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The Effect of Ownership Structure on Tax Aggressiveness

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Research aims: This study aims to analyze the effect of ownership structure on corporate tax aggressiveness, using the Cash Flow Effective Tax Rate (CFETR) as the main measure. Ownership structure is measured based on the proportion of institutional and managerial ownership in a company.
Design/Methodology/Approach: This study involved 61 samples of companies in the energy sector listed on the Indonesia Stock Exchange (IDX) from 2018 to 2023. Data obtained from company annual reports were processed using the Generalized Least Square (GLS) technique, while considering control factors such as profitability, auditor type, company age, and company size.
Research findings: The main findings reveal that institutional ownership affects CFETR in the opposite direction. Given that CFETR has an inverse relationship with tax aggressiveness, these findings indicate that an increase in institutional ownership is associated with an increase in corporate tax aggressiveness. On the other hand, managerial ownership was not found to have an effect on CFETR.
Conclusion: These results underscore that in the context of Indonesian energy companies, institutional investors do not yet fully function as a supervisory mechanism capable of curbing aggressive tax planning practices, while management share ownership is not yet strong enough to influence corporate tax policy.
Keywords: Ownership Structure, Tax Aggressiveness, Institutional Ownership, Managerial Ownership

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INTRODUCTION

Taxation constitutes the main source of government revenue in many countries, including Indonesia, contributing nearly 80 percent to the State Budget (Arianti et al., 2023; Ernawati et al., 2022; OCBC, 2023; Susanto et al., 2024). However, this contribution has not yet reflected the optimal realization of tax revenue potential. This condition is indicated by the tax ratio, defined as the proportion of tax revenue to gross domestic product (OECD, 2023). In 2023, Indonesia recorded a tax ratio of 10.1 percent, far below the Asia Pacific average of 19.1 percent and the minimum threshold of 15 percent recommended by the International Monetary Fund for developing countries (Gaspar et al., 2016). This gap reflects unexploited tax potential, which is closely associated with low compliance and increasing corporate tax aggressiveness (Vivian et al., 2023).

Tax aggressiveness refers to corporate behavior in managing tax obligations through tax planning strategies aimed at reducing tax burdens (Martinez et al., 2022). This concept encompasses a spectrum of practices ranging from legally compliant tax avoidance to aggressive strategies that exploit regulatory flexibility (Boussaidi & Hamed-Sidhom, 2021). In this study, tax aggressiveness is defined as legal tax planning activities that exploit loopholes and flexibility within the existing tax framework.

Empirical evidence at global and national levels reflects the persistence of tax aggressiveness and weaknesses in tax supervision. The Panama Papers scandal exposed the use of offshore entities by multinational corporations and individuals to conceal assets and reduce tax obligations (Fernando & Antoine, 2021; Wicaksono et al., 2021). Several Indonesian business figures and corporations were implicated, illustrating the exploitation of international regulatory gaps (Chohan, 2016; Scarfone & Kerr,

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2018). At the national level, the 2019 case of PT Adaro Energy Tbk revealed alleged aggressive tax practices through profit shifting to a Singapore based subsidiary, resulting in significant potential losses of state revenue (Friana, 2019; Global Witness, 2019). Similar practices have been identified in other large Indonesian corporations such as Asian Agri, Kaltim Prima Coal, Bumi Resources, Indosat, and Indofood (Puji et al., 2019).

From the perspective of agency theory, tax aggressiveness arises from conflicts of interest between principals and agents (Dakhli, 2021) Shareholders generally emphasize long-term firm value, whereas managers tend to prioritize short-term performance targets and personal incentives (Patel et al., 2018). Information asymmetry enables managers to adopt aggressive tax strategies that enhance reported performance while potentially disregarding long-term legal and reputational risks (Wang, 2024).

Beyond the traditional principal–agent conflict (Type I agency problem), agency theory also highlights conflicts between controlling and minority shareholders (Type II agency problem), which are particularly prevalent in emerging markets with concentrated ownership structures such as Indonesia (Fujita & Yamada, 2022). In this setting, dominant shareholders may influence corporate policies, including tax strategies, to extract private benefits at the expense of minority shareholders (Brady et al., 2023). This perspective provides a more nuanced explanation of corporate tax aggressiveness in contexts where ownership concentration and institutional dominance coexist.

