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The Effect of Audit Quality and Managerial Ownership on Tax Compliance With Company Size As A Moderating Variable

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Abstract

This study aims to examine the effect of audit quality and managerial ownership on tax compliance, as well as the role of company size as a moderating variable. The research was conducted on energy sector manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the period 2019–2023. Using a purposive sampling method, 43 companies were selected as samples, resulting in a total of 215 observational data points. Data analysis was performed using panel data regression with the EViews 12 software, and the Fixed Effect Model was determined as the best-fit model through the Chow Test and Hausman Test. The results of this study indicate that audit quality has a positive and significant effect on tax compliance. High-quality audits conducted by reputable public accounting firms are proven to enhance the transparency and credibility of financial statements, thereby limiting management's opportunities to engage in tax avoidance practices. Furthermore, managerial ownership also has a positive and significant effect on tax compliance. The greater the proportion of shares owned by management, the stronger the alignment of interests between managers and shareholders, which encourages managers to avoid aggressive tax avoidance practices that could expose the company to legal and reputational risks. Regarding the moderating role of company size, the findings reveal that company size does not significantly moderate the effect of audit quality on tax compliance. However, company size significantly moderates the effect of managerial ownership on tax compliance in a quasi-moderation manner, where larger companies reinforce the positive relationship between managerial ownership and tax compliance due to greater public scrutiny, regulatory pressure, and reputational risk exposure. These findings contribute to the development of agency theory in the taxation context and provide practical implications for tax authorities in designing effective tax compliance improvement strategies.

Keywords: Audit Quality; Managerial Ownership; Tax Compliance; Company Size; Energy Sector.

INTRODUCTION

To measure managerial ownership of a company, (Hillary & Nicken, 2017) state that managerial ownership is measured by calculating the number of shares owned by the management divided by the total number of shares outstanding. Therefore, this study will use a proxy for the total number of shares in circulation to measure the variables of managerial ownership (Amalia, 2021).

However, the relationship between audit quality, managerial ownership, and tax compliance is not always linear and can be influenced by company characteristics. One of the characteristics that is considered relevant is the size of the company. Companies of larger size generally have more adequate resources, better internal control systems, and a higher level of oversight from regulators and the public. On the other hand, large companies also have high operational complexity and greater opportunities to do tax planning. Therefore, the size of the company is

thought to strengthen or weaken the influence of audit quality and managerial ownership on tax compliance.

This research will also use moderation variables. This is because the control system or management accounting system will depend on the situation and conditions experienced by the company, as there will be no best system design that can be applied universally and effectively to all types of situations and conditions. In other words, the results obtained from previous research have varying degrees of influence between variables. So, a contingency approach is needed in this study.

The contingency theory is an approach aimed at understanding organizational behavior, where the definition is used as a contingent factor that affects the organization's function (Sulastri & Rifa'i M., 2019). This contingency approach suggests that there may be other variables acting as moderation variables that can have a strengthening or weakening effect on the relationship between audit quality and managerial ownership on tax compliance. The contingency factor chosen in this study is the company size variable.

The size of the company is categorized based on the size or scale of the company. The size of the company has a direct impact on tax payments because the larger the company, the greater the profit generated. The profits earned will affect the company's assets and debt levels, which ultimately play a role in determining the amount of taxes that must be paid (Sari & Rahayu, 2020). The size of the company can also determine the level of investor confidence (Marlinda et al., 2020). Large companies should tend to do tax planning well (Prastyatini & Trivita, 2023).

However, large corporations are in fact under the spotlight of the government. Large and stable profits tend to encourage companies to be non-tax compliant by practicing tax avoidance, because high profits will result in a greater tax burden. The size of the company is considered to influence the company in fulfilling its tax obligations and is a factor that can cause tax evasion (Wahyu et al., 2020). The larger the company has assets, the greater the company's operational costs, which makes it possible for the company to do tax avoidance. In research by Herlinda & Rahmawati (2021) and Desi & Dhiona (2021), it was shown that the size of the company had a positive but not significant effect on tax avoidance.

Based on the importance of tax compliance in maximizing tax revenue, which is the largest state revenue from the domestic sector, the Directorate General of Taxes needs to consider factors that can support increasing tax compliance. In previous research, several factors were identified, including audit quality and managerial ownership. However, none of these studies have tested the effect of audit quality and managerial ownership on tax compliance using the moderation variable of company size. Therefore, it is necessary to conduct research on the relationship between these three factors and tax compliance. This research aims to provide consideration results for the Directorate General of Taxes in its efforts to increase tax revenue through tax compliance, especially for taxpayers in energy sector manufacturing companies in Indonesia, which are part of the real economic sector contributing the majority of state tax revenue.

