# THE EFFECT OF POLITICAL CONNECTIONS, INDEPENDENT COMMISSIONERS, AND INSTITUTIONAL OWNERSHIP ON TAX AVOIDANCE IN LQ45 COMPANIES 2015-2020 PERIOD

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**ABSTRACT**

The purpose of this study was to analyze the effect of political connections, independent commissioners, institutional ownership on tax avoidance. The data used is secondary data. The population in this study were LQ45 companies on the Indonesia Stock Exchange in 2015-2020 with a total sample of 45 companies that met the criteria by using purposive sampling technique. The independent variables used are political connections, independent commissioners, and institutional ownership which are tested for their influence on the dependent variable, namely tax avoidance. The analytical technique used is multiple linear regression analysis using t test for hypothesis testing. The results of the study show that political connections have no significant effect on tax avoidance. Independent Commissioner has a negative and significant effect on tax avoidance. Institutional ownership has a positive effect on tax avoidance. Overall, the dependent variable above simultaneously affects tax avoidance.

**Keyword** : political connections; independent commissioners; institutional ownership; tax avoidance

## INTRODUCTION

Quoted from the 2016 Performance Report of the Directorate General of Taxes, the realization of tax revenue is the realization of net tax revenue, namely the gross amount of SSP receipts from MPN, SPM, foreign exchange receipts, DTP receipts, PBB receipts, and oil and gas income tax, minus SPMKP and SPMIB. Tax Revenue Target is the target set in the APBN/APBN-P. The realization of tax revenue up to 31 December 2016 reached Rp1,105.81 trillion or 81.60% of the 2016 APBN-P target of Rp 1,355.20 trillion. The performance of tax revenue achievement in 2016 is slightly lower than in 2015 of 81.96%, but this realization is still growing positively by 5.81% (total non-oil and gas income tax) or 4.24% (total tax including oil and gas income tax).

In practice, the current tax revenue continues to grow from year to year, but tax revenue in the realization of achieving the APBN (State Budget) target each year is never achieved. Based on data sources on the website of the Directorate General of Taxes (DGT), and several other sources for the past few years tax revenue has still not been able to exceed the target, can be seen in the following table.
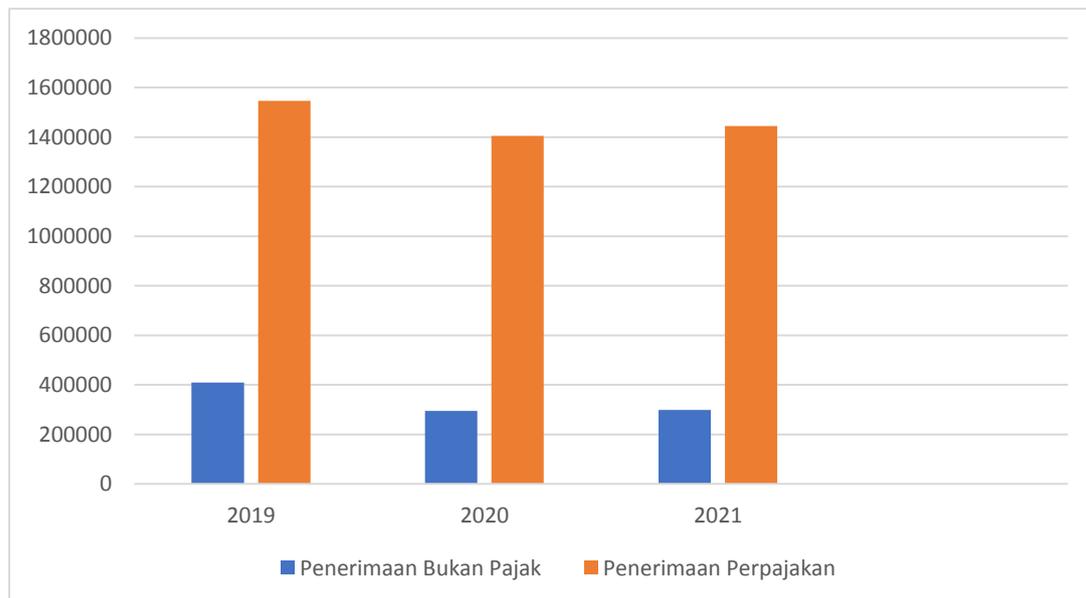


