasing taxable profit of the company will reduce the tax payable by the company. Companies that have a large proportion of fixed assets will pay lower taxes, because companies benefit from the depreciation inherent in fixed assets which can reduce the company's tax burden. (Dharma and Ardiana, 2016).

Family ownership is also a factor that has the potential to cause *tax avoidance*. If the founder and / or members of the founding family hold positions in top management, the board of directors, and have ownership above 5%, it can be said to be a family company (Chen et al., 2010).

There are still differences in the results of research from previous studies that make researchers interested in examining more deeply the effects of earnings management, institutional ownership, managerial ownership, asset intensity and fixed family ownership on *tax avoidance*. The difference between this study and previous research is the combination of the independent variables used. Apart from using 5 (five) independent variables, this study also adds control variables in the form of company size, *leverage* which is proxied using the *debt to equity ratio* (DER), and *sales growth*. Another difference is the research period, in which this study uses the 2016-2018 research period.

As for the objects in this study, namely all manufacturing companies listed on the Indonesia Stock Exchange (BEI). The reason for taking the object of research is based on the phenomenon of tax avoidance which is mostly done by manufacturing companies.

Based on the background described, the main theme of this study is to analyze the effect of earnings management, institutional ownership, managerial ownership, fixed asset intensity, and family ownership against *tax avoidance* in manufacturing companies in Indonesia.

## **Problem Formulation**

Based on the above background, the research questions are formulated as follows:

1. Does Earnings Management affect *Tax Avoidance*?
2. Does Institutional Ownership affect *Tax Avoidance*?
3. Does Managerial Ownership affect *Tax Avoidance*?
4. Does the Intensity of Fixed Assets affect *Tax Avoidance*?
5. Does Family Ownership affect *Tax Avoidance*?

## **Research Objectives**

Based on the formulation of the problems that have been described, the objectives of this study are:

1. To analyze the effect of Earning Management on *Tax Avoidance*.
2. To analyze the effect of Institutional Ownership on *Tax Avoidance*.

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3. To analyze the effect of Managerial Ownership on *Tax Avoidance*.
  4. To analyze the effect intensity of Fixed Assets of the *Tax Avoidance (Tax Avoidance)*.
  5. To analyze the influence of family ownership on Avoidance of Double Taxation (*Tax Avoidance*)

### **Research Benefits**

This research is expected to contribute to several parties, namely:

1. For researchers.  
The results of this study are expected to broaden knowledge and add knowledge in the field of accounting and management science, especially in the field of taxation to literature related to research on earnings management, institutional ownership, managerial ownership, fixed asset intensity, and *tax avoidance*.
2. For the Government  
Through the results of this research, it is hoped that the Government can improve tax regulations for companies in Indonesia as well as in making policies related to state revenues.

## **II. LITERATURE REVIEW**

### **Review of Previous Research Results**

1. Research conducted by Vidiyanna and Bela (2017) shows that *leverage* has a negative and significant effect on tax avoidance. The higher the ratio *leverage*, the higher the funding from third party debt which then increases the interest costs that arise. *Return on Assets (ROA)* has a negative and significant effect because the company's profitability increases indicating good company performance, then it affects the increased tax burden. The firm size variable has a positive effect on *cash effective tax rate (CETR)*. The larger the company size, the greater the CETR, then the lower the level of tax avoidance. Institutional ownership variable has a positive effect on CETR. The higher the institutional ownership, the higher the amount of tax burden that must be paid by the company. In this study, researchers are interested in using earnings management as a differentiating variable as well as taking institutional ownership as a research variable.
2. Research conducted by Purwanti and Sugiyarti (2017) shows that the fixed asset intensity variable has a significant effect on *tax avoidance*, because the greater the intensity of fixed assets, the greater the depreciation expense which then makes the depreciation expense greater to reduce the company's tax burden. The sales growth variable has a significant effect on *tax avoidance*, because the greater the sales, the greater the profit, then the greater the tax burden the company bears. The political connection variable does not have a significant effect on *tax avoidance*, because the greater the relationship political the company has, the smaller the company will take advantage of this political relationship to do tax avoidance. Researchers are interested in using the fixed asset intensity variable because the fixed assets owned by a company can affect tax payments.
3. Research conducted by Rahmawati, Endang, and Agusti (2016) states that the proportion of CSR and independent commissioners has a positive and significant effect, this is because CSR has not been included in tax deductions and not all independent commissioners show independence so that the supervisory function does not work well. Managerial ownership and institutional ownership have a negative and significant effect on tax avoidance, which is

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because managers' shares tend to make managers consider the sustainability of the company they manage so that they do not want their efforts to evade tax, whereas the higher institutional ownership will optimize supervision of management performance by monitoring every decision made by the management.

4. Research conducted by Dianing Ratna (2016) shows that profitability has a negative effect on *tax avoidance*. Profitability is a description of the company's performance in generating profit from asset management. Family ownership has no effect on *tax avoidance*, because family ownership in this study is relatively small. The independent board of commissioners has a significant negative effect on *tax avoidance*. An independent board of commissioners is a person who is not affiliated with the controlling shareholder and does not serve as a director in a company. Institutional ownership has a significant negative effect on tax avoidance. Institutional share ownership, namely individual ownership or on behalf of individuals above five percent but not included in the insider ownership category.