Ownership structure therefore plays a critical role in shaping corporate tax behavior. Institutional ownership functions as an external governance mechanism through strong monitoring capacity, adequate resources, and longterm investment orientation (Abedin et al., 2022; Alghorbany et al., 2024; Jenifer & Alfia, 2023). Prior studies generally document a negative association between institutional ownership and corporate tax aggressiveness, as institutional investors are expected to function as effective monitors and to avoid legal and reputational risks (Castañer et al., 2022; Dakhli, 2022; Huyghebaert et al., 2024; Pujiningsih & Salsabyla, 2022; Velte, 2023). However, this relationship may not be uniform across institutional contexts. In emerging markets characterized by concentrated ownership structures, agency conflicts often extend beyond manager–shareholder conflicts to conflicts between controlling and minority shareholders, known as the Type II agency problem (Fletcher & Falbo, 2024; Rakayana et al., 2021; Syukur et al., 2022). In such settings, dominant shareholders, including institutional investors with substantial ownership stakes, may have both the incentive and the ability to influence corporate policies in ways that serve their own interests. Under this perspective, aggressive tax strategies may be interpreted as part of a broader rent extraction mechanism rather than purely as managerial opportunism. The growing emphasis on environmental, social, and governance principles further strengthens institutional pressure for ethical tax governance (Cui, 2024).

Managerial ownership acts as an internal governance mechanism by aligning managers' interests with those of shareholders (Indy et al., 2023; Misheleiloen, 2024; Olanisebe et al., 2023). However, managers who also hold shares may be incentivized to pursue more aggressive tax planning in order to increase net income and firm value (Capras et al., 2024; Palalangan et al., 2024; Mulya et al., 2024), indicating a potentially positive relationship between managerial ownership and tax aggressiveness.

This study selects the energy sector as the research context due to its capital-intensive structure, export orientation, and cross jurisdiction operations, which increase the complexity of corporate tax planning through mechanisms such as transfer pricing and profit shifting (Barrios & D'Andria, 2020; Ding, 2023; Kolisnyk & Hurina, 2024). In addition, the sector is a major focus of Indonesian fiscal policy and benefits from various tax incentives, including tax holidays and tax allowance facilities (Salsabila & Mahanani, 2025; Taufiq, 2022). Most prior studies use the effective tax rate as a proxy for tax aggressiveness. However, this measure is based on accrual accounting and is vulnerable to distortions caused by temporary differences, fiscal policies, and final tax regimes that are common in Indonesia. Therefore, this study employs the cash flow effective tax rate as the main proxy, as it more accurately reflects actual cash tax payments (Kiefer et al., 2017).

Based on these considerations, this study analyzes the impact of ownership structure on corporate tax aggressiveness in Indonesian energy companies, with a focus on institutional and managerial ownership. Previous studies on ownership structure and tax aggressiveness generally rely on accrual-

based Effective Tax Rate (ETR) measurements, which can be influenced by temporary differences, accounting policies, and fiscal adjustments (Putri et al., 2022). This study addresses the limitations of these measurements by using the Cash Flow Effective Tax Rate (CFETR) as the main proxy, as it more accurately reflects actual cash tax payments (Kiefer et al., 2017). By incorporating sector-specific characteristics, ownership dynamics, and cash-based tax measurements, this study provides a more context-sensitive explanation of how ownership structure affects corporate tax behavior in emerging markets (Putri et al., 2022) Theoretically, this study strengthens the application of agency theory in the context of corporate taxation. Practically, the findings are expected to provide insights for policymakers, investors, and tax authorities in designing effective governance mechanisms and regulatory frameworks to mitigate aggressive tax practices and optimize state revenue for sustainable national development (Liko & Shahini, 2023; Rosid et al., 2018).

LITERATURE REVIEW

Tax aggressiveness refers to corporate efforts to minimize tax burdens through complex and relatively high-risk tax planning strategies that remain legally permissible (Bernhard & Veny, 2024; Putri et al., 2022). These strategies often exploit regulatory ambiguity from both legal and ethical perspectives (Challoumis & Constantinou, 2024; Marjit et al., 2017). Companies typically take advantage of imperfections in tax regulations to shift income, defer profit recognition, or inflate expenses in order to reduce taxable income.

