The Effect of Profitability, Public Ownership and Fiscal Loss Compensation on Tax Avoidance Moderated by Audit Quality

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ABSTRACT

Tax Avoidance is conducted by the taxpayer to minimize the company's tax burden. The objective of this researchwas to examine the determinants of profitability,public ownership and fiscal loss compensation to practice tax avoidance in companies listed on the Indonesia Stock Exchange for the period 2015-2019.Book Tax Different was used as a benchmark of tax avoidance. The data in this research were obtained from the company financial statements and annual reports on the Indonesia Stock Exchange (IDX) website or related company websites. The sample used in this study were 97 companies consisting of the banking, property, finance and mining sector listed on the IDX for the period 2015-2019, with a total of 485 samples. The sampling technique was purposive sampling method. The analytical tool used to analyze the hypothesis was Eviews 11.0.The results showed that the profitability, public ownership and fiscal loss compensation hadno effect on tax avoidance, but audit quality could moderate profitability and public ownership oftax avoidance.

Keyword: Profitability, Public Ownership, Fiscal Loss Compensation, Tax Avoidance, Audit Quality.

INTRODUCTION

The government is still working hard to improve people's lives by developing and improving infrastructure. This is not without complications, because the primary source of state revenue has not been received optimally in accordance with the targets set. Many businesses are unaware of how critical it is to pay taxes on time. Sri Mulyani, Minister of Finance, revealed that tax avoidance by transferring business profits between countries has the potential to cost the world around IDR 3,360 trillion per year (CNN, 2021). According to the Tax Justice Network, Indonesia could lose up to US$4.86 billion per year as a result of tax avoidance.The data discovered employs the practice of diverting profits to a country considered a tax heaven (Kontan, 2020). According to Finance Law No. 17 of 2003, one of the state revenues comes from revenue taxation. This revenue will be used to benefit the people, but unfortunately, many people still practice tax avoidance (Oktris et al., 2021).

Indonesia is one of the countries classified as a Low Middle Country. These characteristics typically have a low tax ratio, ranging from 19% to 26%. This indicates that taxpayer compliance is still low, resulting in a high level of tax avoidance behavior. According to the Minister of Finance, Sri Mulyani, Indonesia's tax ratio did not grow significantly between 1998 and 2020. (Rahma, 2021). Efforts to prevent tax avoidance are being stepped up, and one of the things that needs to be done is consistency of tax treatment for each type of business in order to close the tax revenue gap.Furthermore, the Ministry of Finance's Directorate General of Taxes continues to supervise six types of transfer pricing transactions. The six transactions are: the purchase or sale of tangible goods such as raw materials, finished goods, and trade goods; the sale or purchase of capital goods such as fixed assets; the delivery or utilization of intangible goods such as royalty payments; borrowing money or paying interest; the delivery or payment for services; and the delivery or acquisition of financial instruments such as stocks and bonds (Perwitasari, 2021).

The state's tax target rises year after year, but realization is always elusive. Based on data from the Central Statistics Agency on tax revenue realization for 2015-2019, it is clear that tax revenue realization has been ineffective. Throughout 2019, tax revenues were observed to have fallen precipitously. The manufacturing and mining sectors saw the greatest decrease in tax payments to the state treasury, with actual revenue falling by 19% to Rp. 66.1 trillion.The financial services and insurance industry reduced its revenue growth from 2018 by 3.8%, while the construction and real estate industry fell 2.7% from the previous year. The increase in tax revenue growth is limited to the warehousing and transportation sectors, which grew 18.7% and contributed Rp. 50.3 trillion in taxes (Setiawan, 2020).

Tax avoidance is a legal way to avoid paying taxes that is not harmful to taxpayers because it does not conflict with tax provisions. The method used in tax avoidance is to exploit the flaws (gray areas) and loopholes in tax laws and regulations in order to reduce the amount of tax to be paid (Anwar, 2019). Companies typically take advantage of the difference in profit calculation standards between commercial and taxation. When the recognition of income and expenses under SAK differs from the recognition of taxation.Tax avoidance is a contentious issue because, on the one hand, it does not violate the law while, on the other hand, the government suffers a significant loss. Because tax avoidance will undoubtedly reduce state revenue, which will then be used for national development and other financing.