### **Basis Theory**

#### **Agency Theory (*Agency Theory*)**

Agency Theory can describe the management of the company which must be monitored and controlled to ensure that the management of the company is carried out in full compliance with the prevailing rules and regulations. (Wolfenson, 1999 in Sacred, 2018).

Relations agency (*agency relationship*) occurs when the owner of the company contracted agent (*agent*) is the manager to perform services and provide power to the agent in making the best decision for the owner of the company. The existence of this power often results in conflicts based on the interests of madding - each party where shareholders focus on increasing the value of their shares, while managers focus on fulfilling their personal interests related to the company as described in the agency theory of Jensen and Meckling (1976).

But on the other hand this kind of separation has its downside. The flexibility of company management to maximize company profits can lead to the process of maximizing the interests of its own management with burdens and costs that must be borne by the company owner. Agency theory states the need for independent auditor services can be explained on the basis of agency theory, namely the relationship between the owner (*principal*) and management (*agent*).

#### **Theory of Stakeholders (*Stakeholder Theory*)**

According to Mathius (2015: 2) *Stakeholders* can be defined as all parties whose issues and problems are being raised. For example, when ittaxation issues, *stakeholders* comes toin this case are parties related to taxation issues, such as the *principal* (shareholder), management (*agent*), *regulator* (government), and so on. Public institutions have used the term *stakeholder* broadly in their decision-making and implementation processes. Based on the strengths, important positions, and influence of *stakeholders* on a content, *stakeholders* can be categorized into several ODA groups (1995) in Mathius (2015: 3) grouping *stakeholders* into *stakeholders* primary, secondary, and key.

#### **Tax Management**

*Tax management* is a process and structure used to direct and manage corporate taxes in order to improve company performance and corporate accountability with the main objective of serving the nation and state while still paying attention to the interests of constituents (stakeholders). (Mochammad Zain, 2007).

#### **Avoidance of Double Taxation (*Tax Avoidance*)**

*Tax Avoidance* company measured by using a proxy *Effective Tax Rate* (ETR) as Atwood et al., (2012) and Hanlon and Heitzman (2010) in Ridwan and Amrie (2016). ETR is calculated using the ratio of total income tax expense to pre-tax income. The following is the ETR formula:

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$$\text{ETR} = \frac{\text{Tax Expense}_{i,t}}{\text{Pretax Income}_{i,t}}$$

Income tax expense is the sum of current tax expense and deferred tax expense. Pre-tax income is net income before deducting income tax. The smaller the ETR value, the greater the tax avoidance by the company and vice versa, the greater the ETR value, the smaller the tax avoidance. ETR values range more than 0 and less than 1. Astuti and Aryani, (2016).

**Earnings Management Earnings**

management is divided into two categories. First, earnings management is the opportunistic behavior of managers to maximize their utility in dealing with compensation contracts, debt contracts and political costs. Second, earnings management based on the perspective of *efficient contracting*, where earnings management gives managers the freedom to protect themselves and the company in anticipating unexpected events for the benefit of the parties involved in the contract. Therefore, managers can influence the market value of the company's stock through earnings management, for example by making *income smoothing* and earnings growth over time (Scott, 2015).

**Institutional Ownership Institutional**

ownership is the percentage of shares owned by the institution and blockholder ownership (investors with a share ownership position of at least 5%). The higher the institutional ownership is expected to be able to create better control. Institutional ownership will encourage increased effectiveness of monitoring performance management.

**Managerial ownership**

Managerial ownership is share ownership by management, such as company officials, directors, major shareholders and all parties who have inside information about the company's operations. Managerial ownership can align the interests of shareholders with managers, because managers feel directly from the decisions made, managers are also the ones who bear the risk if decisions are wrong or incorrect. (Musyarrafah, 2017).

**Fixed Asset Intensity**

The intensity of fixed assets according to Mulyani in Meisiska (2016) in Purwanti and Sugiyarti (2017) is the proportion where in fixed assets there is a post for the company to add expenses, namely the depreciation expense incurred by fixed assets as a deduction for income, if fixed assets are greater than profits the resulting will be smaller, because of the depreciation expense contained in fixed assets which can reduce profits.

**Family Ownership**

According to Chu (2019) in Putri (2016) Family business is a business where the family uses its power over the organization and strategy of the company through ownership, top management, and the board of directors. According to Wirawan and Diyanti (2014) in Mathova and Rahmawati (2017), family ownership is all individuals and companies whose ownership is recorded (ownership of 5% and above must be recorded), except for public companies, the state, financial institutions (insurance institutions, banks, or pension funds) and the public (whose ownership is not required to be recorded).

**Company Size The**

measurement uses a model of the number of assets (*log assets*) in the company. The greater the total assets indicates that the company has good prospects in the long term. This also illustrates that companies are more stable and more capable of generating profits than companies with small total assets. Putri (2017).