*Source: bps.go.id*
**Figure 1: Realized Tax Receipts with the State Budget Target**

Companies must minimize costs in order to obtain high profits. However, on the other hand, the company has an obligation to implement all tax regulations properly and correctly. To achieve these two interests, one way that can be done is to take aggressive tax action *(tax aggresiveness). Tax avoidance* is an action aimed at reducing taxable income through tax planning (Frank in Rosidy and Nugroho, 2019). *Tax avoidance is* carried out to fulfill tax obligations that are still in compliance with tax provisions *(lawful).* This is different from tax *evasion. Tax evasion is* carried out in a way that violates tax provisions *(unlawful). Tax avoidance* leads to efforts to reduce taxes legally followed by full disclosure of information to tax authorities.

The practice of aggressive action usually utilizes the weaknesses of tax law and does not violate tax law. Chen (2010) states that the use of the term *tax* avoidance can be used interchangeably with the term *tax avoidance. Tax avoidance* has been a problem since the beginning of tax legislation and it is prevalent in every society where taxes are levied.

For companies and shareholders, taxes are a significant cost component, so there is a desire to reduce the tax burden paid. Hanlon and Heitzman (2010) state, in theory, the factors that influence individuals in complying with taxes are tax rates, the possibility of detection of tax avoidance, penalties, fines and unwillingness to bear risks. Swingly (2015) argues that the factors that influence *tax avoidance* are executive character and company size. Dyreng (2010) states that one of the things that can influence *tax avoidance* decisions is executive character. Lu (2017) states that political connections affect *tax avoidance. The* results of his research indicate that companies with strong political connections have a lower tax burden.

The Effect of Political Connections, Independent Commissioners, and Institutional Ownership on Tax Avoidance in LQ45 Companies 2015-2020 Period (Anggita Gabriella Septianny Prantiyo, Nicholas Renaldo, Dea Stri Sugestih, Suhardjo, and Amries Rusli Tanjung)

## LITERATURE REVIEW

### Political Connections

Companies with political connections, in general, often take tax aggressiveness. This is done by the company in order to have a lower risk of detection because politicians also provide protection for companies connected to them so that the risk of tax avoidance can be lower. Then the company can have better information about changes in tax regulations in the future. The impact is also felt is the lower pressure from the capital market to make transparency and potentially reduce political costs related to tax planning activities through tax aggressiveness. Not only that, political connections are also beneficial for companies to gain access to the central government (Kim & Zhang, 2015).

### Independent Commissioner

Independent Commissioners are commissioners who have no family or business relationships with directors or shareholders. Basically, the board of commissioners consists of parties from outside the company known as independent commissioners and affiliated commissioners, in the sense of independence here is that they are expected to be able to carry out their duties independently, solely in the interests of the company, and regardless of the influence of various parties who have interests that can conflict with the interests of the company (Antonius Alijoyo and Zaini Subarto, 2004). The measure that can be used to measure the proportion of independent commissioners is:

$$Independent\ Commissioners = \frac{Independent\ Commissioners}{Commissioners} \times 100\%$$

### Institutional Ownership

Institutional ownership is the percentage of share ownership by institutional investors such as investment companies, banks, insurance companies and ownership of other institutions and companies. Institutional ownership will encourage more optimal supervision of company performance. This means that the greater the percentage of shares owned by investors. Institutional ownership will cause *monitoring* efforts to be more effective because it can control opportunistic behavior by managers (Jensen in Merslythalia and Lasmana, 2016). This *monitoring* action will reduce agency costs because it allows companies to use lower levels of debt to anticipate the possibility of *financial distress* and corporate bankruptcy (Crutchley *et al* in Puspitasari, 2014). The greater the percentage of shares owned by *institutional investors* will cause *monitoring* to be more effective, through controlling the opportunistic behavior of managers (Bathala *et al,* 1994 in Wahidahwati, 2011).