The large number of illegal oil palm plantations, which cause potential tax revenue leaks, is one of the commodities highlighted in relation to tax avoidance . Since 2016, the Corruption Eradication Commission (KPK) has been concerned about this issue while conducting Coordination and Supervision (Korsup) of Palm Oil. In 2019, the Corruption Eradication Commission communicated the findings of Korsup, which obtained data from analysis of high-resolution imagery from Airbus's SPOT satellite, indicating that the total area of oil palm cover in Indonesia is 16.4 million hectares.This data is vastly different from the government's, which covers only about 14 million hectares. If these findings are calculated, the potential tax revenue totals 40 trillion. In fact, the government only received around 21.87 trillion in 2015, with the remaining 18.13 trillion still being debated (Mongabay, 2021).

Transparency International Uni Eropa merilis laporan praktik pengalihan laba dalam skala besar oleh perbankan Eropa di yurisdiksi surga pajak yang ditaksir mencapai €4,5 miliar atau setara Rp76,8 triliun. Tim Analis stated that "this is a 'hands-on' bank operation to reduce the need for pajak payments," as reported by Senin (2/11/2020). (www.news.ddtc.co)

Profitability ratios seek to assess management effectiveness as reflected in the return on investment generated by sales activities (Ariska et al., 2020). Previous research found that profitability has a significant negative effect on tax avoidance. This is because the more profitable a company is, the better it is at paying taxes (Tarmidi et al., 2020).Profitability has a positive effect in the research by Pitaloka and Aryani because companies with large profits are the basis for determining the tax burden more freely to take advantage of loopholes in managing their tax burden (Pitaloka & Aryani Merkusiawati, 2019).

The ownership structure of a company will have different motivations in determining whether or not tax avoidance is necessary (Charisma & Dwimulyani, 2019). The existence of public ownership, which expects companies to obey in paying taxes to empower national development, has a negative effect on tax avoidance (Charisma & Dwimulyani, 2019).

Compensation for fiscal losses occurs when gross income after deducting costs or operating expenses in the previous year still results in a loss. The loss can be compensated for with income beginning with the next tax year in a row for up to 5 years (Humairoh & Triyanto, 2019). Because companies cannot fully utilize compensation for fiscal losses as a strategy, it has no significant effect on tax avoidance. Even if the company makes a profit the following year, it must still pay losses (Humairoh & Triyanto, 2019).

Audit quality enhances the effect of institutional ownership on tax avoidance . The Big Four's KAP is assumed to be capable of detecting tax avoidance practices within the company. When institutional ownership is high, it reduces the behavior of managers who prioritize their personal interests over the interests of the company; this opportunistic manager behavior can encourage tax avoidance . The existence of a financial statement audit by KAP The Big Four makes management more cautious in taking actions that may harm the company, so that good audit quality combined with high institutional ownership reduces the possibility of tax avoidance (Krisna, 2019).The negative effect of managerial and institutional ownership on tax avoidance is exacerbated by audit quality. Financial reports audited by KAP auditors specializing in industry are thought to be better at detecting errors and displaying the true value of the company, allowing companies to have a lower level of fraud when compared to companies audited by non-KAP specializing in industry (Charisma & Dwimulyani, 2019).

Wiko Saputro, a tax observer, explained that plantations, mining, real estate, and financial services institutions are particularly vulnerable to tax avoidance (Juniadai, 2014). This sector is vital to the Indonesian economy because it employs a large number of people and is growing rapidly. Furthermore, the lack of taxation in this sector creates an excellent opportunity for higher profits. The greater the profit, the greater the opportunity for a company to avoid taxes. According to the Fiscal Policy Agency (BKF), the construction and real estate sectors have a low tax ratio of around 4.18% of GDP and are also under-taxed, owing to tax exemptions and the implementation of final income tax (Wildan, 2020).According to the Directorate General of Taxes, the number of taxpayers in this sector has increased by 28.65%, which is inversely proportional to tax revenue (Setyowati, 2017).