**Leverage**

*Leverage* is the use of the company's financing sources, both long-term and short-term sources. *Leverage* is usually used to describe the company's ability to use assets or funds that have

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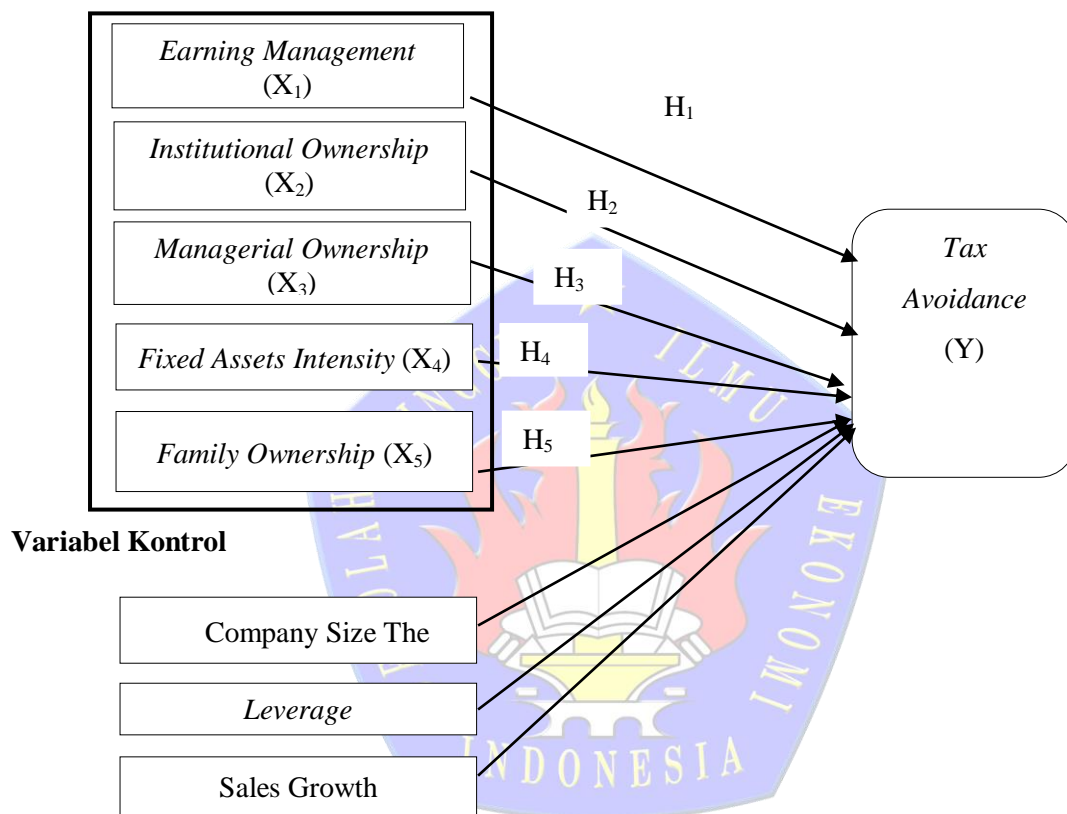
fixed expenses to increase the level of income for company owners. Mardiah Nursari, *et al.* (2016-2017).

In this study the leverage ratio used is the Debt to Equity Ratio (DER).

***Sales Growth***

*Sales growth* is calculated by deducting current sales by last year's sales divided by last year's sales. Purwanti and Sugiarti (2017).

**Conceptual framework**



H1: Earnings management affects *Tax Avoidance*.

H2: Institutional ownership affects *Tax Avoidance*.

H3: Managerial ownership has an effect on *Tax Avoidance*.

H4: Fixed asset intensity has an effect on *Tax Avoidance*.

H5: Family ownership affects *tax avoidance*.

**III. RESEARCH METHOD**

The strategy used in this study is an associative research strategy. The method used is a quantitative method. This study uses secondary data in the form of an *annual report* sourced from [www.idx.co.id](http://www.idx.co.id). The population of this research is all manufacturing companies listed on the Indonesia Stock Exchange

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(BEI) with annual financial reports for the period 2016-2018. In this study, the technique used to take the sample was *purposive sampling method*. Sampling based on the following criteria:

1. Companies listed on the Indonesian Stock Exchange for the period 2016-2018.
2. A manufacturing company listed on the Indonesia Stock Exchange for the period 2016-2018.
3. Manufacturing companies that have complete data (annual reports) for the 2016-2018 period.
4. Manufacturing companies that did not experience losses during the 2016-2018 period

**Operationalization of Variables**

1. Earnings management uses the measurement used in this study is *discretionary accruals*. In calculating *discretionary accruals*, the *Modified Jones Model* is used. *Discretionary accruals* are calculated using the following:

$$TAC_{it} = NI_{it} - CFO_{it}$$

The total *accrual value (TA)* is estimated using multiple linear regression equations based on *ordinary least square (OLS)* as follows :

$$TAC_{it}/A_{it-1} = \beta_1 (1 / A_{it-1}) + \beta_2 (\Delta REV_t / A_{it-1}) + \beta_3 (PPE_t / A_{it-1}) + e$$

By using the regression coefficient above the value of *non-discretionary accruals (NDA)* it can be calculated by the formula:

$$NDA_{it} = \beta_1 (1 / A_{it-1}) + \beta_2 (\Delta REV_t / A_{it-1} - \Delta RECT_t / A_{it-1}) + \beta_3 (PPE_t / A_{it-1})$$

