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The Influence Of Conservatism, Independent Commissioners, And Thin Capitalization On Tax Avoidance With Institutional Ownership

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Abstract –

This study aims to examine the effect of accounting conservatism, independent commissioners, and thin capitalization on tax avoidance and to analyze the moderating role of institutional ownership in Consumer Non-Cyclicals companies listed on the Indonesia Stock Exchange during 2021–2025. The study uses a quantitative approach with secondary data obtained from company financial and annual reports. Samples were selected using purposive sampling. The data were analyzed using descriptive statistics, classical assumption tests, multiple linear regression, and Moderated Regression Analysis (MRA) with SPSS. The results show that accounting conservatism does not significantly affect tax avoidance. Independent commissioners have a positive and significant effect on tax avoidance, while thin capitalization has a negative and significant effect. Institutional ownership does not significantly affect tax avoidance and does not moderate the effects of accounting conservatism, independent commissioners, or thin capitalization on tax avoidance. The findings indicate that corporate governance and financing policies may influence tax management decisions, while institutional ownership in the observed sample has not demonstrated a significant moderating role. The study contributes empirical evidence to the literature on tax avoidance and corporate governance in Consumer Non-Cyclicals companies listed on the Indonesia Stock Exchange.

Keywords: accounting conservatism, independent commissioners, institutional ownership, tax avoidance, thin capitalization

I. INTRODUCTION

Taxes are a primary source of state revenue and play a crucial role in financing development and public services. Consequently, the government continuously strives to optimize tax revenue, while corporate taxpayers are obligated to comply with prevailing tax regulations. In practice, companies may engage in tax avoidance—an effort to minimize tax burdens by exploiting loopholes or "gray areas" in tax regulations without formally violating the law. This practice draws attention because it can reduce state revenue and is linked to management policies regarding the handling of tax obligations.

Tax avoidance can be influenced by various corporate characteristics and policies. Accounting conservatism is a principle of prudence in financial reporting that tends to accelerate the recognition of losses or expenses while deferring the recognition of uncertain gains. Independent commissioners serve to oversee management activities and are expected to mitigate conflicts of interest. Meanwhile, thin capitalization refers to the use of debt that exceeds equity, potentially offering tax benefits through interest expenses that serve as deductions against taxable income. These three factors are potentially linked to corporate decisions regarding tax management.

Divergent findings in prior studies indicate a research gap. Research by Ismanto (2023) found that accounting conservatism influences tax avoidance, whereas Hartanto and Anggraeni (2023) as well as Maharani and Setyawati (2025) reported different results. Regarding independent commissioners, Rni and Umaimah (2023) demonstrated an influence, while Rahayu (2025) found no such effect. Similarly, studies on thin capitalization have yielded inconsistent results. These circumstances highlight the need for further examination using different subjects and observation periods.

This study focuses on companies in the Consumer Non-Cyclicals sector listed on the Indonesia Stock Exchange during the 2021–2025 period. This sector exhibits relatively stable business characteristics due to the production of essential goods, making it a relevant context for examining corporate tax policies amidst changing economic conditions. Furthermore, this study incorporates institutional ownership as a moderating variable, given that institutional investors possess the resources and economic interests to drive oversight of management.

The research problem addresses whether accounting conservatism, independent commissioners, and thin capitalization influence tax avoidance, and whether institutional ownership moderates each of these effects. The study aims to provide empirical evidence regarding the relationships among these variables in non-cyclical consumer goods companies listed on the Indonesia Stock Exchange during the 2021–2025 period.

Agency theory explains the contractual relationship between principals and agents arising from the separation of corporate ownership and control. Shareholders, acting as principals, delegate authority to management—acting as agents—to manage the company. Divergent interests and information asymmetry can drive opportunistic behavior by management, including in tax-related decision-making. In the context of this study, accounting conservatism and independent commissioners are viewed as mechanisms that enhance oversight, while institutional ownership can strengthen the monitoring of management policies.

Signaling theory explains how companies convey information to external parties regarding their condition and prospects. Information contained in financial statements, governance policies, and financing structures can serve as signals for investors and stakeholders in assessing corporate quality. Accounting conservatism and the presence of independent commissioners can be viewed as signals of prudence and corporate governance, while a financing structure characterized by thin capitalization can provide information regarding the company's financial and tax policies.