The GDP growth rate data for the plantation sector show that it has increased each year, but not the tax revenue. According to Febrio Kacaribu, President of BKF, the plantation sector contributes 13% of GDP on average. To see this inequality, a balanced proportion of tax contributions is required. One of them is by providing legal certainty for the canceled PMK 89/PMK.010/2020 VAT on fresh fruit bunches. The VAT exemption facility for agricultural, plantation, and forestry products is no longer available, and the DPP mechanism for other values is now subject to VAT at an effective rate of 1% (NR/DS, 2020).

THEORITICAL REVIEW

Agency Theory, The article "Theory of the firm: Managerial behavior, agency costs, and ownership structure" was the first to introduce agency theory (Jensen & Meckling, 1976). According to this theory, every action taken prioritizes personal interests. The agency relationship is similar to a contractual partnership between the principal and the agent. The principal is defined as the government, whose responsibility it is to closely monitor all tax revenue that is the agent's responsibility. Agents are assumed to be businesses that manage operations by increasing large-scale investments while maximizing company profits.However, the greater the company's profit, the greater the tax payments will be directly proportional to it. This is what drives many businesses to avoid paying taxes. This agent-principal conflict can be reduced by implementing supervision that aligns their goals. However, there are risks, and other issues arise, such as the existence of agency costs.

Theory Planned of Behaviour, According to the Theory of Planned Behavior, an individual's intention to behave can lead to behavior (Ajzen, 1991). The basic assumption of using this theory is that a person's intention will determine the behavior he will take, with the higher a person's intention to try to take the initiative to do something, the more likely behavior will be based on that intention.This theory explains motivational effect on behavior that are not under the individual's control or will. Institutional ownership and managerial ownership are external factors that individuals cannot control and that ultimately determine the individual's final attitude when deciding on tax avoidance behavior. Essentially, this theory assumes that humans are the most rational creatures, and that in acting and behaving, humans use available information systematically, which is linked to external motivations in their surroundings. Humans frequently consider the consequences of their actions, which form the basis of their behavioral intention, before deciding on good or bad behavior. The systematically formed motivational factors will affect the intention to behave.

Tax avoidance, refers to the various methods used by businesses to reduce their tax burden. Tax avoidance is one method that is frequently used. Tax avoidance is an attempt to avoid taxes that is carried out legally and safely for taxpayers without conflicting with applicable tax provisions, where the methods and techniques used tend to take advantage of flaws in the laws and tax regulations themselves to minimize the amount of tax payable (Chairil, 2019).

Tax avoidance is accomplished in three ways (Thian, 2021):

a. Avoid doing anything or taking any action that may result in taxation.
b. Relocating the business from a location with a high tax rate to a location with a low tax rate.
c. Legally, tax avoidance is usually accomplished by taking advantage of a gap or ambiguity in the law.

Profitability, in general, is something that every company strives for. The company's management must be capable of meeting the goals that have been set. Profitability is a measure of a company's success in operating profitably (Irfani, 2020). Profitability measures the efficiency of a company's activities and its ability to obtain these benefits; company managers must be able to work efficiently, and company performance must be constantly improved. Companies that are highly profitable have a proclivity to avoid paying taxes. The greater the profits of large corporations, the greater the tax payments, and thus tax avoidance is very possible.The researcher will use the Return on Assets ratio (ROA). The higher the value of ROA, the greater the likelihood of a company engaging in tax avoidance. According to research (Pangaribuan et al., 2021) and (Pitaloka & Aryani Merkusiawati, 2019), profitability has a positive effect on tax avoidance.

Public Ownership, the ratio of the number of shares owned by insiders to the number of shares owned by investors is known as the public ownership structure. The existence of a share ownership structure is closely related to a company's performance, which is dependent on the company's ability to manage funding (Hasibuan & Purba, 2022). When shareholders believe that a company already has good governance, they will make bold decisions, one of which is to reduce tax payments (Charisma & Dwimulyani, 2019). Meanwhile, if public ownership controls the proportion of shares, the company's ownership is low and management is poor.This also results in a lack of management motivation to increase profits, so the opportunity for corporate tax avoidance is limited (Arianandini & Ramantha, 2018).