Furthermore, *discretionary accrual (DA)* can be calculated as follows:

$$DA_{it} = TAC_{it} / A_{it-1} - NDA_{it}$$

Information:

*TAC<sub>it</sub>* = Total *accruals* of company i in period t

*NI<sub>it</sub>* = Net profit of company i in periode t

*CFO<sub>it</sub>* = Cash flow from operating activities of company i in period t

*A<sub>it-1</sub>* = Total assets of company in period t-1

*ΔREV<sub>t</sub>* = Change revenue of company i from year t-1 to year t

*ΔRECT<sub>t</sub>* = Change in receivables of company i from year t-1 to year t

*PPE<sub>t</sub>* = Fixed Assets (*property, plant and equip-ment*) of company from year t

*DA<sub>it</sub>* = *Discretionary Accruals* of company i from period to t

*NDA<sub>it</sub>* = *Non Discretionary Accruals* of company i from period to t

*β<sub>1</sub>, β<sub>2</sub>, β<sub>3</sub>* = *Koefisien regresi*

*e* = *error*

2. Institutional ownership is the percentage of shares owned by the institution and blockholder ownership (investors with a share ownership position of at least 5%).

$$INST = \frac{\text{The number of shares owned by the institution}}{\text{The number of shares outstanding}}$$



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3. Managerial ownership is ownership of shares by management, such as company officials, directors, major shareholders and all parties who have inside information about the company's operations.

$$KM = \frac{\text{The number of shares owned by managerial}}{\text{The number of shares outstanding}}$$

4. The intensity of fixed assets is the proportion in which fixed assets have a post for the company to add expenses, namely the depreciation expense incurred by fixed assets as a deduction from income.

$$\text{Intensity of Fixed Asses} = \frac{\text{Total Fixed Assets}}{\text{Total Assets}}$$

5. Family ownership is all individuals and companies whose ownership is recorded (ownership of 5% and above must be recorded).

$$KM = \frac{\text{The number of shares owned by family}}{\text{The number of shares outstanding}}$$

6. Company size uses the measurement model of the number of assets (*log assets*) in the company.

$$SIZE = \text{Logaritma}(\text{nilai total aset})$$

7. *Leverage* used is the Debt to Equity Ratio (DER).

$$DER = \frac{\text{Total Debt}}{\text{Equity}}$$

8. *Sales growth* is calculated by dividing current sales by last year's sales divided by last year's sales.

$$GROWTH = \frac{Pt - (Pt - 1)}{Pt - 1}$$

9. Tax Avoidance is measured by the *Effective Tax Rate* (ETR). ETR is calculated using the ratio of total income tax expense to pre-tax income. The ETR formula is as follows:

$$ETR = \frac{\text{Tax Expense } i, t}{\text{Pretax Income } i, t}$$

### **Data Analysis Methods**

The data analysis technique used to test the research hypothesis is descriptive statistics, classic assumption tests which include normality test, autocorrelation test, multicollinearity test and heteroscedasticity test. Furthermore, to test the effect of two or more independent variables on the dependent variable, *multiple regression analysis* using SPSS version 25 is used. The regression equation in this study is as follows.

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + e$$

Information:

Y = Tax Avoidance (Cash ETR)

$\alpha$  = Constant

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- $\beta_1 X_1$  = Regression coefficient EM (Earning Management)  
 $\beta_1 X_2$  = Regression coefficient INST (Institutional Ownership)  
 $\beta_1 X_3$  = Regression coefficient KM (Managerial Ownership)  
 $\beta_4 X_4$  = Regression coefficient IAT (Fixed Asset Intensity)  
 $\beta_5 X_5$  = Regression coefficient KK (Family Ownership)  
e = Error

**IV. RESEARCH RESULTS AND DISCUSSION**

**Descriptive Statistics Test Results**

The descriptive statistical test serves to describe the data seen based on the minimum value, maximum value, average value, and standard deviation (Ghozali, 2018: 19). Table 4.8 shows the number of samples of 177 samples from the original 204 samples. A total of 27 data in this study were not normally distributed or were data *outlier*. Data *Outlier* is the data that is different from other data that is extreme valuable data and disrupt the entire data if allowed (Ghozali, 2018: 41). Data were eliminated using the method *trimming*. The *trimming* method is a method used to improve a path analysis structure model by eliminating insignificant data from the regression model.

**Tabel 4.1**  
**Descriptive Statistical Test Results**  
**Descriptive Statistics**

Information	N	Minimum	Maximum	Mean	Std. Deviation
EM	177	-0,05425	1,14805	0,0087698	0,08789336
INST	177	0,13968	0,95779	0,7002444	0,17447455
KM	177	0,00000	0,70003	0,0498660	0,11771707
IAT	177	0,04961	0,98633	0,3849729	0,18203308
KK	177	0,00000	0,10955	0,0006208	0,00823437
TA	177	0,01242	0,46739	0,2511361	0,06993036
SIZE	177	18,00547	33,47373	27,2653382	3,71427056
DER	177	-2,21451	94,09968	1,3564013	7,04917052
Growth	177	-0,22600	3,47784	0,1273776	0,28814568

Source: Results of data processing using SPSS

Table 4.1 shows that based on the descriptive statistical value above, the dependent variable, namely *tax avoidance* (TA) from 177 data samples used in this study, has a value ranging from 0.01242 to 0.46739 with the lowest TA value owned by PT. Kabelindo Murni Tbk, while the highest value is owned by PT. Tifico Fiber Indonesia Tbk. The average is 0.2511361 and the standard deviation is 0.06993036. Standard deviation that is smaller than the average value indicates the distribution of data variables is small or the absence of a large enough gap from the lowest and highest ETR percentages.