Aggressive tax strategies include the use of transfer pricing among affiliated entities, the establishment of special purpose entities in low tax jurisdictions, and the manipulation of revenue and expense recognition through ambiguities in accounting and taxation standards (Ding, 2023; Kolisnyk & Hurina, 2024). While such strategies may increase after tax profits and shareholder value in the short term (Kiefer et al., 2017), they also expose firms to substantial legal, reputational, and compliance risks in the long term (Hong et al., 2017). Consequently, tax planning should be assessed not only in terms of fiscal efficiency but also from the perspectives of corporate governance and ethics (Cui, 2024; Zhen, 2025).

In explaining corporate tax behavior, agency theory posits that conflicts of interest may arise between shareholders as principals and managers as agents due to divergent objectives and information asymmetry (Dakhli, 2021; Wu et al., 2024). While shareholders seek sustainable firm value, managers often prioritize short term incentives, which may encourage the adoption of aggressive tax policies to enhance reported financial performance despite the associated long-term risks (Huyghebaert et al., 2024; Kovermann & Velte, 2019; Patel et al., 2018). A strong ownership structure can therefore function as a governance mechanism that aligns tax decisions with shareholder interests (Velte, 2023; Ward et al., 2020).

Institutional ownership represents an important external monitoring mechanism, reflecting shareholdings by financial institutions such as pension funds, insurance companies, banks, and investment managers (Abedin et al., 2022; Alghorbany et al., 2024). Institutional investors generally possess the resources, analytical expertise, and long-term investment orientation required to effectively oversee management actions (Jenifer & Alfia, 2023). From a traditional agency theory perspective, institutional ownership is expected to strengthen managerial monitoring and reduce opportunities for opportunistic behavior, including aggressive tax decisions (Velte, 2023). However, this assumption may not fully capture ownership dynamics in emerging markets characterized by concentrated ownership structures.

In such contexts, institutional investors may not function solely as neutral monitors but may also act as controlling shareholders with the ability to influence corporate policies for private benefit (Brady et al., 2023). This condition reflects a Type II agency problem, where conflicts arise between controlling and minority shareholders rather than between managers and owners (Fujita & Yamada, 2022). Under these circumstances, institutional investors may prioritize short-term cash flow and dividend distribution

over long-term tax compliance, potentially encouraging more aggressive tax strategies when tax enforcement is perceived as weak (Abedin et al., 2022; Dakhli, 2022; Velte, 2023). Empirical studies consistently document that higher institutional ownership is associated with lower levels of tax aggressiveness, as institutional investors tend to avoid legal, reputational, and sustainability related risks and increasingly emphasize environmental, social, and governance principles (Castañer et al., 2022; Cui, 2024; Dakhli, 2022; Huyghebaert et al., 2024; Kałdoński & Jewartowski, 2024; Pujiningsih & Salsabyla, 2022). Based on these arguments, the following hypothesis is proposed:

H1: Institutional ownership has a negative effect on tax aggressiveness.

Managerial ownership reflects an internal governance mechanism through the proportion of shares held by managers and directors involved in strategic decision making (Indy et al., 2023; Misheleiloen, 2024; Olanisebe et al., 2023). At moderate levels, managerial ownership may align managerial and shareholder interests by linking firm performance directly to managerial wealth, thereby reducing classical agency conflicts (Patel et al., 2018). However, agency theory also suggests that higher managerial ownership can lead to managerial entrenchment, increasing managers' discretion and opportunities for self serving behavior (Mgammal & Ismail, 2015; Mulya et al., 2024). In the taxation context, managers may exploit their informational advantage to pursue more aggressive tax planning strategies that increase after tax profits, compensation, and share value (Capras et al., 2024; N. Li et al., 2018; Olanisebe et al., 2023). Although such strategies may generate short term financial benefits, they also entail long term risks related to tax audits, fiscal sanctions, and reputational damage that may be underestimated by managers due to information asymmetry (Dyreng et al., 2010; Hong et al., 2017; Kovermann & Velte, 2019). Therefore, managerial ownership at certain levels may increase corporate tax aggressiveness, particularly when managerial power and informational advantages are not sufficiently constrained by other governance mechanisms. Based on this reasoning, the following hypothesis is formulated:

H2: Managerial ownership has a positive effect on tax aggressiveness.