Fiscal Loss Compensation, a company that suffers losses will not be subject to income tax, which is consistent with the principle of equality in tax collection in Indonesia, which states that tax collection must be adjusted to the taxpayer's ability. Compensation for fiscal losses is the process of transferring losses from one period to the next, indicating that businesses that are losing money will not be taxed (Humairoh & Triyanto, 2019). If the gross income after deducting expenses or operating expenses is still a loss, the loss can be compensated with income beginning with the next tax year in a row for a maximum of five years.This states that businesses that had losses the previous year can reduce their tax burden the following year.

Audit Quality, audit quality is critical to management's transparency to shareholders. There are consequences to aggressive tax behavior; their companies take an aggressive tax position and will prevent these actions if they are aware of them in advance (Charisma & Dwimulyani, 2019). In short, audit quality effects the auditor's ability to detect material misstatements. The auditor's ability is supported by a variety of factors, including mastery of technology systems, procedures, sample testing, and others.

HYPOTHESIS

The Effect of Profitability on Tax Avoidance. High profits are, of course, beneficial to a business. However, this has an effect on the amount of tax that must be paid. Companies can benefit from tax avoidance in the form of cash savings from avoided taxes. Cash savings increase the company's cash flow, allowing the company to invest with the cash it saves, increasing the company's value.

According to the findings of research from ('Amala & Safriansyah, 2020), (Asih & Darmawati, 2022), and (Pitaloka & Aryani Merkusiawati, 2019), profitability affectstax avoidance. Meanwhile, other findings from research (Tarmidi et al., 2020) indicated that profitability had no effect on tax avoidance. Based on previous research, the hypothesis for this study is as follows.

H_1: Profitability has an effect on tax avoidance.

The Effect of Public Ownership on Tax avoidance, Split share ownership demonstrates a lack of management interest in implementing strategic policies and not maximizing executive potential to improve company performance. Public ownership is one component of shareholders (community). The higher the proportion of these shares, the worse the company's condition and governance. This is due to a lack of incentives, which results in a lack of motivation from management to generate profits. Furthermore, public ownership expects businesses to contribute to paying taxes, which will then be used as development capital. According to previous research (Puspita & Harto, 2016) and (Prayogo & Darsono, 2015).

H_2: Public stock ownership has no effect on tax avoidance.

The Effect of Fiscal Loss Compensation on Tax Avoidance. The difference between income and costs after income tax breaks is referred to as fiscal losses or gains. Compensation for losses is only available for the next 5 (five) years. Companies that lose money in a single fiscal period will receive tax relief. As a result, the company will avoid paying taxes for the next five years because tax profits have been reduced by the amount of compensation for company losses. Research (Purba, 2020) found that compensation for fiscal losses had a positive effect, whereas research (Ardillah & Halim, 2022) found the opposite, that compensation for fiscal losses had no effect.Assuming that there is no compensation for fiscal losses, tax avoidance is not affected because if the company made a loss the previous year, it will cover it with net profit the following year.

H_3: Tax avoidance has no effecton Fiscal Loss Compensation.

Quality auditing either strengthens or weakens the relationship between profitability and tax avoidance. When a company makes a lot of money, there must be a way to avoid it. Manipulation of financial statements, for example, by adding cost components or manipulating sales invoices, is a common practice. Things like this are expected to be detected by a competent auditor in order to reduce tax avoidance.

H4: Audit Quality enhances the effect of Profitability on tax avoidance.

Quality auditing either strengthens or weakens the relationship between public ownership and tax avoidance. Because the majority of people want tax payments to contribute significantly to development and be felt by them, ownership of large public shares will cause companies to avoid tax avoidance. A quality audit will make it easier to disclose the necessary information.

H5:Audit quality enhances the effect of public share ownership on tax avoidance.