Earnings Management Variables (EM) from 177 sample data used in this study have a value range between -0.05425 to 1.14805 with the lowest EM value is owned by PT. Waskita Beton Precast

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Tbk, while the highest value is owned by PT. Waskita Beton Precast Tbk. The average is 0.0087698 and the standard deviation is 0.08789336. Standard deviation greater than the average value indicates a large distribution of data variables or there is a large enough gap from the lowest and highest percentage of EM (Earnings Management).

The Institutional Ownership Variable (INST) of 177 data samples used in this study has a value ranging from 0.13968 to 0.95779 with the lowest INST value owned by PT. Arwana Citra Mulia Tbk, while the highest value is owned by PT. Chandra Asri Petrochemical Tbk. The average is 0.7002444. This means that the average manufacturing company has an institutional ownership share of 70.02% of the total outstanding shares. While the standard deviation is 0.17447455. Standard deviation that is smaller than the average value indicates a small distribution of data variables or the absence of a large enough gap from the lowest and highest percentage of INST (Institutional Ownership).

The managerial ownership variable (KM) of the 177 sample data used in this study has a value ranging from 0 to 0.70003 with the lowest KM value owned by PT. Nusantara Inti Corpora Tbk, while the highest score is owned by PT. Sat Nusapersada Tbk. The average is 0.0498660. This means that the average manufacturing company has a share of managerial ownership of 49.87% of the total outstanding shares. While the standard deviation is 0.11771707. Standard deviation greater than the average value indicates a large distribution of data variables or there is a large enough gap from the lowest and highest percentage of KM (Managerial Ownership).

Fixed Asset Intensity Variable (IAT) from 177 sample data used in this study has a value range between 0.04961 to 0.98633 with the lowest IAT value owned by PT. Copper Mulia Seamanan Tbk., While the highest value is owned by PT. Wijaka Karya Beton Tbk. The average is 0.3849729 and the standard deviation is 0.18203308. Standard deviation that is smaller than the average value indicates a small distribution of data variables or the absence of a large enough gap from the lowest and highest percentage of IAT (Fixed Asset Intensity).

The variable of family ownership (KK) of the 177 sample data used in this study has a value ranging from 0 to 0.10955 with the lowest KK value owned by PT. Nusantara Inti Corpora Tbk, while the highest score is owned by PT. Tifico Fiber Indonesia Tbk. The average is 0.0006208. This means that the average manufacturing company has a family ownership share of 0.0621% of the total outstanding shares. Meanwhile, the standard deviation is 0.00823437. The standard deviation that is greater than the average value indicates a large distribution of data variables or there is a large enough gap from the lowest and highest percentage of KK (Family Ownership).

The control variable company size (SIZE) from 177 sample data used in this study has a value range between 18.00547 to 33.47373 with the lowest SIZE value owned by PT. Sat Nusapersada Tbk, while the highest score is owned by PT. Astra International Tbk. The average is 27,2653382 and the standard deviation is 3,71427056. A standard deviation that is smaller than the average value indicates a small distribution of data variables or the absence of a large enough gap from the lowest and highest percentage of SIZE (Company Size).

The Leverage Control Variable (DER) from 177 sample data used in this study has a value range between -2.21451 to 94.09968 with the lowest DER value owned by PT. Primarindo Asia Infrastructure Tbk, while the highest value is owned by PT. SLJ Global Tbk. The average is 1.3564013 and the standard deviation is 7.04917052. Standard deviation that is greater than the average value indicates a large distribution of data variables or there is a large enough gap from the lowest and highest percentage of DER (Leverage).

The control variable *sales growth* (GROWTH) from 177 sample data used in this study has a value range between -0.226 to 3.47784 with the lowest GROWTH value owned by PT. Primarindo Asia Infrastructure Tbk, while the highest value is owned by PT. Sat Nusapersada Tbk. The average is 0.1273776 and the standard deviation is 0.28814568. Standard deviation that is greater than the

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average value indicates a large distribution of data variables or there is a large enough gap from percentage of GROWTH (*Sales Growth* the lowest and highest).

**Classical Assumption Test Results**

**Normality Test**

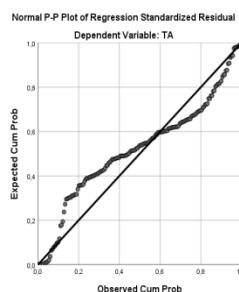
**Tabel 4.2**  
**Normality Test Results *Kolmogorov-Smirnov One-Sample***  
**One-Sample *Kolmogorov-Smirnov* Test**

		<b>Unstandardized Residual</b>
N		177
Normal Parameters <sup>a</sup>	Mean	0,0000000
	Std. Deviation	0,02123726
Most Extrem Differences	Absolute	0,065
	Positive	0,065
	Negative	-0,048
Test Statistic		0,065
Asymp. Sig. (2-tailed)		,200 <sup>c,d</sup>

- a. Test distribution is Normal.
- b. Calculated from data.
- c. Lilliefors Significance Correction.
- d. This is a lower bound of the true significance.