$$Institutional\ Ownership = \frac{Institutional\ Ownership}{Total\ Shareholding} \times 100\%$$

### Measurement of Tax Avoidance

Currently, there are many ways to measure tax avoidance. There are at least twelve ways that can be used in measuring *tax avoidance* that are commonly used (Hanlon and Heitzman, 2010), which are presented in the following table

**Table 1. Measurement of *Tax Avoidance***

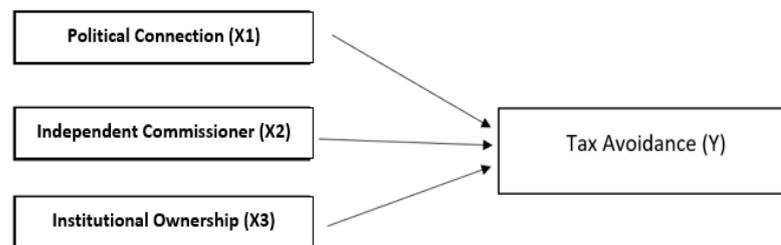| No. | Measurement | Calculation Method | Description |
|---|---|---|---|
| 1 | Cash ETR | $\dfrac{Worldwide\ Cash\ Taxes\ Expense}{Worldwide\ Total\ Pre-Tax\ Accounting\ Income}$ | *Cash taxes paid per dollar of pre tax book income* |

### Framework of Thought

**Figure 2. Framework of Thought**

**Research Hypothesis**
Hypothesis is a temporary conjecture whose truth still has to be tested. The hypotheses developed in this study based on the literature review and previous research that have been described are as follows:
$H_1$ : Political Connection affects Tax Avoidance
$H_2$ : Independent Commissioner affects Tax Avoidance
$H_3$ : Institutional Ownership affects Tax Avoidance

## RESEARCH METHODS

**Research Population and Sample**
According to Sugiyono, (2017: 80) population is a generalization area consisting of; objects / subjects that have certain qualities and characteristics set by researchers to study and then draw conclusions. The population taken in this study are companies in the LQ45 subsector on the Indonesia Stock Exchange. Based on data obtained from www.idx.co.id from this study there were 45 companies. The sample technique that will be used in this study is *purposive sampling,* namely the method by sampling based on certain criteria tailored to the research objectives. Based on the characteristics of the sample selection, the companies that will be used as samples are 45 companies. The observation period of this study is 6 years, namely 2015-2020.

**Operational Definition of Research Variables**

**Table 2: Operational Definition of Variables**

| Variables | Description/Size/Reference | Scale Count |
|---|---|---|
| Political Connection (X1) | Politically connected company = 1<br><br>Companies that are not connected = 0 | Nominal |
| Independent Commissioner (X2) | $\dfrac{Independent\ Commissioners}{Commissioner} \times 100\%$ | Ratio |
| Institutional Ownership (X3) | $\dfrac{Institutional\ Ownership}{Total\ Shareholding} \times 100\%$ | Ratio |
| *Tax Avoidance* (Y) | $Cash\ ETR = \dfrac{Tax\ Payment}{Profit\ Before\ Tax}$<br><br>Period 2015-2019<br><br>CETR < 25% = doing tax avoidance | Ratio |

| Variables | Description/Size/Reference | Scale Count |
|---|---|---|
| | CETR > 25% = no avoidance | |
| | Tax | |
| | Period 2020 | |
| | CETR < 22% = tax avoidance | |
| | CETR > 22% = no avoidance | |
| | Tax | |

### Data Collection Technique
In this study, secondary data were obtained from the Indonesia Stock Exchange website through the sites www.idx.co.id and sahamok.com, the data in question includes financial statements of financial position reports, income statements, cash flow statements and notes to financial statements. The data collection technique used in this research is *library research*. According to Danang Sunyoto (2016) *library research* is a data collection technique by studying books that have to do with the object of research or other sources that support research. In addition to data collection using library study techniques, this research uses documentary methods, namely by collecting data in the form of report documents published on the Indonesia Stock Exchange website (www.idx.co.id).