Quality auditing either strengthens or weakens the relationship between Fiscal Loss Compensation and tax avoidance, Companies tend to avoid tax avoidance if they have fiscal loss compensation because it allows them to reduce the tax burden from losses in the previous year or up to 5 years, making it much easier for the auditor to control the level of company tax compliance.

H6:Audit Quality has no effect on the effectiveness of Fiscal Loss Compensation in reducing tax avoidance.

RESEARCH METHOD

The quantitative research method was used, which can be defined as a research method in which the data contained numbers that can be processed and analyzed using mathematical and statistical calculations (Sekaran & Bougie, 2017). In this study, the type of research was casual, in which each variable was tested to see if it effected the other variables X, Y, and Z. (Sekaran & Bougie, 2017).

Table 1.Operational Variable of the Research

Variable	Indicator	Measurement Scale
Tax Avoidance Source:(Zs & Astuti, 2020)	$BTD = \frac{\text{Taxable Income - Net Income}}{\text{Average Assets}}$	Ratio
Profitabilitas Source:(Humairoh & Triyanto, 2019)	$ROA = \frac{\text{Net Income}}{\text{Total Assets}} \text{ X } 100\%$	Ratio
Kepemilikan Saham Publik Source: (Kusumadewi & Edastami, 2022)	$\text{Public Ownership} = \frac{\text{The number of shares owned by the public}}{\text{Number of outstanding shares}} \text{ X } 100\%$	Ratio
Kompensasi Rugi Fiskal Source: (Andriyani & Mahpudin, 2021)	1 for businesses that have tax loss compensation, 0 for businesses that do not.	Nominal
Kualitas Audit Source:(Charisma & Dwimulyani, 2019)	1 for businesses that use KAP Companies that do not use KAP receive a score of zero.	Nominal

Source: Processed Data

Population of this research consisted of 155 plantation, mining, financial services, and property companies listed on the Indonesia Stock Exchange (IDX). For a period of five years, from 2015 to 2019. The researcher used a technique based on a purposive sampling technique, namely a sampling technique with certain considerations, to determine the sample used in this study. According to the purposive sampling technique, the following criteria for property companies were chosen to be used as research samples:

Table2. Criteria of Research Sample

Sample Criteria	The Number of Company
From 2015 to 2019, companies in the Plantation, Property, Financial Services Institutions, and Mining sectors were listed on the IDX.	**155**
Companies that lack the necessary data, such as complete financial statements and audited annual reports for the 2015-2019 fiscal year	**(58)**
Total of research sample	**97**
The number of research observations from 2015 to 2019 (5 years)	**485**

Source: Processed Data

RESULTS

The descriptive statistics that result are used to provide an overview of information about a research variable's description.

Table3.Descriptive statistics

	Y	X1	X2	X3	Z
Mean	0.009837	0.053189	0.279925	0.195876	0.496907
Median	0.004260	0.031693	0.257479	0.000000	0.000000
Maximum	0.147530	0.993824	1.365149	1.000000	1.000000
Minimum	-0.167080	0.000185	0.002859	0.000000	0.000000
Std. Dev.	0.025830	0.081309	0.188226	0.397284	0.500507
Skewness	0.241448	6.823676	0.966049	1.532597	0.012371
Kurtosis	17.08966	71.48306	5.131603	3.348853	1.000153
Observations	485	485	485	485	485

Source: Output Eviews 11, processed by the researcher(2022)

The following are the results of descriptive statistics generated by Eviews in this study:

1. Return on Assets (X1), the ROA variable, has the lowest value of 0.0001 in 2019 at PT Bank Sinarmas Tbk and the highest value of 0.993 in 2016 at PT Gading Development Tbk, with an

average of 0.053 and a standard deviation of 0.081.

2. Public Ownership (X2), from 2015 to 2019, the Public Ownership variable has the lowest value of 0.002 at PT Bank Cimb Niaga Tbk and the highest value of 1.365 at PT Agung Podomoro Land Tbk, with an average value of 0.279 and a standard deviation of 0.188.
3. Fiscal Loss Compensation (X3) uses a dummy variable with a percentage with an average value of 0.195 and a standard deviation of 0.397.