Source: Results of data processing using SPSS

The results in table 4.2 show that based on the results of the normality *Kolmogorov-Smirnov* test, the results obtained are a significance value of 0.200 or greater than the criterion, namely 0.05. These results explain that the data used in this study are normally distributed.



**Figure 4.1**  
**PP Plot Normality Test Results**

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Source: Data Processing Results using SPSS

Figure 4.1 shows that based on the PP Plot normality test, the results obtained are that the plot points have spread along the diagonal line. It can be concluded that the data used are normally distributed or the regression model is in accordance with the assumption of normality.

**Uji Multikolinearitas**

**Tabel 4.3**

**Hasil Uji Multikolinearitas**

**Coefficients<sup>a</sup>**

Model	Collinearity Statistics	
	Tolerance	VIF
(Constant)		
EM	0,925	1,081
INST	0,531	1,882
KM	0,499	2,005
IAT	0,938	1,066
KK	0,963	1,039
SIZE	0,889	1,124
DER	0,934	1,070
Growth	0,832	1,202

a. Dependent Variable: TA

Source: Results of data processing using SPSS

Tabel 4.3 shows that the Earnings Management variable (X1) has a value of *tolerance* 0.925 and a VIF value of 1.081, the Institutional Ownership variable (X2) has a value of *tolerance* 0.531 and a VIF value of 1.882, the Managerial Ownership variable (X3) has a value of *tolerance* 0.499 and a VIF value of 2.005, variable Fixed Asset Intensity (X4) has a *tolerance* value Family Ownership variable (X5) has a value *tolerance* of 0.938 and a VIF of 1.066, the of 0.963 and a VIF of 1.039, the Company Size variable has a value *tolerance* of 0.889 and a VIF of 1.124, and the leverage variable has a value *tolerance* is 0.934 and VIF is 1.070, and the variable *Sales Growth* has a value *tolerance* of 0.832 and a VIF of 1.202. These results indicate that none of the independent variables with a value is *tolerance* less than 0.10 and none of the independent variables have a VIF value of more than 10.

The multicollinearity test results indicate that there is no multicollinearity problem in the regression model in this study, or the model regression equation is acceptable.

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**Heteroscedasticity Test**

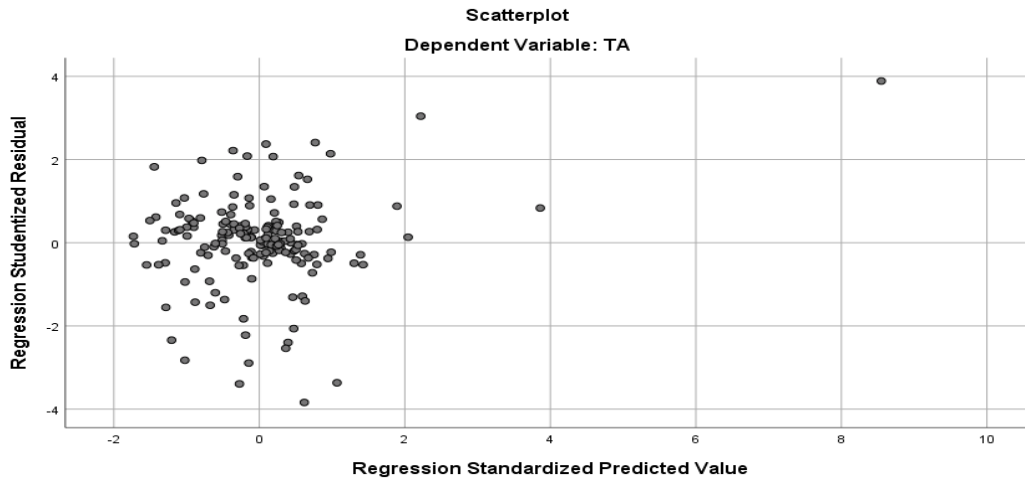


Figure 4.2 Scatterplot graph shows that the dots spread randomly and do not form a certain pattern. These results indicate that there is no heteroscedasticity problem in the regression model equation of this study.

**Autocorrelation Test**

**Tabel 4.4**  
**Autocorrelation Test Results**  
**Model Summary<sup>b</sup>**

Model	Durbin-Watson
1	1,899
a. Predictors: (Constant), Growth, KK, DER, IAT, EM, INST, SIZE, KM	
b. Dependent Variable: TA	

Source: Results of data processing using SPSS

Tabel 4.4 shows that the results of Durbin Watson's autocorrelation test produce a DW value of 1.899. The dL value obtained with K = 4 and N = 177 is 1.7081 and the dU value is 1.8005. The Durbin Watson value obtained lies between the dU and 4-dU values or  $1,8005 < 1,836 < 2,164$ . These results indicate that in the regression model of this study there are no autocorrelation symptoms.