### Data Analysis Method
### Classical Assumption Test
The regression model can be said to be good if the existing classical assumptions are fulfilled. That way, the results obtained can be more accurate and close to or equal to reality.

### Normality Test
The data normality test aims to test whether a regression model, independent variables, dependent variables or both are normally distributed or not. Testing in this study was carried out using the SPSS program and data normality can be seen in 2 ways, namely as follows
Using the P.P.Plot Method. This method can be detected by looking at the distribution of data (points) on the diagonal axis of the graph or by looking at the histogram of the residuals. Data can be said to be normal if the cause of data distribution (points) is around the diagonal axis.

Using the Kolmogorov - Smirnov Test. This method can be seen from the *Asymp Sig* results. Data can be said to be normal if the *Asymp Sig.* value *is> 0.*05 and vice versa if the *Asymp Sig* value is *<0.*05 then the data is not normal.

### Heteroscedasticity Test
According to Ghozali, (2018: 138)The heteroscedasticity test aims to test whether in the regression model there is an inequality of *variance* from the residuals of one observation to another. If the *variance from* the residuals of one observation to another is constant, it is called homoscedasticity and if it is different it is called heteroscedasticity. A good regression model is a regression model with homoscedasticity or no heteroscedasticity because this data collects data that represents various sizes. To test the presence or absence of heteroscedasticity can be done by looking at the presence or absence of certain patterns on the scatterplot graph with the following conditions: If the scatterplot forms a certain pattern (wavy, widening, then narrowing) then the regression experiences heteroscedasticity and vice versa.

### Multicollinearity Test
The Multicollinearity test aims to test whether there is a correlation between the independent variables in the regression model. A good regression model should not have no correlation between the independent variables. How to detect the presence or absence of Multicollinearity is by paying attention to the *Variance Inflation Factor (VIF)* and *tolerance* numbers. The *cutoff* value that is commonly used to indicate the presence of

Multicollinearity is a *tolerance* value of less than 0.10 or equal to a VIF value of more than 0.10 (Ghozali, 2018: 108).

**Autocorrelation Test**

The autocorrelation test aims to test whether in a regression model there is a correlation between confounding errors in period t and confounding errors in period t - 1 or earlier. A good regression model is a regression that is free from autocorrelation. To analyze the presence of autocorrelation, it can be done through testing the Durbin - Watson test value. (Ghozali, 2018: 112)

The basis of analysis to determine whether there is autocorrelation is as follows:

A D-W number below - 2 means there is positive autocorrelation.

A D-W number between - 2 and + 2 means there is no autocorrelation.

D-W number above + 2 means there is negative autocorrelation

**Multiple Linear Regression Analysis**

This analysis technique is needed in a variety of good decision making, in the formulation of management policies and scientific studies. The multiple linear regression model equation can be formulated as follows:

$$Y = \beta_0 + \beta X_{11} + \beta X_{22} + \beta X_{33} + \beta X_{44} + \beta X_{55} + e$$

Description:

Y = Profit Growth

$\beta_0$ = Constant

$\beta_{1-4}$ = Regression coefficient

$X_1$ = *political connections*

$X_2$ = *independent commissioner*

$X_3$ = *institutional ownership*

$X_4$ = *company size*

e = Error

The regression coefficient value will determine the basis of the analysis, considering that this research is a *fundamental method*. This means that if the coefficient $\beta$ is positive, it will be said that there is a unidirectional influence between the independent variable and the dependent variable. Any increase in the value of the variable will result in an increase in the dependent variable. Vice versa, if the coefficient $\beta$ value is negative, this indicates a negative influence where an increase in the value of the independent variable will result in a decrease in the value of the dependent variable.