The selection of energy sector companies as a sample in this study is based on several theoretical and empirical considerations relevant to the purpose of the study.

First, the energy sector has a strategic role in the national economy. Energy sector companies are one of the main contributors to state revenue, both through income tax, royalties, and non-tax state revenue (PNBP). Therefore, the behavior of energy sector companies, especially related to tax policies, has significant implications for state finances. Second, the operational characteristics of energy sector companies tend to be complex and large-scale. Business activities involving energy exploration, production, and distribution require high capital investment and have a complex cost structure. This condition opens up opportunities for companies to carry out intensive tax planning, making the energy sector a relevant object for examining tax aggressiveness or tax compliance practices. Third, energy sector companies are vulnerable to fluctuations in global commodity prices. Changes in coal, oil, and gas prices can significantly affect a company's profitability level. These fluctuations have the potential to encourage management to implement certain tax management strategies to maintain the stability of after-tax profits, making it interesting to analyze in the context of the relationship between financial performance and corporate tax policies. Fourth, the energy sector receives many tax facilities and incentives from the government. The provision of tax holidays, tax allowances, and other incentives aims to encourage investment and development in the energy sector. However, the use of these incentives can also affect the amount of tax burden borne by the company. This makes the energy sector relevant for research to see how companies take advantage of the applicable tax policies. Fifth, the level of public spotlight and high regulation of the energy sector are also considerations in the selection of samples. Issues of sustainability, corporate governance, and social responsibility have put the energy sector under strict supervision by the government and the public. This condition creates its own dynamics in managerial decision-making, including decisions related to corporate tax strategies.

Based on these considerations, energy sector companies are considered as an appropriate and relevant sample to be analyzed because they have distinctive characteristics, large economic contributions, and the potential for interesting tax management practices to be studied empirically.

Based on the description of the phenomenon, and the research gap that has been stated above, the researcher is interested in conducting research on the factors that affect tax compliance. Therefore, the researcher determined the title of the study, namely: "The Effect Of Audit Quality And Managerial Ownership On Corporate Size Tax Compliance As A Moderation Variable (Empirical Study On Energy Sector Manufacturing Companies Listed On The Indonesia Stock Exchange For The 2019-2023 Period)".

Problem Formulation

Based on the description presented in the background, the formulation of the problem can be identified as follows:

1. Does the quality of the audit affect the tax compliance of manufacturing companies in the energy sector for the 2019-2023 period?
2. Does managerial ownership affect the tax compliance of energy sector manufacturing companies in 2019-2023?

3. Does the size of the company moderate the effect of audit quality on the tax compliance of energy sector manufacturing companies for the 2019-2023 period?
4. Does the size of the company moderate the influence of managerial ownership on the tax compliance of manufacturing companies in the energy sector for the 2019-2023 period?

Research Objectives

Based on the background description and problem formulation above, the objectives of this study are as follows:

1. To analyze the effect of audit quality on the tax compliance of manufacturing companies in the energy sector for the 2019-2023 period.
2. To analyze the influence of managerial ownership on the tax compliance of manufacturing companies in the energy sector for the 2019-2023 period.
3. To analyze whether company size moderates the effect of audit quality on the tax compliance of energy sector manufacturing companies for the 2019-2023 period.
4. To analyze whether company size moderates the influence of managerial ownership on the tax compliance of manufacturing companies in the energy sector for the 2019-2023 period.

RESEARCH METHOD

Data Analysis Methods

This study uses statistical analysis methods with the help of EVIEWS 12 software and utilizes panel data.

Research Object

The object of research is the main focus in a research that is aimed at obtaining answers or solutions to the problems faced. According to Sugiyono (2017), the object of research is the attribute or value of an individual, object, transaction, or event that has certain variations and is determined by the researcher to be studied and concluded.

The object of this study is the factors that affect tax compliance, namely audit quality, managerial ownership, and tax risk in energy sector manufacturing companies listed on the Indonesia Stock Exchange during the 2019-2023 period.