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**Multiple Linear Regression Analysis Test  
Test The coefficient of determination (R<sup>2</sup>)**

**Tabel 4.5  
Results of Test The coefficient of determination (R<sup>2</sup>)  
Model Summary<sup>b</sup>**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,302 <sup>a</sup>	0,091	0,065	0,06762540

a. Predictors: (Constant), KK, EM, INST, IAT, KM

b. Dependent Variable: TA

Source: Results of Data Processing using SPSS

The table above shows that the magnitude of the R-square value is 0.091 This means that 9.1% of the variable is *tax avoidance* influenced by earnings management, institutional ownership, managerial ownership, intensity of fixed assets and family ownership. . While the remaining 90.9% is influenced by other variables outside of this study.

Test Results The coefficient of determination (R<sup>2</sup>) after inserting control variables:

**Tabel 4.6  
Test Results The coefficient of determination (R<sup>2</sup>)  
Model Summary<sup>b</sup>**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,359 <sup>a</sup>	0,129	0,087	0,06715760

a. Predictors: (Constant), Growth, KK, DER, IAT, EM, INST, SIZE, KM

b. Dependent Variable: TA

Source: Results of Data Processing using SPSS

The table above shows that the magnitude of the R-square value after entering the control variable is 0.129 This means that 12.9% of the variable is *tax avoidance* influenced by earnings management, institutional ownership, managerial ownership, fixed asset intensity, and ownership. family with control variables: firm size, leverage, and sales growth. While the remaining 87.1% is influenced by other variables outside this study.

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**Simultaneous Test (Test F)**

**Tabel 4.7**  
**Simultaneous Test Results (Test F)**  
**ANOVA<sup>a</sup>**

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	0,112	8	0,014	3,099	,003 <sup>b</sup>
	Residual	0,758	168	0,005		
	Total	0,870	176			

a. Dependent Variable: TA

b. Predictors: (Constant), Growth, KK, DER, IAT, EM, INST, SIZE, KM

Source: Results of data processing using SPSS

Table 4.7 shows that the F-count value is 3.099 with a significance level of 0.003. The significance value is lower than  $\alpha = 0.05$  ( $0.003 < 0.05$ ), it can be concluded that earnings management, institutional ownership, managerial ownership, intensity of fixed assets, and family ownership simultaneously affect *tax avoidance*.

**Partial Test (t test)**

**Tabel 4.8**  
**Partial Test Results (t test)**

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	0,223	0,053		4,191	0,000
	EM	0,080	0,060	0,100	1,330	0,185
	INST	0,107	0,039	0,272	2,748	0,007
	KM	0,129	0,056	0,235	2,302	0,023
	IAT	0,002	0,029	0,005	0,069	0,945
	KK	1,813	0,627	0,212	2,894	0,004
	SIZE	-0,002	0,001	-0,107	-1,400	0,163
	DER	0,001	0,001	0,096	1,292	0,198
	Growth	-0,026	0,019	-0,105	-1,326	0,187



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Source: Results of data processing using SPSS

The regression equation for this study is as follows:

$$TA = 0,223 + 0,080 EM + 0,107 INST + 0,129 KM + 0,002 IAT + 1,813 KK - 0,002 SIZE + 0,001 DER - 0,026 GROWTH + e$$

Based on the table above, the results obtained are:

1. The earnings management variable has a regression coefficient of 1.330 with a significance value of 0.0185 or > 0.05. This result means that earnings management has no effect on *tax avoidance*.
2. The institutional ownership variable has a regression coefficient of 2.748 with a significance value of 0.007 or <0.05. So it is assumed that institutional ownership has an effect on *tax avoidance*.
3. The managerial ownership variable has a regression coefficient of 2.302 with a significance value of 0.023 or <0.05. So it is assumed that managerial ownership has an effect on *tax avoidance*.
4. Fixed Asset Intensity variable has a regression coefficient of 0.069 with a significance value of 0.945 or > 0.05. So it is assumed that the intensity of fixed assets has no effect on *tax avoidance*.
5. The family ownership variable has a regression coefficient of 2.894 with a significance value of 0.004 or <0.05. So it is assumed that family ownership has an effect on *tax avoidance*.
6. The firm size variable has a regression coefficient of -1.400 with a significance value of 0.163 or > 0.05. So it is assumed that company size has no effect on *tax avoidance*.
7. variable *Leverage* has a regression coefficient of 1.292 with a significance value of 0.198 or > 0.05. So it is assumed that *leverage* has no effect on *tax avoidance*.
8. The variable *Sales Growth* has a regression coefficient of -1.326 with a significance value of 0.187 or > 0.05. So it is assumed that *sales growth* has no effect on *tax avoidance*.

## **Discussion**

Earnings management has no effect on *tax avoidance*. This means that manufacturing companies do not carry out earnings management to reduce their tax burden if seen from a significant level of earnings management carried out by manufacturing companies is not significant. From the results of statistical data on average earnings management shows positive results, which means that the company's earnings management can minimize the tax burden that must be paid but it does not have a big impact for the purpose of minimizing tax costs, where the greater the *income decreasing* by the company, the company is not indicated do tax evasion.