**Hypothesis Testing**

The accuracy of the sample regression function in estimating the actual value can be measured by its *Goodness of Fit*. Statistically, at least this can be measured from the coefficient of determination, F statistical value and t statistical value. Statistical calculations are called statistically significant, if the test statistical value is in the critical area (the area where $H_o$ is rejected) and vice versa is called insignificant if the test statistical value is in the area where $H_o$ is accepted.

**Model Feasibility Test**

The model feasibility test or also known as the f test basically shows whether all independent variables or independent variables, namely *current ratio, debt to equity ratio, return on assets* and *earning per share* included in the model, have a joint influence on the dependent variable or the dependent variable, namely stock *returns* (Ghozali, 2018: 98).

The model test analysis was carried out by comparing $F_{count}$ and $F_{tabel}$ . Alpha ($\alpha$) to be used in this study is 0.05. The basis for the analysis of the model test is: If $F_{count} > F_{tabel}$ or significance <0.05 then variable X jointly affects variable Y and vice versa.

**Coefficient of Determination (R$^2$)**

The coefficient of determination ($R^2$) test is used to predict how much influence the independent variable has on the dependent variable. The coefficient of determination is between zero and one. A value close to one means that the independent variables provide almost all the information needed to predict variations in the dependent variable. Conversely, a small coefficient of determination indicates that the ability of the independent variables to explain variations in the dependent variable is very limited (Ghozali, 2018; 97).

**Test t**

The t test aims to determine whether the independent variables, namely *current ratio, debt to equity ratio, return on assets* and *earnings per share,* have an influence on the dependent variable, namely stock *returns* (Ghozali, 2018: 99).

This test tests the significance of the independent variable coefficient in predicting the dependent variable. This test is carried out with a two-way test, namely: (1) Comparing between tcount with $t_{tabel}$ : (a) If $t_{count} < t_{tabel}$ ; the independent variable individually has no effect on the independent variable. (b) If tcount> $t_{tabel}$ ; the independent variable individually affects the independent variable. (2) The significance level used in this study is 0.05 (α = 5%).

## RESEARCH RESULTS AND DISCUSSION

**Descriptive Analysis**

**Table 3. Descriptive research variables 2015-2020**

|  | N | Minimum | Maximum | Mean | Std. Deviation | Variance |
|---|---|---|---|---|---|---|
| Political Connections | 270 | .00 | 1.00 | .8889 | .31485 | .099 |
| Independent Commissioner | 270 | 28.57 | 80.00 | 43.4396 | 13.39736 | 179.489 |
| Institutional Ownership | 270 | .09 | 3.51 | .5939 | .31513 | .099 |
| Tax Avoidance | 270 | .45 | 60.48 | 24.4327 | 8.74758 | 76.520 |
| Vali d N (listwise) | 270 |  |  |  |  |  |

*Source: SPSS Processed Data, 2022*

**Normality Test**
Using P.P.Plot
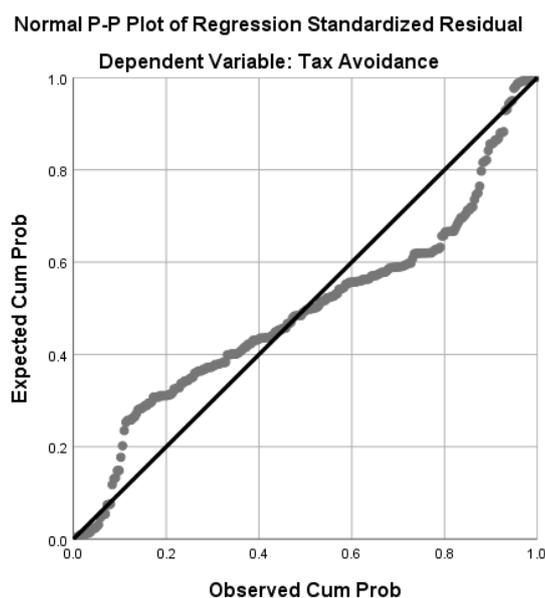


*Source: SPSS Processed Data*
**Probability Plot**

Based on the graph above, it can be seen that the data distribution is around the diagonal line (scattered far from the diagonal line) and does not follow the diagonal line. Therefore, it can be concluded that the data is distributed abnormally and the regression model in this study does not fulfill the assumption of normality.