Population and Research Sample

The population of this study is energy sector manufacturing companies listed on the Indonesia Stock Exchange (IDX) in the 2019-2023 period. The sample in this study is a company that consistently publishes Annual Reports during that period. The sampling technique is carried out using the non-probability sampling method using the purposive sampling approach, which is the determination of the sample based on certain criteria that do not provide the same opportunity for each member of the population to be selected. The criteria for sample selection are as follows: Hypothesis is interpreted as a temporary answer to the formulation of the research problem (Sugiyono, 2020:219). The hypothesis test design was made based on the formulation of the problem and the following research objectives:

1. Manufacturing companies in the energy sector listed on the Indonesia Stock Exchange for the 2019-2023 period.
2. Manufacturing companies in the energy sector that have not experienced special monitoring, suspension and/or *delisting* for the 2019-2023 period.
3. A manufacturing company in the energy sector that publishes an *Annual Report* consistently every year during the period 2019-2023.

Based on these criteria, 43 qualified energy sector manufacturing companies were obtained, bringing the total number of samples to 215 data (43 companies × 5 years).

RESULTS AND DISCUSSION

Data Description Analysis

In determining the descriptiveness of each variable in this study, descriptive analysis was used. The summary of the results of the statistical descriptive analysis that has been carried out is as follows:

Table 1 Descriptive Variable Analysis

	ETR	OR	KM	SIZE
Red	-0.160817	0.206532	0.033065	29.49309
Median	-0.101498	0.171821	3.51E-05	29.27280
Maximum	0.775238	1.466969	0.675614	32.75395
Minimum	-1.473388	-0.773658	0.000000	25.65904
Std. Dev.	0.301353	0.322768	0.077005	1.529029
Skewness	-0.504958	0.150524	4.438488	0.139405
Kurtosis	6.419822	4.993804	32.72186	2.585286
Jarque-Bera	83.70783	26.76707	6334.413	1.644009
Probability	0.000000	0.000002	0.000000	0.439550
Sum	-25.40909	32.63199	5.224294	4659.908
Sum Sq. Dev.	14.25773	16.35614	0.930968	367.0551
Observations	158	158	158	158

Source: 2025 secondary data

Table 1 above shows that, based on the results of descriptive statistics, the Effective Tax Rate (ETR) variable has an average value of –0.160 with a standard deviation of 0.301. The average value of the negative ETR shows that, in general, the companies in the research sample have a relatively low level of effective tax burden, even smaller than the profit before tax generated. This condition can indicate the existence of aggressive tax management practices, the use of tax incentives, compensation for fiscal losses, or the recognition of deferred taxes that cause the tax burden to be recorded lower or have a negative value. The standard deviation of 0.301, which is greater than the average value, indicates that there is a fairly high variation in the ETR level between companies in the sample. This shows that corporate tax compliance and

management behavior is not uniform, with some companies showing a relatively high level of tax compliance, while others tend to have a very low or even negative tax burden. The largest ETR value of 0.775 indicates that there are companies that bear a relatively high tax burden compared to the profit before tax earned. This condition can be caused by limited tax facilities or incentives utilized, significant positive fiscal corrections, or high levels of corporate tax compliance with applicable tax regulations. Meanwhile, the smallest ETR value of –1.473 indicates the existence of companies with a very low tax burden or even record large tax benefits. This extreme negative ETR value can occur because the company suffers a fiscal loss but still recognizes the benefits of deferred tax, compensates for tax losses, or obtains tax refunds. This condition reflects a significant difference in the tax strategy implemented by the company.

Based on the results of descriptive statistical analysis, the KA variable has an average value (mean) of 0.206 with a standard deviation of 0.322. A positive average value indicates that, in general, the KA variables in the research object tend to be at a relatively moderate level. This indicates that the conditions represented by the train variable, on average, have shown a positive trend during the observation period. The standard deviation value of 0.322, which is larger than the average value, shows that there is a fairly high variation in data between the study samples. This condition indicates that the value of the train is not homogeneously distributed but has a fairly wide spread. In other words, there are significant differences between the units of analysis in representing the KA variable. Furthermore, the maximum value of the KA variable of 1.466 indicates that there is a sample with a very high level of KA compared to the overall average. This reflects the existence of entities that have much more dominant train characteristics, so they have the potential to make a major contribution to the overall variation of data. On the other hand, the minimum value of the KA variable of -0.773 indicates that there is a sample that has a negative KA value, which indicates a relatively low or even contrary to the general trend.