Tax avoidance refers to systematic efforts to minimize tax burdens by utilizing tax provisions that remain within legal boundaries. In this study, tax avoidance is proxied by the Effective Tax Rate (ETR)—the ratio of income tax expense to pre-tax profit. A higher ETR value indicates a relatively lower level of tax avoidance.

Accounting conservatism represents the principle of prudence in financial statement preparation and is proxied by the Market-to-Book Ratio (MTB). Independent commissioners are measured by comparing the number of independent commissioners to the total number of board of commissioners members. Thin capitalization is proxied by the Debt-to-Equity Ratio (DER), while institutional ownership is measured based on the percentage of shares held by institutions relative to total outstanding shares.

Based on theory and prior research, this study formulates six hypotheses: H1 accounting conservatism affects tax avoidance; H2 independent commissioners affect tax avoidance; H3 thin capitalization affects tax avoidance; H4 institutional ownership moderates the effect of accounting conservatism on tax avoidance; H5 institutional ownership moderates the effect of independent commissioners on tax avoidance; and H6 institutional ownership moderates the effect of thin capitalization on tax avoidance.

II. METHOD

This study employs a descriptive research design with a quantitative approach. The study population consists of companies in the Consumer Non-Cyclicals sector listed on the Indonesia Stock Exchange during the 2021–2025 period. The sample was selected using a purposive sampling technique based on the availability of financial statements and annual reports throughout the study period. A total of 75 companies met the criteria and the five-year observation period, resulting in 375 observations; this figure serves as the basis for the study's presentation. The data used are secondary data obtained from the companies' financial statements and annual reports.

Data collection was conducted through documentation, gathering the necessary information from the companies' financial statements and annual reports. The dependent variable is tax avoidance, measured using the Effective Tax Rate (ETR). The independent variables consist of accounting conservatism (proxied by the Market-to-Book ratio/MTB), independent commissioners (calculated based on the proportion of independent commissioners), and thin capitalization (proxied by the Debt-to-Equity Ratio/DER). The moderating variable is institutional ownership, calculated based on the proportion of shares held by institutions.

Data analysis was performed using descriptive statistics, classical assumption tests, multiple linear regression, significance tests, the coefficient of determination, and Moderated Regression Analysis (MRA). The classical assumption tests covered normality, multicollinearity, heteroscedasticity, and autocorrelation. The primary regression model was used to examine the effect of independent variables on tax avoidance, while MRA was used to examine the interaction effect between the independent variables and institutional ownership.

III. RESULTS AND DISCUSSION

Based on the descriptive statistics, the study utilized 375 observations. Accounting conservatism showed a minimum value of 0.00, a maximum of 249.99, a mean of 6.1656, and a standard deviation of 24.11677. Independent commissioners had a minimum value of 0.00, a maximum of 0.83, a mean of 0.2619, and a standard deviation of 0.23201. Thin capitalization showed a minimum value of 0.00, a maximum of 7.94, a mean of 0.6640, and a standard deviation of 1.07894. Tax avoidance had a minimum value of -0.45, a maximum of 1.67, a mean of 0.1452, and a standard deviation of 0.16320. Institutional ownership showed a minimum value of 0.00, a maximum of 0.96, a mean of 0.2310, and a standard deviation of 0.34446.

The classical assumption test results indicate that, following outlier testing, the Kolmogorov-Smirnov significance value was 0.055 (greater than 0.05), signifying that the residuals were normally distributed. All variables exhibited tolerance values greater than 0.10 and VIF values less than 10, indicating the absence of multicollinearity. The scatterplot showed residual points distributed randomly above and below the zero line, indicating no heteroscedasticity. The Durbin-Watson value of 1.898 – falling within the range of $1.800 < 1.898 < 2.200$ – indicates the absence of autocorrelation.