Institutional ownership has an effect on *tax avoidance*. This means that institutional owners take advantage of institutional and voting rights to exercise supervision by ensuring that management makes decisions that maximize the welfare of institutional shareholders through large dividends and profits. In this study, institutional ownership has a positive direction, which means that it reduces the existence of tax avoidance and the higher the proportion of share ownership held by institutions will affect tax aggressive actions by companies.

Managerial ownership has an effect on *tax avoidance*. This means that there is harmony between the interests of shareholders by the manager, the manager as a shareholder will try to make decisions that will not harm him. Managerial ownership can take advantage of opportunities through managerial information on company operations to do *tax avoidance* by reducing the tax burden, so that the resulting profit is even greater.

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Fixed Asset Intensity has no effect on *tax avoidance*. This means that the company's fixed assets have different economic ages when viewed from Indonesian taxation. Each has a different economic life and depreciation expense. The storage of large fixed assets that is carried out by a company is not solely for tax evasion but is done by the company with the aim of running the company's operations.

Family ownership affects *tax avoidance*. This means that family ownership assesses that the benefits of tax savings obtained through tax avoidance are still greater than the potential costs resulting from this action, because the lack of knowledge about this makes companies with family ownership tend to take tax avoidance measures.

## **V. CONCLUSIONS AND RECOMMENDATIONS**

### **Conclusions**

Based on the results of research and discussion in this study on the effect of Profit Management, Institutional Ownership, Managerial Ownership, Fixed Asset Intensity, and Family Ownership on *Tax Avoidance* in manufacturing companies listed on the Indonesia Stock Exchange for the 2016 - 2018 study period , then the following conclusions can be drawn:

1. The partial test results of Earning Management have no effect on *Tax Avoidance* in manufacturing companies listed on the IDX in 2016-2018, so this study rejects the first hypothesis ( $H_1$ ) which states that earnings management has an effect on *tax avoidance*. This means that manufacturing companies do not carry out earnings management to reduce their tax burden if seen from a significant level of earnings management carried out by manufacturing companies is not significant.
2. The results of the partial test of Institutional Ownership have an effect on *Tax Avoidance* in manufacturing companies listed on the IDX in 2016-2018, so this study accepts the first hypothesis ( $H_2$ ) which states that Institutional Ownership has an effect on *tax avoidance*. This means that institutional owners take advantage of their institutional and voting rights to carry out supervision by ensuring that management makes decisions that maximize the welfare of institutional shareholders through dividends.
3. The results of the partial test of Managerial Ownership have an effect on *Tax Avoidance* in manufacturing companies listed on the IDX in 2016-2018, so this study accepts the first hypothesis ( $H_3$ ) which states that Managerial Ownership has an effect on *tax avoidance*. This means that there is harmony between the interests of shareholders by the manager, the manager as a shareholder will try to make decisions that will not harm him.
4. The partial test results of Fixed Asset Intensity have no effect on *Tax Avoidance* in manufacturing companies listed on the IDX in 2016-2018, so this study rejects the first hypothesis ( $H_4$ ) which states that Fixed Asset Intensity has an effect on *tax avoidance*. This means that the company's fixed assets have different economic ages when viewed from Indonesian taxation. Each has a different economic life and depreciation expense.
5. The results of the partial test of Family Ownership have an effect on *Tax Avoidance* in manufacturing companies listed on the IDX in 2016-2018, so this study accepts the first hypothesis ( $H_5$ ) which states that Family Ownership has an effect on *tax avoidance*. This means that family ownership assesses that the benefits of tax savings obtained through tax avoidance are still greater than the potential costs resulting from this action, because the lack of knowledge about this makes companies with family ownership tend to take tax avoidance measures.
6. This study produced *output* a different from most previous studies that used different sectors. Where earnings management and fixed asset intensity have no effect on *tax avoidance*. Earnings management has no effect in this study because there is no indication

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of differences in interests between shareholders by managers. Meanwhile, the intensity of fixed assets has no effect because manufacturing companies invest a lot of fixed assets to buy production machines and vehicles, not solely for the purpose of increasing depreciation expense.

### **Suggestions**

Based on the conclusions that have been described above, the author tries to put forward some suggestions obtained from the research results and also the discussion that has been done. Some suggestions include:

1. For researchers

, further research is expected to add other variables outside the variables used in this study such as tax loss compensation, independent commissioners, audit quality, and audit committee or variables *control* that if they can be related to tax avoidance to expand previous research, use a longer observation period to provide more accurate results.

2. For tax collectors (Fiskus Party)

For tax collectors (tax authorities) to reduce the opportunity for companies to do tax evasion, the tax authorities should increase regulations that are not in the Taxation Law which could be a weakness by companies in carrying out legal tax evasion.

### **Limitations and development of further**

Research conducted is limited only to manufacturing companies listed on the Indonesia Stock Exchange with the variables of Profit Management, Institutional Ownership, Managerial Ownership, Fixed Asset Intensity, and Family Ownership and adding control variables of Company Size, Leverage and *Sales Growth* so that they do not can be generalized to all companies in Indonesia. The research observation period was only three years from 2016-2018 so the sample studied was not long enough. Future research can add or update the independent variables and control variables used and extend the research period so that the results will be more accurate.

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