METHODS

This study uses secondary data obtained from the annual reports of energy sector companies listed on the Indonesia Stock Exchange. The sample consists of 61 firms observed over the period 2018 to 2023. This period captures changes in Indonesia's tax ratio following the COVID nineteen pandemic, including the decline in 2020 and the subsequent increase in 2021 and 2022, which reflect ongoing challenges in tax revenue optimization (Bank, 2018). The observation window also covers pre and postpandemic conditions that influenced global commodity prices and energy sector performance. The energy sector was selected due to its substantial contribution to the national economy, high revenue levels, cross border operations, and complex ownership structures, all of which increase the potential for aggressiveness tax practices (Kartadjumena & Nuryaman, 2024; Kirnanda et al., 2024; Syahfitri & Putri, 2024). High revenues enable firms to employ tax consultants and implement tax saving strategies, while complex ownership and international networks complicate tax supervision and facilitate practices such as transfer pricing (Huslyanti et al., 2023; J. Li, 2024; Rünger, 2019).

Tax aggressiveness is measured using the Cash Flow Effective Tax Rate as the dependent variable. CFETR reflects actual cash taxes paid relative to pre tax income and is considered more objective than accrual based measures because it minimizes distortions arising from deferred tax items and accounting differences (Dyreng et al., 2010; Putri et al., 2022). In the Indonesian tax environment, which includes final taxes and fiscal reconciliation, CFETR is more relevant than ETR and CETR (Minnick & Noga, 2010; Putri et al., 2022). CFETR is inversely related to tax aggressiveness, where lower values indicate higher aggressiveness and higher values reflect greater tax compliance (Dyreng et al., 2010; Putri et al., 2022). CFETR values substantially below the statutory corporate tax rate of 22 percent since 2020 under Law No. 2 of 2020 indicate lower cash tax payments relative to potential tax liabilities and thus higher tax aggressiveness.

1. $$CFET = \frac{Total\ tax\ expense}{Operating\ cash\ flow} \quad \text{.......... (1)}$$

Institutional ownership and managerial ownership are the independent variables. Institutional ownership is measured as the percentage of shares held by institutions such as banks, pension funds, insurance companies, and mutual funds, based on ownership disclosures in annual reports (Rahayu & Wahyudi, 2024; Putri et al., 2022). Managerial ownership is measured as the percentage of shares owned by managers or directors involved in operational decision making, excluding the board of commissioners due to its supervisory role (L. C. Dewi, 2017; Orbawan & April, 2023; Umanto et al., 2022).

2. $$IO = \frac{Shares\ owned\ by\ institutions}{Total\ outstanding\ shares}\ x\ 100\% \quad \ldots\ldots (2)$$

3. $$MO = \frac{Shares\ owned\ by\ management}{Total\ outstanding\ shares}\ x\ 100\% \quad \ldots\ldots (3)$$

To reduce omitted variable bias, several control variables are included, namely profitability, auditor type, firm age, and firm size. Profitability is measured using Return on Equity, calculated as net income divided by total equity, and reflects a firm's capacity to engage in aggressive tax planning due to greater resource availability (Krisna & Supadmi, 2023; Saputra & Mujiyati, 2024; Silaban, 2020). Auditor type is measured using a dummy variable equal to one if the firm is audited by a Big Four public accounting firm and zero otherwise. Firm age is measured as the number of years since establishment up to the observation period. Firm size is measured using the natural logarithm of total assets. Leverage is not included as a control variable because the analysis focuses on governance related ownership mechanisms rather than financing driven tax planning decisions.

Prior to hypothesis testing, classical assumption tests were conducted. The Breusch Pagan test indicated heteroscedasticity with a p value below 0.05, and the Shapiro Wilk test showed non normal residual distribution. Variance Inflation Factor values indicated no multicollinearity among independent variables, including firm size and auditor type, suggesting that these variables do not mask each other's effects. Given the violation of normality and homoscedasticity assumptions, this study employs the Generalized Least Squares method, which provides efficient estimates under heteroscedasticity and autocorrelation without requiring normality (Froot, 1998). Compared to the use of robust standard errors, GLS directly adjusts the variance structure of the model and therefore produces more efficient parameter estimates under heteroscedastic conditions. Hypotheses are supported when the p value is below 0.05. Differences between firms audited by Big Four and non-Big Four auditors are further examined using the Mann Whitney U test.

This study uses unbalanced panel data because not all firms provide complete financial reports for the entire 2018 to 2023 period due to reporting delays, data limitations, or changes in firm status. The use of unbalanced panel data is maintained to preserve sample size and representativeness. The GLS estimator remains appropriate under unbalanced conditions, as it adjusts for differences in observation numbers across firms and periods, thereby producing efficient and reliable estimates (Baltagi, 2005).