Table 4.Audit Quality Descriptive Statistics

Auditor	Sample	Percentage
KAP Big Four	241	49 %
Non KAP Big Four	244	51 %
Total	**485**	**100 %**

Source: Processed data (2022)

4. Audit Quality (Z), according to the research shown in the table above, 241 samples (49%) of companies used Big Four KAP auditors, while 244 samples (51%) did not use Big Four KAP auditors.
5. Book Tax Different (Y), with an average value of 0.009 and a standard deviation of 0.025, the Book Tax Different variable has the lowest value of -0.16 at PT Greenwood Sejahtera Tbk in 2015 and the highest value of 0.147 at PT Astra Agro Lestari Tbk in 2019.

TablE5. T Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.009252	0.000325	28.48304	0.0000
X1	-0.000594	0.001591	-0.373496	0.7090
X2	0.000496	0.000923	0.537074	0.5915
X3	0.000338	0.000182	1.853069	0.0646
X1_Z	0.035285	0.010161	3.472655	0.0006
X2_Z	-0.003002	0.001439	-2.085166	0.0377
X3_Z	-0.000841	0.001006	-0.836076	0.4036

Source: Output Eviews 11, processed by the researcher (2022)

Based on the results of the statistical test output on the t test it can be explained as follows:

1. The variable Return On Assets (ROA) obtains a probability value of 0.7090 > 0.05, namely H1 is rejected.
2. The variable Public Ownership obtains a probability value of 0.5915 > 0.05, namely H2 is rejected.
3. The Fiscal Loss Compensation variable obtains a probability value of 0.0646 > 0.05, namely H3 is rejected.
4. The variable Return On Assets (ROA) which is moderated by Audit Quality obtains a probability value of 0.0006 <0.05, namely H4 is accepted.

5. The Public Ownership variable which is moderated by Audit Quality obtains a probability value of 0.0377 <0.05, namely H5 is accepted.
6. The Fiscal Loss Compensation variable which is moderated by Audit Quality obtains a probability value of 0.4036 > 0.05, namely H6 is rejected.

Table6. F Test

Weighted Statistics			
Root MSE	0.015862	R-squared	0.946938
Mean dependent var	0.046827	Adjusted R-squared	0.932769
S.D. dependent var	0.072230	S.E. of regression	0.017873
Sum squared resid	0.122032	F-statistic	66.83396
Durbin-Watson stat	1.986130	Prob(F-statistic)	0.000000

Source: Output Eviews 11, processed by the researcher(2022)

Based on the output results, the Prob (F-Statistic) value is 0.000000 0.05, indicating that H1 is acceptable. As a result, this regression model can be used, and the independent variables, Return on Assets, Public Ownership, and Fiscal Loss Compensation, have a significant effect on the dependent variable, Tax Avoidance.

Table7. R^2Test

Weighted Statistics			
Root MSE	0.015862	R-squared	0.946938
Mean dependent var	0.046827	Adjusted R-squared	0.932769
S.D. dependent var	0.072230	S.E. of regression	0.017873
Sum squared resid	0.122032	F-statistic	66.83396
Durbin-Watson stat	1.986130	Prob(F-statistic)	0.000000

Source: Output Eviews 11, processed by the researcher(2022)

Adjusted R Squared value indicates how much the independent variable is able to explain the variance of the dependent variable. From the results of the output table above, it can be seen that the results of the overall regression analysis where the adjusted R-squared value is 0.932769. This shows that Tax Avoidance can be explained by 93.27% by the variables Return on Assets, Public Ownership, Fiscal Loss Compensation and Audit Quality as moderating variables, while the remaining 6.73% is influenced by other variables not examined.

DISCUSSION

1. Effect of profitability on tax avoidance

Profitability has no bearing on tax avoidance. This means that the higher the company's profitability, the higher the profit generated by the company. In this state, the company was considered capable of paying taxes, lowering the level of tax avoidance; even with high profits, the company could easily manage profits. The findings of this study differred from those of (Asih & Darmawati, 2022), who claimed that profitability had a significant effect. The higher the company's profitability, the higher the tax payments, and the efficiency of company tax payments could influence the level of profitability. The higher the level of profitability generated by the company, the more efficient the company's tax management.