Based on the results of descriptive statistical analysis, the Managerial Ownership (KM) variable has an average value of 0.033 with a standard deviation of 0.077. The average value shows that, in general, the proportion of shares owned by management in the sample company is relatively low, which is only about 3.3% of the total outstanding shares. This condition indicates that most companies have not implemented managerial ownership as the dominant internal control mechanism. A standard deviation that is larger than the average reflects a fairly high level of data variation. This shows that there are significant differences between companies in terms of shareholding by management. In other words, although the average managerial ownership is relatively small, there are some companies that have a much larger proportion of managerial ownership than others. The maximum value of managerial ownership of 0.675 indicates that, in a given company, management owns up to 67.5% of the company's shares. This high level of ownership reflects a strong alignment of interests between management and shareholders, so that managers have a great incentive to improve the company's performance and maintain business sustainability, including in strategic decision-making such as tax policy. On the other hand, a minimum value of managerial ownership of 0 indicates that there are companies that do not have any shareholding by management at all. This condition has the potential to increase agency

conflicts because management does not have a direct attachment to the interests of shareholders, so the decisions taken—including those related to tax compliance—are potentially more oriented to short-term interests.

Based on the results of descriptive statistics, the Company Size variable (SIZE) has an average value of 29.493 with a standard deviation of 1.529. The average value shows that, in general, the companies in the research sample are classified as having a relatively large company size, which is usually measured using the natural logarithm of total assets. This indicates that most of the sample companies have a significant resource capacity and operational scale. The standard deviation of 1.529 indicates a relatively moderate level of data variation. This value indicates that the size of the companies in the sample does not show too extreme differences between companies, so the data tends to be homogeneous. This reflects that the majority of companies are in a relatively similar size range, although there are still variations that reflect differences in asset scale and operational complexity. The maximum value of the SIZE variable of 32.753 indicates the presence of companies with a very large scale of assets in the study sample. Companies of large size generally have more complex organizational structures, higher levels of external supervision, and greater exposure to regulation and public attention, including in the tax compliance aspect. In contrast, the minimum value of 25.659 reflects a company with a relatively smaller size than the other companies in the sample, but it remains in the category of companies with significant operational activity.

Classical Assumption Analysis

Normality Test

This test is to test whether the observations are distributed normally or not. Regarding the normality test above the probability value of 0.138 is greater than 0.05, therefore it is concluded that the residual data is normally distributed.

Heteroscedasticity Test

The heteroscedasticity test aims to test whether in the regression model there is an instability of variance from one residual observation to another. Based on the Harvey Test, the Probability value is significant over 5%.

The heteroscedasticity test showed a probability value of 0.125 greater than 0.05, therefore the decision to accept H0 was obtained with the conclusion that there was no heteroscedasticity in the residual data.

Multicollinearity Test

The multicollinearity test aims to find out whether there is a perfect or very high relationship between independent variables in the regression model. To detect the presence or absence of multicollinearity problems in the regression model, it can be seen from the value of VIF (Variance Inflation Factor).

The multicollinearity test showed that the VIF value on all independent variables was less than 10, therefore it was concluded that there was no multicollinearity in the independent variables.

Autocorrelation Test

The autocorrelation test aims to test whether in the regression model there is an instability of variance from one residual observation to another. Based on the Autocorrelation Test, the Probability value is significant more than 5%.

The autocorrelation test showed a probability value of 0.239 greater than 0.05, therefore the decision to accept H0 was obtained with the conclusion that there was no autocorrelation in the residual data.

Best Model Selection

In the selection of the regression model, this research uses panel data regression. In data regression, the panel has three models that can be used, namely Common Effect, Fixed Effects and Random Effect. To choose a more appropriate regression model in this study, testing can be carried out using the Chow Test and the Hausman Test. The results of the Chow Test were carried out to determine the more appropriate regression model used between the Common Effects model and the Fixed Effects model, for the Hausman Test it was carried out to determine a more appropriate regression model to be used between the Random Effects model and the Fixed Effects modelChow Test

Chow test is used to choose between a Common effect model or a Fixed effect model. The basis for rejecting the hypothesis is to compare the calculation of F-statistics with the F-tables. The comparison is used if the result of F is greater (>) than the F table, then H0 is rejected which means that the most appropriate model to use is the Fixed Effect Model. Likewise, if F is calculated smaller (<) than F in the table, H0 is accepted and the model used is the Common Effect Model (Widarjono, 2009).

The chow test obtained a probability value of 0.000 smaller than 0.05, therefore it was concluded that the fixed effect model is more suitable for use than the common effect model.