Using the *Kolgomorov-Smirnov Test*

**Table 4. *One-Sample Kolmogorov-Smirnov Test***

| | | Unstandardized Residual |
|---|---|---|
| N | | 270 |
| Normal Parameters[a,b] | Mean | .0000000 |
| | Std. Deviation | 8.47265169 |
| Most Extreme Differences | Absolute | .160 |
| | Positive | .160 |
| | Negative | -.142 |
| Test Statistic | | .160 |
| Asymp. Sig. (2-tailed) | | .082[c] |

a. Test distribution is Normal.
b. Calculated from data.
c. Lilliefors Significance Correction.
*Source: SPSS Processed Data, 2022*

Based on this table, it shows that the Kolmogorov-Smirnov value is 0.160 with the *Asymp Sig.* value obtained is 0.082. The *Asymp Sig* value (0.082) > 0.05 so it can be concluded that the data is normally distributed and meets the regression assumptions.

**Multicollinearity Test**

**Table 5. Multicollinearity Test Results**

| Model | | Collinearity Statistics | |
|---|---|---|---|
| | | Tolerance | VIF |
| 1 | (Constant) | | |
| | Political Connections | .984 | 1.016 |
| | Independent Commissioner | .986 | 1.014 |
| | Institutional Ownership | .994 | 1.006 |
| | | | |

*Source: SPSS Processed Data, 2022*

**Table 6. Explanation of Multicollinearity Test Results**

| Variables | VIF | Description |
|---|---|---|
| Political Connections | 1.016 | No Multicollinearity |
| Independent Commissioner | 1.014 | No Multicollinearity |
| Institutional Ownership | 1.006 | No Multicollinearity |

*Source: SPSS Processed Data, 2022*

Based on tables 5 & 6 above, it can be seen that the results of the calculation of the VIF value of each independent variable do not have a value of more than 10. Therefore, it can be concluded that the regression model in this study is free from the influence of Multicollinearity.

**Model Feasibility Test**
**Multiple Regression Analysis**

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**Table 7.  Multiple Regression Test Results**

| Model | | Unstandardized Coefficients B | Std. Error | Standardized Coefficients Beta |
|---|---|---|---|---|
| 1 | (Constant) | 23.168 | 2.333 | |
| | Political Connections | 2.402 | 1.663 | .086 |
| | Independent Commissioner | -.093 | .039 | -.143 |
| | Institutional Ownership | 5.354 | 1.654 | .193 |

*Source: SmartPLS Processed Data (2022)*

Based on the regression equation above, the results can be arranged as follows:

**Cash ETR = 23,168 + 2,402 X1 + -0,093 X2 + 5,354 X3**

Based on the above equation, it can be concluded as follows: (1) The regression coefficient of **the *Tax Avoidance*** variable **(Y)** seen from the constant value is **23,168** which indicates that there is a simultaneous influence on all independent variables. (2) The regression coefficient of **the Political Connection** variable **($X_1$** ) is **2.402**. This shows a negative effect between the independent variable and the dependent variable *Tax Avoidance*. (3) The regression coefficient of **the Independent Commissioner** variable **($X_2$** ) amounted to **-0.093**. This shows that there is a negative influence between the independent variable and the dependent variable *Tax Avoidance*. (4) The regression coefficient of **the Institutional Ownership** variable **($X_3$** ) amounted to **5.354**. This shows a positive effect between the independent variable and the dependent variable *Tax Avoidance*.