2. The effect of public ownership on tax avoidance

Tax avoidancewas unaffected by public ownership. This means that the company's earnings management actions would be unaffected by the company's high or low public ownership composition. This was because the proportion of public ownership was usually in the minority, so it could not be used as a measurement or had a significant effect on the company's management's discretion in acting in accordance with the will of the principal.

3. The effect of tax avoidance on fiscal loss compensation

Tax loss compensation had no discernible effect on tax avoidance. The findings of this study backed up the hypothesis that fiscal loss compensation had no effect on tax avoidance. This study backs up the view (Ardillah & Halim, 2022) that compensation for fiscal losses had no effect on tax avoidance. Companies that suffer losses could make up for losses incurred in previous years. This indicated that the company did not need to engage in tax avoidance, which could jeopardize the company's reputation and put it in the public eye.

4. The effect of profitability on tax avoidance moderated by audit quality.

According to the findings, audit quality moderates (strengthens) the effect of profitability on tax avoidance. A company's profit had a significant effect on the amount of tax paid to the state. The greater the profit, the greater the amount of tax that must be paid. On this front, the company was able to pay taxes with its profits, reducing the level of tax avoidance. This was bolstered by the high caliber of competent and professional auditors. The audit would undoubtedly be more thorough, with an examination of whether or not a financial statement was accurate.

5. The effect of public ownership on tax avoidance moderated by audit quality

Audit quality enhanced the effect of public ownership on tax avoidance. The presence of public ownership indicated the level of public interest in the company's performance and contribution to shareholders and society. As a neutral party, the auditor was expected to be able to determine the appropriate level of materiality to detect discrepancies between Generally Accepted Accounting Principles and management's financial statements. A positive corporate image was essential for public shareholders to continue to invest and had faith in the company.

6. The Effect of fiscal loss compensation on tax avoidance moderated by audit quality

The relationship between fiscal loss compensation and tax avoidance could not be moderated by audit quality. It was clear that the terms of use for fiscal loss compensation could be used within the next five years so that it could reduce the tax burden if they got profit during that time, so audit quality did not play an important role in tax avoidance practice.

CONCLUSION AND SUGGESTION

A. Conclusion

Based on the data analysis and discussion that has been done, the following conclusions can be drawn:

1. Profitability has no effect on tax avoidance, which means that the higher the profit generated, the greater the company's ability to pay taxes, preventing tax avoidance.

2. Public ownership has no effect on tax avoidance; because public shares are considered a minority, they have little effects on corporate decisions to commit tax avoidance.
3. Compensation for fiscal loss has no effect on tax avoidance, implying that compensation for fiscal loss contributes nothing to tax avoidance.
4. Audit quality has the potential to moderate (strengthen) the relationship between profitability and tax avoidance.
5. Audit quality has the potential to moderate (strengthen) the relationship between public ownership and tax avoidance.
6. Audit quality cannot moderate (weaken) the relationship of fiscal loss compensation to tax avoidance

Suggestion

1. For Further Research
   a) A number of limitations include variables that have not been sufficient in detecting tax avoidance, necessitating the addition of other variables that can trigger tax avoidance factors.
   b) The next researcher can eliminate the sample if the research results have no effect, such as public ownership with a data range that is too wide, namely with a minimum value of 0.002 and a maximum value of 1.365.
   c) Additional suggestions for the company's sector can be added to improve overall forecasting.
2. For the Bussiness Entities

   Companies can make the right decisions regarding tax management used or to be used, as well as comply with applicable taxation regulations, in order to avoid tax administration sanctions and have no negative effect on the company's image in the eyes of the public. For the variable Audit Quality, which can be moderated, this means that companies must be more selective in selecting external auditors, even if it means paying a higher fee but obtaining satisfactory results with standardized financial reports.

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