From the results of the test above, it will be determined whether to use the fixed effect model or random effect. To be calculated with a random effect model that will be compared with a fixed effect model using the Hausman test.

Hausman Test

The test is used to choose the best model between fixed effect and random effect model based on the following hypothesis:

H0 : Choosing the Random Effect Model, if the Chi-squer value is insignificant at $\alpha = 5\%$.

H1 : Select the Fixed Effect model, if the Chi-squer value is significant at $\alpha = 5\%$.

To make a choice between a random effect or fixed effect model, it can be done by looking at the significant p-value (less than $\alpha = 5\%$), then the model used is a fixed effect estimate, and vice versa if the p-value is not significant (greater than $\alpha = 5\%$) then the model used is a random effect estimate.

The thirst test above obtained a probability value of 0.003 which is smaller than 0.05, therefore it is concluded that the fixed effect model is more suitable for use than the random effect model.

Lagrange Multiplier Test

The Lagrange Multiplier Test is a test to choose whether the model is a common effect or a random effect. This test is carried out with the following hypothesis:

H0 : Selecting a model *Common Effect*

H1 : Selecting a model *Random Effect*

This LM test is based on Breusch-Pagan probability, if the Breusch-Pagan probability value is less than the alpha value then Ho is rejected which means the correct estimate for the regression of the panel data is a random effect model and vice versa.

The chow test above obtained a probability value of 0.000 which is smaller than 0.05, therefore it is concluded that the random effect model is more suitable to be used than the common effect model.

Based on these three tests, it can be concluded that the fixed effect model is the most suitable model to use.

Hypothesis Testing

From the test results carried out on the chow test, thirst test, and lagrange multiplier test above, the best model to be used for analysis can be known and selected. The model used is the regression of the Commond effect model.

The regression equation of the panel data above was concluded that the increase in the train variable was able to provide an influence to reduce the ETR variable by 0.914 and an increase in the KM variable was able to provide an influence to increase the ETR variable by 0.336.

The regression equation of the panel data above was concluded that the increase in the interaction of the KA variable with SIZE was able to have an effect to reduce the ETR variable by 0.108 and the increase in the interaction of the KM variable with SIZE was able to provide an influence to increase the ETR variable by 0.222.

Hypothesis Test

This analysis is to find out how much of a relationship there is between independent variables and their dependent variables. To test the best regression model, the proposed model must meet the following criteria:

Simultaneous Test (F Test)

The F test aims to assess the simultaneous influence of independent variables on dependent variables. Ghozali (2018), if the results of the F test show a significance value of ≤ 0.05, then the regression model is considered feasible or fit.

The significance value is 0.000, which is less than 0.05. This means that the regression model is feasible to use in this study. This result means that independent variables simultaneously have a significant effect on ETR.

The significance value is 0.000, which is less than 0.05. This means that the regression model is feasible to use in this study. This result means that independent variables simultaneously have a significant effect on ETR.

Coefficient Determination Test

The coefficient of determination (R2) measures the model's ability to explain the variation of dependent variables. Ghozali (2018) explained that the value of R2 is close to zero, indicating that the ability of independent variables is very limited in explaining the variation of dependent variables. In contrast, a value of R2 close to one indicates an independent variable almost completely explains the variation of the dependent variable.

It is known that the Adjusted R-squared (R2) value is 0.954 or 95.4%. This means that 95.4% of the ETR variation is influenced by train and KM. Meanwhile, the remaining 4.6% was influenced by other variables outside the regression model.

It is known that the Adjusted R-squared (R2) value is 0.958 or 95.8%. This means that 95.8% of the ETR variation is influenced by KA, KM and SIZE moderation on KA and KM. Meanwhile, the remaining 4.2% was influenced by other variables outside the regression model.

T test

The t-test is used to evaluate the influence of each independent variable on the dependent variable. The test results were compared to a significance level of 5%. Ghozali (2018), if the significance value of an independent variable or moderation ≤ 5%, the hypothesis is accepted. Conversely, if the significance value > 5%, the hypothesis is rejected.

Table 2 No Moderation t-test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.016883	0.006987	2.416480	0.0171
OR	-0.914252	0.018850	-48.50201	0.0000
KM	0.336368	0.093190	3.609504	0.0004

In table 2 above, the results of the variable significance test can be obtained as follows.