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Table 1. Descriptive Statistics of Research Variables

Variabel	Minimum	Maksimum	Mean	Std. Dev.	N
Konservatisme Akuntansi	0,00	249,99	6,1656	24,11677	375
Komisaris Independen	0,00	0,83	0,2619	0,23201	375
Thin Capitalization	0,00	7,94	0,6640	1,07894	375
Tax Avoidance	-0,45	1,67	0,1452	0,16320	375

Kepemilikan Institusional	0,00	0,96	0,2310	0,34446	375
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Sumber: Output SPSS, diolah peneliti (2026)

The multiple linear regression results yield the equation $Y = 0.198 + 8.684E-5KA + 0.077KOM - 0.006TC - 0.008KI + e$. Accounting conservatism has a positive but insignificant coefficient, with a t-statistic of 1.123 and a significance level of 0.263. Independent commissioners have a coefficient of 0.077, with a t-statistic of 3.810 and a significance level of 0.000, indicating a positive and significant effect on tax avoidance. Thin capitalization has a coefficient of -0.006, with a t-statistic of -3.074 and a significance level of 0.002, indicating a negative and significant effect. Institutional ownership has a coefficient of -0.008, with a t-statistic of -1.164 and a significance level of 0.246, indicating no significant effect on tax avoidance.

Table 2. Multiple Linear Regression Results

Variabel	Koefisien B	t hitung	Sig.	Keputusan
Konservatisme Akuntansi	0,00008684	1,123	0,263	Does not influence
Komisaris Independen	0,077	3,810	0,000	positive impact
Thin Capitalization	-0,006	-3,074	0,002	negatif impact
Kepemilikan Institusional	-0,008	-1,164	0,246	Does not influence

Source: SPSS output, processed by the researcher (2026)

Accounting conservatism has no effect on tax avoidance. This finding shows that the level of application of the principle of conservatism does not determine the level of a company's tax avoidance. Conservatism is more oriented towards prudence in presenting financial reports, while tax management decisions can be influenced by financial conditions, tax policies, governance and management strategies. These results are in line with Jeni Mardiana's (2024) research as referred to in the thesis.

Independent commissioners have a positive and significant effect on tax avoidance. These results show that the increase in the proportion of independent commissioners is accompanied by an increase in tax avoidance. This condition can occur because a more effective supervisory function is not only directed at compliance, but can also encourage management to carry out more efficient tax planning by utilizing available tax provisions. This finding is in line with Tamara and Saragih (2021).

Thin capitalization has a negative and significant effect on tax avoidance. These results indicate that an increase in debt use as proxied by DER is related to a decrease in tax avoidance based on research measurements. These findings indicate that the company's funding structure is not always used as the main instrument for tax avoidance and can be influenced by funding policies and company conditions.

The Adjusted R Square value of the main model is 0.114, indicating that accounting conservatism, independent commissioners, thin capitalization, and institutional ownership together explain 11.4% of the variation in tax avoidance, while 88.6% is explained by other factors outside the model.

The MRA results show that the interaction between accounting conservatism and institutional ownership has a t count of -1.216 and a significance of 0.226 so it is not significant. The interaction between independent commissioners and institutional ownership has a t count of -0.773 and a significance of 0.441 so it is also not significant. The interaction between thin capitalization and institutional ownership has a t count of 1.538 and a significance of 0.126 so it is not significant. Thus, institutional ownership is unable to moderate these three relationships.

Table 3. Results of Moderated Regression Analysis (MRA)

Interaksi	Koefisien B	t hitung	Sig.	Kesimpulan
KA × KI	-0,001	-1,216	0,226	does not moderate
KOM × KI	-0,053	-0,773	0,441	does not moderate

TC × KI	0,009	1,538	0,126	does not moderate
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Source: SPSS output, processed by the researcher (2026)

The lack of a significant interaction between accounting conservatism and institutional ownership indicates that the level of institutional ownership does not alter the relationship between accounting conservatism and tax avoidance. Similarly, institutional ownership does not modify the relationship between independent commissioners and tax avoidance. Although the negative interaction coefficient suggests a tendency to weaken the relationship, the moderation effect cannot be deemed significant, as the p-value exceeds 0.05. Regarding thin capitalization, institutional ownership also fails to demonstrate a significant moderating effect.

In the moderation model, the Adjusted R-squared value of 0.119 indicates that the model explains 11.9% of the variance, while 88.1% is attributable to factors outside the model. These results suggest that tax avoidance is a complex phenomenon influenced by various factors beyond the variables tested.

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