RESULTS AND DISCUSSION

Based on Table 1, the average CFETR value of 0.038 is substantially below the statutory corporate tax rate of 22 percent. CFETR is an inverse proxy of tax aggressiveness, where lower values indicate higher aggressiveness and higher values reflect more compliant tax behavior (Dyreng et al., 2010). Therefore, this low average CFETR suggests that firms pay relatively less cash tax compared to their potential tax liabilities, which is conceptually associated with more aggressive tax strategies (Putri et al., 2022). Capitalinc Investment Tbk records the lowest CFETR, while Rig Tenders Indonesia Tbk shows the highest value. Although both operate within the energy sector, these differences reflect variations in operational activities and cash flow structures. Firms with stronger operating cash flows tend to exhibit higher CFETR values, indicating relatively higher cash tax payments (Putri et al., 2022).

Table 1. Descriptive Statistics

Variable	Mean	Std. Dev	Min	Max
Y - CFETR	0.038	1.804	-26.133	10.146
X1 - Institutional Ownership (IO)	0.482	0.301	0.000	0.992
X2 - Managerial Ownership (MO)	0.051	0.145	0.000	0.730
C1 – Profitability (P)	-0.135	2.221	-35.353	1.560
C2 - Company Age (AGE)	29.740	13.700	3.000	63.000
C3 - Company Size (Ln_Total Assets)	22.118	2.169	14.828	29.751

Descriptive statistics in Table 1 show that the average institutional ownership is 48 percent, with 42 firms having ownership exceeding 50 percent. This indicates that most energy sector firms in Indonesia are dominated by institutional investors with substantial economic interests and monitoring capacity (Sukmana & Suzan, 2025). Sillo Maritime Perdana Tbk has the highest institutional ownership at 99.2 percent, reflecting the capital intensive nature of energy transportation and logistics businesses that rely heavily on institutional funding (Kordsachia et al., 2022). In contrast, average managerial ownership is only 5 percent, with only four firms exceeding 50 percent. Medco Energi Internasional Tbk records the highest managerial ownership at 73 percent, a structure commonly observed in family controlled firms where ownership and management roles overlap (Feudjo et al., 2021). Overall, managerial shareholding remains limited relative to institutional ownership.

The average profitability of sampled firms is relatively low, reflecting the adverse effects of the COVID nineteen pandemic, including reduced energy demand, supply chain disruptions, and commodity price volatility (Harnovinsah et al., 2025; Martinez & Ramalho, 2014;Siniakova et al., 2022). The average firm age of approximately three decades suggests relatively stable operational experience (N. Dewi & Hidayati, 2024; Kovermann & Velte, 2019; Patel et al., 2018; Teixeira et al., 2025). Firm size statistics indicate the dominance of large scale entities with substantial asset bases, although variation across firms remains evident (Brickman et al., 2024; Cui, 2024; Zhen, 2025).

Table 2 shows significant differences between firms audited by Big Four and non-Big Four auditors for CFETR, profitability, and firm size. Firms audited by Big Four auditors exhibit higher CFETR values, indicating lower tax aggressiveness and stronger tax compliance. This finding suggests that reputable auditors contribute to improved financial reporting quality and encourage more conservative tax strategies to mitigate compliance risk (Lawrence et al., 2011). In contrast, firms audited by non-Big Four auditors tend to display lower CFETR values, reflecting relatively more aggressive tax behavior.

Table 2. Variable Differences Based on Auditor Type

Variable	Mean Non-Big Four	Mean Big Four	Z-score	Asymp, p-value
CFETR	-0.037	0.341	-6.808	0.000*
KI	0.429	0.477	0.125	0.417
KM	0.042	0.057	0.417	0.125
P	-0.321	0.206	-7.120	0.000*
AGE	28.840	32.040	-1.692	0.091
Ln_Total Assets	21.531	23.266	-8.749	0.000*

Note: Significant coefficient at *p < 0.05 through *Mann-Whitney U* test

Correlation analysis in Table 3 shows a negative relationship between CFETR and institutional ownership. This indicates that higher institutional ownership is associated with lower CFETR values, which implies higher tax aggressiveness. Institutional ownership is also negatively correlated with managerial ownership, reflecting differing interests between external and internal owners within the ownership structure (Indy et al., 2023; Kovermann & Velte, 2019; Olanisebe et al., 2023). Correlations between CFETR and other variables are relatively weak, and all correlation coefficients are below 0.5, indicating no multicollinearity concerns (Hanlon & Heitzman, 2010).