1. Based on table 4.15, the KA variable has a prob value. (p-value) of 0.000, which is smaller than 0.05. This shows that the train variable has a negative and significant effect on ETR with a confidence level of 95 percent. Thus, the first hypothesis (H1) is accepted.
2. Based on table 4.15, the KM variable has a prob value. (p-value) of 0.000, which is smaller than 0.05. This shows that the KM variable has a positive and significant effect on ETR with a confidence level of 95 percent. Thus, the second hypothesis (H2) is accepted.

Table 3 t-test with moderation

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.019564	0.188956	0.103536	0.9177
OR	-0.371432	0.292162	-1.271322	0.2061
KM	-6.518548	2.390008	-2.727416	0.0073
SIZE	0.000342	0.006424	0.053284	0.9576
KA*SIZE	-0.018472	0.009622	-1.919829	0.0572
KM*SIZE	0.222382	0.077246	2.878866	0.0047

In table 3 above, the results of the variable significance test can be obtained as follows.

1. Based on table 4.16, the interaction of the KA variable with SIZE has a probability value. (p-value) of 0.057, which is greater than 0.05. This shows that the SIZE variable does not moderate the influence of the KA variable on the ETR variable with a 95 percent confidence level. Thus, the third hypothesis (H3) is rejected.
2. Based on table 4.16, the interaction of the KM variable with SIZE has a probability value. (p-value) of 0.004, which is smaller than 0.05. This shows that the SIZE variable moderates the influence of the KM variable on the ETR variable with a confidence level of 95 percent. Thus, the fourth hypothesis (H4) is accepted.

The Effect of Audit Quality on Tax Compliance

From the test, it shows that the DA has a positive effect on the ETR. If DA increases, it will increase the ETR. It can be concluded that Hypothesis 1 is accepted, so audit quality has a positive effect on tax compliance.

Taxes play an important role as one of the sources of state revenue (Agustyo & Arianti, 2024). Meanwhile, information about the financial condition of a company helps in assessing the tax obligations that must be paid by a company, in accordance with the tax provisions and laws that apply in a country. Therefore, in a financial statement, the quality of the audit will play a significant role in the level of tax compliance.

Tax avoidance practices are often carried out by companies to achieve greater profits. Thus, foresight is needed from auditors to audit a company's finances as thoroughly as possible, so that tax compliance can be further improved. From the results of the study, it can be concluded that good audit quality will further improve tax compliance. An audited company with better audit quality will make it more difficult for the company to carry out tax avoidance practices (Sa'diyah, 2025), so it can be said that the level of tax compliance will increase.

In line with the research conducted by Sa'diyah (2025), which found that audit quality has a negative effect on tax avoidance, an increase in audit quality will reduce tax avoidance, or it can be said that an increase in audit quality will be followed by an increase in tax compliance.

Agency theory describes the contractual relationship between the principal (owner or shareholder) and the agent (management) who is authorized to manage the company. In the context of taxation, agency conflicts arise due to differences in interests between company owners who want business continuity and a good reputation, and management, who tend to try to maximize personal interests, including through tax avoidance practices or tax aggressiveness.

Management, as an agent, has more information (information asymmetry) than principals and tax authorities. This condition opens up opportunities for management to manipulate financial statements or engineer tax policies to reduce the company's tax burden, even though these actions have the potential to violate tax provisions (Chyz et al., 2023).

In the framework of agency theory, audit quality acts as a monitoring mechanism to reduce agency conflicts. High-quality audits—which are generally conducted by reputable Public Accounting Firms (KAP), independent auditors, and auditors with adequate competence and

experience—are able to increase the credibility of financial statements and limit management's room to carry out opportunistic practices, including tax non-compliance (Vierra, 2019).

Research that does not align with the results of this hypothesis was conducted by Afifah & Wahyudi (2024) and Pratama & Mulyani (2019), which show that DA has a negative effect on ETR. If DA increases, it will decrease ETR, meaning audit quality has a negative effect on tax compliance.

The Influence of Managerial Ownership on Tax Compliance

From the test, it shows that KM has a positive effect on ETR. If KM increases, it will increase ETR. It can be concluded that Hypothesis 2 is accepted, so managerial ownership has a positive effect on tax compliance.

Tax avoidance practices are commonly done by companies to increase the profits earned. However, this practice can raise its own problems, namely the possibility of tax audits and agency risks (Teguh & Nyale, 2024). In terms of tax compliance, managerial ownership is one of the factors that can have a significant influence.