**Hypothesis Testing**
**Coefficient of Determination (R Test )$^2$**

**Table 8. Test Results of the Coefficient of Determination (R Test )$^2$**

**Model Summary$^b$**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Durbin-Watson |
|---|---|---|---|---|---|
| 1 | .249$^a$ | .262 | .051 | 8.52030 | .726 |

a. Predictors: (Constant), Institutional Ownership, Independent Commissioner, Political Connection
b. Dependent Variable: Tax Avoidance
*Source: SmartPLS Processed Data (2022)*

Based on the results of the coefficient of determination test in table 8 above, it can be seen that the correlation coefficient (R) is 0.262. This means that the relationship between the independent variable and the dependent variable is 26.2%. From this figure, it can be concluded that there is a relationship between the independent variable and the dependent variable with a relationship strength of 26.2%. This means that there are 73.7% of other influences outside the variables studied in this study.

**Test t**

**Table 9. Individual Parameter Significance Test Results (t test)**

| Model | | t | Sig. |
|---|---|---|---|
| 1 | (Constant) | 9.931 | .000 |
| | Political Connections | 1.445 | .150 |
| | Independent Commissioner | -2.388 | .018 |
| | Institutional Ownership | 3.238 | .001 |

*Source: SmartPLS Processed Data (2022)*

| Variables | t-count | Sig | A | Conclusion |
|---|---|---|---|---|
| Political Connections | 1.445 | 0.150 | 0.05 | No effect and Not Significant |
| Independent Commissioner | -2.388 | 0.018 | 0.05 | Negative and Significant Effect |
| Institutional Ownership | 3.238 | 0.001 | 0.05 | Positive and Significant Effect |

Based on the table above, it can be concluded that: (1) **The effect of Political Connection on *Tax Avoidance*** The test results for the political connection variable have a t value of 1.445 with a significance probability level of 0.150 greater than 0.05 (0.150> 0.05). This shows that hypothesis H1 is rejected because the significance value is greater than the standard value of significance that has been determined, so it can be concluded that political connections have no significant effect on *Tax Avoidance*. (2) **The effect of Independent Commissioners on *Tax Avoidance*** The test results for the Independent Commissioner variable have a t value of -2.388 with a significance probability level of 0.018 smaller than 0.05 (0.018 <0.05). This shows that hypothesis H2 is accepted because the significance value is smaller than the predetermined significance standard, so it can be concluded that the Independent Commissioner has a negative and significant effect on *Tax Avoidance*. (3) **The effect of Institutional Ownership on *Tax Avoidance*** The test results for the Institutional Ownership variable have a calculated t value of 3.238 with a significance probability level of 0.001 smaller than 0.05 (0.001 <0.05). This shows that the H3 hypothesis is accepted because the significance value is smaller than the standard significance value that has been determined, so it can be concluded that Institutional Ownership has a positive and significant effect on *Tax Avoidance.*

**Discussion of Research Results**
**Effect of Political Connection on *Tax Avoidance***
Based on the results of statistical calculations using the SPSS program*, it* can be concluded that political connections have a significant positive effect on *tax avoidance,* from the results of the t test calculation states a value of 3.078 which means that political connections have a significant positive effect on *tax avoidance*, then seen from the significance value below the standard, namely 0.002.

Previous research by Siegfried (1972) showed a negative relationship between firm size and *tax avoidance,* as well as other studies, they concluded that the larger the company, the smaller the *effective* tax *rate (ETR),* these data indicate an increase in *aggressive tax avoidance. The* fact that there is a relationship between *aggressive tax avoidance* and *firm size* has also been done by research such as Siegfried (1972), Rego (2003), Hanlon (2005), Desai and Dharmapala (2006), Dyreng *et al*. (2008), Richardson and Lanis (2007; 2012; 2013), Chen *et.al*. (2010) and Minnick and Noga (2010). Based on some of the above research shows inconsistent results, Siegfried (1972) with *political power theory* shows a negative relationship between company size and *tax avoidance,* as well as research by Rego (2003).

Meanwhile, Richardson and Lanis (2013) with *political cost theory* show a positive relationship between company size and *tax avoidance*. The phenomenon of *tax avoidance* cases in Indonesia and the difference in *research* results *(research gap)* is what motivates research to conduct empirical tests of the effect of company size on *tax avoidance*. With some explanations and the results of the statistical calculations above, it can be concluded that political connections have no significant effect on *tax aggressiveness,* and the hypothesis in this study is accepted (H1 is rejected).