Table 3. Correlation Between Variables

	1	2	3	4	5	6
1. CFETR	1.000					
2. KI	-0.118*	1				
3. KM	0.075	-0.243**	1.000			
4. P	0.017	0.050	0.045	1,000		
5. AGE	-0.029	0.076	0.013	0.109	1.000	
6. Ln_Total Assets	0.076	-0.069	0.138	0.123	0.230	1.000

Note: Significant coefficients at *p < 0.05. **p < 0.01

CFETR is an inverse proxy of tax aggressiveness, where lower values indicate higher aggressiveness and higher values reflect more compliant tax behavior (Dyreng et al., 2010; Putri et al., 2022). To reduce cognitive complexity arising from the inverse interpretation of CFETR, Table 4 summarizes the direction of the hypothesized relationships between ownership variables, CFETR, and tax aggressiveness.

Table 4. *Summary of Hypotheses and Direction of Effects*

Hypothesis	Variable	Effect on CFETR	Effect on Tax Aggressiveness	Results
H1	Institutional Ownership	Negative	Positive	Not Supported
H2	Managerial Ownership	Not Significant	Not Significant	Rejected

Regression results in Table 5 show an increase in the R square value from Model 1 to Model 2, indicating improved explanatory power after including control variables. Institutional ownership has a negative coefficient on CFETR, implying that higher institutional ownership is associated with higher tax aggressiveness. This finding contradicts the normative expectation of agency theory that institutional investors act as effective monitors of managerial behavior (Dakhli, 2021).

Table 5. GLS Regression

Variable	Model 1		Model 2	
	Coefficient	p-value	Coeff	p-value
CI	-0.604	0.048*	-0.506	0.008**
KM	0.634	0.364	0.491	0.256
P			0.007	0.788
JA			0.403	0.002**
AGE			0.002	0.709
Ln_Total Assets			0.009	0.758
R-Square	0.016		0.054	
Probability Chi-Square	0.050^{+}		0.003	

Note: Significant coefficients are indicated by $^{+}$p < 0.1, *p < 0.05, **p < 0.01

From an industry perspective, the Indonesian energy sector is subject to specific fiscal and regulatory obligations, including domestic market obligation policies, special royalty schemes, and land and building taxes for mining activities (Kurniawan et al., 2023). During the 2018 to 2023 period, fluctuations in global coal and oil prices created significant pressure on firms' revenues and liquidity, particularly during the COVID-19 demand shock and the subsequent price rebound (Harnovinsah et al., 2025; Siniakova et al., 2022). Under such volatile conditions, firms often engage in aggressive but legally permissible tax planning to stabilize after-tax cash flows and maintain operational performance (Hanlon & Heitzman, 2010; Putri et al., 2022).

The characteristics of institutional investors in Indonesia may also explain this result. Institutional investors, including pension funds, insurance companies, investment managers, and government affiliated entities, tend to prioritize financial performance and cash flow stability, particularly in the capital intensive industries (Abedin et al., 2022; Alghorbany et al., 2024; Kovermann & Velte, 2019; Medina et al., 2022). Moreover, weaker investor protection and governance quality in developing countries can limit the effectiveness of institutional monitoring, causing institutional investors to function more as performance oriented owners rather than active supervisors (Ariningrum et al., 2025; Indy et al., 2023; McNulty & Nordberg, 2016; Olanisebe et al., 2023). These findings are consistent with prior studies in developing country contexts that document a positive association between institutional ownership and tax aggressiveness (Afani et al., 2024; Astika & Asalam, 2023; Dakhli, 2022; Kałdoński & Jewartowski, 2024; Santika & Siarwi, 2025). Accordingly, the first hypothesis is not supported.

Managerial ownership is not found to have a significant effect on CFETR. This suggests that managerial shareholding is insufficient to influence corporate tax policy, particularly given its relatively low proportion in Indonesian energy firms (J. Li, 2024; Medina et al., 2022). Although agency theory suggests that managerial ownership aligns managerial and shareholder interests (Dakhli, 2021), this mechanism appears ineffective in this context. Low ownership stakes limit managerial influence over strategic decisions, including taxation (Olanisebe et al., 2023).