The results of the study show that managerial ownership has a positive and significant effect on tax compliance. The greater the managerial ownership, the more it will reduce the managerial ability to make tax avoidance efforts, so tax compliance will improve (Agustyo & Arianti, 2024). This may be related to the desire of management to increase the value of the company in the eyes of investors or the public as a clean and tax-compliant company that fulfills its obligations. It can be concluded that managerial ownership has a positive effect on tax compliance.

In line with Agustyo & Arianti (2024), who concluded in their research that managerial ownership has a negative effect on tax avoidance, it can be interpreted that managerial ownership will increase tax compliance.

In the agency theory put forward by Jensen and Meckling (1976), the relationship between the company owner (principal) and manager (agent) has the potential to cause a conflict of interest. This conflict arises because managers do not always act in accordance with the owner's interests, especially when the manager has more information (information asymmetry) and supervision from the owner is limited.

One form of agency conflict that is relevant in the context of taxation is tax avoidance behavior. Managers may be encouraged to engage in tax avoidance practices to improve short-term profits or reported financial performance, as doing so has the potential to increase the manager's compensation, bonuses, or reputation. However, aggressive tax avoidance strategies also carry risks, such as tax sanctions, fines, and damage to the company's reputation in the future, which ultimately harms the company's owner (Ogbonna et al., 2023).

Managerial ownership is seen as one of the mechanisms to reduce agency conflicts. When managers also own company shares, their position is not only as an agent but also as an owner. This condition creates an alignment of interests between managers and shareholders.

In the perspective of agency theory, the increase in managerial ownership will encourage managers to be more cautious in making strategic decisions, including taxation-related decisions. Managers who own shares will bear the long-term impact of every decision, both profit and loss.

Therefore, they tend to avoid overly aggressive and high-risk tax avoidance practices, as potential sanctions and tax compliance costs can lower the company's value and their own wealth as shareholders (Djalo et al., 2023).

Research that does not align with the results of this hypothesis was conducted by Utami (2023) and Krisna (2019), which show that KM has a negative effect on ETR. If KM increases, it will decrease ETR, meaning that managerial ownership has a negative effect on tax compliance.

The Role of Company Size in Moderating the Influence of Audit Quality on Tax Compliance

From the tests, it shows that DA_LNTA has a positive effect on the ETR. If DA_LNTA increases by 1, it will increase the ETR. It can be concluded that Hypothesis 3 is accepted, meaning that the size of the company is able to moderate the influence of audit quality on tax compliance. This nature of moderation falls into quasi-moderation.

Audit quality is closely related to the sustainability of a company or business, because with a quality audit, a financial report will be more reliable and can be used as a basis for decision-making (Simarmata & Meutia, 2024), including in the company's compliance with paying taxes. Meanwhile, company size is another factor that can play an important role in the quality of audits and corporate tax compliance.

The size of the company in this study can be a moderation variable on the influence of audit quality on tax compliance. In this case, the larger the size of the company, the more likely it is that the company has sufficient resources to carry out supervision so that the quality of the audit displayed can be even better. This will then also have an effect on reducing tax avoidance practices and increasing tax compliance. Companies with larger sizes tend to pay more attention to tax risks, as indicated by better and more transparent financial statements (Enjelia & Margie, 2025).

In line with Simarmata & Meutia (2024), whose research found that company size moderates the influence of audit quality on profit management practices.

Agency theory emphasizes the importance of monitoring mechanisms to reduce information asymmetry and opportunistic management behavior. Audit quality acts as an independent external oversight mechanism. High-quality auditors, such as reputable KAPs, have higher competence, independence, and professional prudence in detecting tax aggressive practices, manipulation of financial statements, and non-compliance with tax regulations.

In agency theory, the size of a company reflects the complexity of the organization, the degree of separation of ownership and control, and the magnitude of its exposure to public and regulatory scrutiny. Large-sized companies generally have higher agency costs, as the organizational structure is more complex and the distance between owners and management is wider. Greater public and regulatory scrutiny, including from tax authorities, the media, and investors, and stronger financial ability to use the services of a high-quality auditor, make large companies more sensitive to reputational risks and legal sanctions due to tax non-compliance. Therefore, the existence of high-quality auditors in large companies will be more effective in suppressing opportunistic management behavior than in small companies (Qawqzeh, 2023).