**Effect of Independent Commissioner on *Tax Avoidance***
Based on the results of statistical calculations using the SPSS program*, it* can be concluded that independent commissioners have a negative effect on *tax avoidance*, from the results of the t test calculation, it states a value of -1.090, which means that independent commissioners have a negative effect on *tax avoidance,* then seen from the significance value that exceeds the standard, namely 0.05. This is influenced because in general the companies in LQ45 have a large number of independent commissioners in their companies so that tax avoidance is not possible due to strict regulations.

Independent commissioners are parties that are not affiliated with controlling shareholders, members of the board of directors and other commissioners. In this case, the board should not involve itself in management duties and should not represent the company in transactions with third parties. This subprinciple states two important elements of the board's management responsibilities, namely the duty of prudence and the duty of loyalty. The more independent commissioners, the tighter management supervision will be (Pohan, 2008; in Annisa, 2012).

In the *two-tier* board system used in Indonesia, the board of commissioners holds a supervisory function that oversees the board's operational performance and decision-making. The board of commissioners itself has independent commissioners who are expected to be unaffected by the interests of shareholders. Independent commissioners in their function also provide advice and opinions on the decision-making process. In the decision-making process, independent commissioners do not know much about company internals and tax avoidance planning but rather explain the risk of costs that the company must bear due to tax avoidance (Armstrong. et al., 2012).

According to the financial services authority regulation (POJK) No. 33 / POJK.04 / 2014 Article 20 paragraph (3) states that a company must have at least 30% of the independent board of commissioners from the total number of members of the board of commissioners, thus supervision can be carried out in such a way. The higher the percentage of independent commissioners means that the more a company has an independent board of commissioners, therefore independence will also be higher because more and more are not directly related to controlling shareholders, so that *tax avoidance* policies can be lower.

Thus, the greater the proportion of independent commissioners in the board of commissioners can inhibit corporate tax avoidance decisions. The results of this study state that Independent Commissioners have a negative effect on *tax aggressiveness.* This is in line with research from Lanis and Richardson (2011) and Armstrong, et al., (2012) found that the greater the proportion of independent commissioners has a negative effect on tax avoidance. Independent commissioners are also expected to be a counterweight which can oversee the decision-making process that can jeopardize the good name of shareholders and the company so that independent commissioners can serve in accordance with the interests of shareholders. Based on the explanation and results of statistical calculations in this study, it can be concluded that H2 is accepted.

**Effect of Institutional Ownership on *Tax Avoidance***
Based on the results of statistical calculations using the SPSS program*, it* can be concluded that institutional ownership has no effect on *tax avoidance,* from the results of the t test calculation states a value of 0.505 which means that institutional ownership has no effect on *tax avoidance*, then seen from the significance value that exceeds the standard, namely 0.05. This is because the existence of institutional ownership in a company will encourage an increase in supervision that is more optimal for management performance. Supervision carried out by institutional investors is highly dependent on the amount of investment made. In general, companies that are included in the LQ45 index have institutional parties who control more shares than other shareholders. Based on the results of statistical calculations in this study, it states that institutional ownership has no effect on *tax avoidance,* which the hypothesis in this study is rejected (H3 accepted).

## CLOSING

The LQ45 company is a stock market index on the Indonesia Stock Exchange (IDX) consisting of 45 companies that meet certain criteria, one of which is included in the top 60 companies with the highest market capitalization in the last 1-2 months. The variables in this study consist of independent variables and dependent variables. The independent variables consist of political connections, independent commissioners and institutional ownership while the dependent variable of this study is *tax avoidance.* This research has gone through a series of data processing in order to achieve the research results that have been determined in the previous discussion, as for the conclusions that can be drawn from this research are as follows: (1) Political Connection has no significant effect on *tax avoidance* (2) Independent Commissioner has a negative and significant effect on *tax avoidance* (3) Institutional Ownership has a positive effect on tax *avoidance* (4) Overall the dependent variables above simultaneously affect *tax avoidance.*

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