One possible explanation is that managerial influence in Indonesian firms is often shaped by family alignment or controlling shareholder relationships rather than the formal percentage of shares held by managers (Feudjo et al., 2021; Kovermann & Velte, 2019). In such case, the identity and affiliation of managers may matter more than the numerical level of managerial ownership. This condition indicates that the proportion of managerial shareholding may not fully capture managerial incentives, particularly in firms with concentrated or family-based ownership structures. Therefore, future research may consider alternative governance proxies, such as family management indicators or controlling family involvement, to better explain variations in corporate tax aggressiveness (Olanisebe et al., 2023). Consequently, the second hypothesis is rejected.

Among the control variables, only auditor type is significantly associated with CFETR. Firms audited by Big Four public accounting firms tend to adopt more conservative tax strategies, while those audited by non-Big Four firms exhibit greater tax aggressiveness (Blaufus et al., 2023). This supports the view that large auditors possess superior expertise and experience in tax related advisory services, enabling firms to pursue efficient yet compliant tax planning (Akintobi et al., 2023; Hanlon & Heitzman, 2010). Other control variables, including profitability, firm age, and firm size, show no significant relationship with tax aggressiveness, indicating that ownership structure and audit quality play a more dominant role in shaping corporate tax behavior (Kovermann & Velte, 2019).

CONCLUSION

This study examines the effect of ownership structure on corporate tax aggressiveness using the Cash Flow Effective Tax Rate (CFETR) as the main proxy. The results show that institutional ownership significantly influences tax aggressiveness, where a higher proportion of institutional ownership is associated with a lower CFETR, indicating a higher level of tax aggressiveness. This finding suggests that institutional investors in Indonesian energy companies do not yet function effectively as monitoring mechanisms to restrain opportunistic managerial behavior as predicted by agency theory. Instead, institutional investors tend to accept more aggressive tax planning as long as it complies with tax regulations and supports cash flow efficiency.

In contrast, managerial ownership does not affect tax aggressiveness, indicating that the proportion of shares held by management is insufficient to influence corporate tax policy. This finding may reflect the limited effectiveness of interest alignment mechanisms between managers and shareholders, particularly in firms where managerial decisions are influenced by dominant owners or family-related control structures. As such, managerial ownership alone may not fully capture governance dynamics in these firms.

These findings provide practical implications for relevant stakeholders. For companies, the results highlight the importance of strengthening the role of institutional investors in internal control to ensure that tax planning is conducted prudently, transparently, and in compliance with tax regulations. For management, the findings emphasize that tax decisions should consider long-term compliance and corporate reputation rather than short-term profit orientation. For regulators and policymakers, this study indicates that ownership structure influences corporate tax behavior, underscoring the need to enhance ownership transparency and the implementation of good corporate governance practices.

This study is subject to several limitations. First, variations in the disclosure of ownership data in corporate annual reports limit the ability to distinguish between different types of institutional investors. While some companies provide detailed ownership classifications, others report only aggregated institutional ownership. As a results, the analysis relies on combined ownership data and cannot capture the specific effect of different shareholder categories on tax aggressiveness. Future research is encouraged to use more detailed ownership data to obtain a deeper understanding of how shareholder characteristics influence corporate tax aggressiveness in Indonesia.

Second, the measurement of managerial ownership is based solely on the proportion of shares held by management, which may not fully reflect the actual influence of managers in firms with concentrated ownership or family control. Future research is encouraged to incorporate alternative governance proxies, such as family ownership, controlling shareholder identity, or board characteristics, to obtain a more comprehensive understanding of governance mechanisms and their relationship with corporate tax aggressiveness in Indonesia.

Author Contributions

Conceptualization, S.K. and A.W.S.; Methodology, S.K. and A.W.S.; Literature search and review, S.K.; Formal analysis, S.K.; Writing – original draft, S.K.; Writing – review and editing, A.W.S.; Supervision, A.W.S.; Project administration, S.K. All authors have read and agreed to the published version of the manuscript.

Conflict of Interest

The authors declare no conflict of interest. No financial, professional, or personal relationships influenced the design, analysis, or reporting of this study.

Declaration of Generative AI Use

The authors did not use generative AI or AI-assisted technologies in the preparation of this manuscript.

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