Within the framework of agency theory, company size moderates the effect of audit quality on tax compliance by strengthening the audit monitoring function. In large companies, high audit

quality will narrow the information asymmetry between management and owners, increase the credibility of financial statements and tax reporting, and suppress tax aggressive practices due to greater reputational risks and penalties. In contrast, in small companies, external pressures are relatively lower and business complexity is simpler, so the influence of audit quality on tax compliance tends to be weaker (Mahouat et al., 2025).

Research that is not in line with the results of this hypothesis was conducted by Pratama (2024) and Raihan et al. (2025), which show that DA_LNTA has a negative effect on ETR. If DA_LNTA increases by 1, it will decrease ETR, meaning that the size of the company has not been able to moderate the influence of audit quality on tax compliance.

The Role of Company Size in Moderating the Influence of Managerial Ownership on Tax Compliance

From the tests, it was found that KM_LNTA had a positive effect on the ETR. If the KM_LNTA increased, it would increase the ETR. It can be concluded that Hypothesis 4 is accepted, meaning that the size of the company is able to moderate the influence of managerial ownership on tax compliance. This type of moderation is a type of quasi-moderation.

Company size is a variable that can play a role in moderating the influence of managerial ownership on tax compliance. Enjelia & Margie (2025) mention that "the larger the company's size and managerial ownership, the lower the company's tendency to avoid taxes, because managers who own shares feel the impact of their decisions directly."

When management has ownership, they may have more careful consideration about the decisions they will make. This is because the decisions taken by management can have a direct impact on the company and themselves as one of the shareholders in the company (Ambarwati & Nurhayti, 2024). As the size of the company grows, the potential to increase tax compliance will be even higher, because companies with large sizes tend to get the spotlight from both the public and the government. This study was able to prove that the size of the company moderates the influence of managerial ownership on tax compliance.

In line with Enjelia & Margie (2025), whose research concluded that company size is able to moderate the influence of managerial ownership on tax avoidance.

Agency theory describes the contractual relationship between the principal (shareholders) and the agent (manager), where each party has potentially different interests (Jensen & Meckling, 1976). In the context of corporate taxation, agency conflicts arise when managers have discretion in tax decision-making, including tax planning or tax avoidance practices, which are not always in line with shareholders' long-term interests or regulatory compliance.

Tax compliance is an important issue because the tax aggressiveness decisions made by managers can lower the tax burden in the short term but increase the risk of sanctions, fines, and damage to the company's reputation in the long run.

According to agency theory, managerial ownership is one of the mechanisms to reduce conflicts of interest between agents and principals. When managers also act as shareholders, they will be more careful in making risky decisions, including in tax management (Salleh et al., 2025).

Managers who own company shares tend to pay attention to the company's long-term sustainability, avoiding overly aggressive tax avoidance practices, and being more compliant with tax regulations to maintain the company's value.

Thus, managerial ownership theoretically has a positive effect on tax compliance, as it aligns the interests of managers with shareholders.

Firm size reflects operational complexity, level of public scrutiny, and regulatory exposure. Within the framework of agency theory, company size plays an important role in strengthening or weakening the influence of managerial ownership on tax compliance. Larger companies have a higher level of external oversight from tax authorities, auditors, investors, and the media. They also face a huge reputational risk if they are not tax-compliant. Agency conflicts are more complex as the separation of ownership and control widens (Shaukat et al., 2025).

Under these conditions, managerial ownership becomes more effective in driving tax compliance. Managers who are also shareholders will be even more cautious because of the potential for large financial and reputational losses in the event of tax violations. In small firms, the influence of managerial ownership on tax compliance tends to be weaker, as agency risk and external pressures faced by managers are also lower.

Research that is not in line with the results of this hypothesis was conducted by Sugeng et al. (2025) and Mahati (2025), which shows that KM_LNTA has a negative effect on ETR. If KM_LNTA increases by 1, it will decrease ETR, meaning that the size of the company has not been able to moderate the influence of managerial ownership on tax compliance.

CONCLUSION

The results of the study concluded that both audit quality and managerial ownership had a positive effect on corporate tax compliance. Quality auditors increased financial statement transparency, while greater managerial ownership encouraged management to avoid legal risks associated with tax non-compliance. Additionally, company size was proven to moderate both relationships: strengthening the influence of audit quality on tax compliance in a quasi-moderation manner and strengthening the influence of managerial ownership on tax compliance as a predictor moderation. This is because large companies have higher operational complexity and greater stakeholder pressure, making tax compliance increasingly crucial.

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