

FACTORS AFFECTING TAX AGGRESSIVENESS WITH MODERATION OF EARNINGS MANAGEMENT

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ABSTRACT

This study aims to acquire the empirical evidences from the factors affecting tax aggressiveness with moderation of earnings management. Total sample data were 165 from 55 manufacturing companies listed on Indonesia Stock Exchange (IDX) for the period of 2018-2020. Purposive sampling was used in this research. The hypothesis testing method in this research was done by using the moderated regression analysis model which was processed with EViews 12 SV software. Fixed effect model (FEM) was the suitable model in this research. Tax aggressiveness is proxied by effective tax rate (ETR). The result shows that ROA, DER, firm size, and CIR have no significant effect on ETR. Earnings management also could not moderate the effect of ROA, DER, firm size, and CIR on tax aggressiveness.

Keywords: *Tax Aggressiveness, Profitability, Leverage, Firm Size, Capital Intensity, Earnings Management*

1. INTRODUCTION

Tax is the backbone of the country that not only plays a role in building and supporting the running of the government but also plays a role in maintaining the sovereignty of a nation. However, there are different interests between the government and companies. The government wants to get massive revenues, which are from tax payments, to be able to run its programs. Conversely, companies want to get more optimal profits by paying little tax. This conflict of interest can encourage tax avoidance practices in companies.

One of the alleged tax avoidance practices that occurred in Indonesia is the case committed by PT Adaro Energy, the Indonesian mining company. In 2019, Global Witness stated that there were suspicions or allegations that PT Adaro Energy was practicing tax avoidance. The tax avoidance practice is carried out with transfer pricing by selling coal products at low prices to its subsidiaries abroad, then selling to other countries at high prices. With the transfer pricing, the profit earned by PT Adaro Energy in Indonesia is smaller than it should be. The low profit earned affects the taxes that the company must pay to Indonesia.

Transfer pricing practice is a form of tax avoidance. Tax avoidance is done by utilizing legal loopholes, so it seems that the practice does not violate the law. However, the practice is unethical for taxpayer companies doing business in Indonesia. One of the variables that can be used as an indicator of tax avoidance practices is the effective tax rate (ETR). ETR is a ratio that collate the amount of tax paid by company in the current period to the profit before tax in the same period.

This study refers to Rani et al. (2018), which examines the effects of the corporate's characteristics on tax avoidance that moderated by earnings management. However, there are several points that differentiate this study from earlier research, including: (1) This study uses

manufacturing companies from the Indonesia Stock Exchange; (2) This study uses the period from 2018-2020; and (3) There is an additional variable, namely the capital.

Based on the framework above, it is essential to re-analyse the effect of profitability, leverage, company size and capital intensity on tax aggressiveness. The purpose of this research was to obtain empirical evidence concerning: (1) The effect of profitability on tax aggressiveness; (2) The effect of leverage on tax aggressiveness; (3) The effect of firm size on tax aggressiveness; 4) The effect of capital intensity on tax aggressiveness; and 5) The role of earnings management to moderates the influence of profitability, leverage, firm size, and capital intensity on tax aggressiveness.

2. LITERATURE REVIEW

Agency Theory

According to Jensen and Meckling in Rani et al (2018), agency theory describes that the agency relationship is a contract where the principal involves or appoints another party, namely the agent to perform a service by giving decision-making authority to the agent. Conflicts between principals and agents arise when both have different interests. Principals have distinct interests from agents. This difference in interest is what causes agency conflicts to arise.

According to Ambarukmi and Diana (2017), both principals and agents have information related to the company, but the information they have is not necessarily the same, resulting in information asymmetry. This information asymmetry can be an advantage for the agent because it is generally the agent who knows the actual condition of the company.

Positive Accounting Theory

According to Watts and Zimmerman in Nasution et al. (2018), positive accounting theory stems from research related to factors that influence corporate management attitudes towards accounting standards, especially those related to corporate cash flow. There are three hypotheses that stand for positive accounting theory, which are the bonus plan hypothesis, the debt contract hypothesis, and the political cost hypothesis.

The bonus plan hypothesis and debt contract hypothesis explain that companies inclined to use accounting standards showing an increase in profits for bonus purposes and creditor confidence in the company. On the other hand, the political cost hypothesis wants to show a less significant level of profit because it assumes that the higher the revenue, the higher the costs incurred by the entity.

Tax Aggressiveness

According to Alkausar, Lasmana, and Soemarso in Siciliya (2021), tax aggressiveness is a strategy performed by companies to minimize the tax paid with a plan with tax avoidance or tax evasion. Jafar and Diana (2020) state that the company's aggressiveness toward taxes can be seen from the number of steps taken by the company by utilizing loopholes in tax regulations to avoid taxes. Several methods for measuring tax aggressiveness, namely ETR, CETR, and BTDR with different purposes of use.

Profitability

According to Yusuf et al. (2020), profitability is the company's ability to earn profit at a certain level. Profitability is used as a measure of the company's success in managing company assets to generate profits. According to Syafri in Ambarukmi and Diana (2017), the ratio that reflects the company's competence to earn return with sources carried out by the company such as sales, capital, and others is the profitability ratio. In addition, according to Weygandt et al. (2019), return on assets (ROA) is a ratio that compares the profit earned by the company after deducting tax payments, with the total assets.

Leverage

According to Kasmir in Sari et al. (2021), leverage is used to measure the companies' ability to pay its debts. If the company has a high level of debt ratio, the greater risk is borne by the company. In addition, the leverage ratio can also be used to show how much debt the company has financing its operational activities.

Firm Size

Fitri and Munandar (2018) argue that firm size is one of the measurements based on company size which can be described by company activities and income. According to Ariani and Hasymi (2018), company size itself can be classified into three types. There are large company, medium company, and small company. Determination of company size can also use various measurements such as total assets, sales level, or average company sales.

Capital Intensity

Indrani in Anisa and Prasetya (2021) stated that capital intensity is defined as the company's sacrifice to carry out operational activities and funding assets or assets with the aim of obtaining profits for the company.

Earnings Management

Edi and Jessica (2020) state that earnings management is an act of data manipulation and is commonly found in financial reports by utilizing accountants' choices and policies regarding the accounting methods used. The definition of earnings management shows that the accounting process is strongly influenced by the subjectivity of accountants. According to Cohen and Zarowin in Anh (2020), earnings management can be divided into two basic categories, namely earnings management through accrual accounting and earnings management through actual transactions.

Prior Research

Panda and Nanda (2021) also Pahala et al. (2021) mentioned in their research that return on asset had a positive significant effect on ETR, whereas Napitu and Kurniawan (2016) also Ariani and Hasymi (2018) showed that return on asset had negative significant effect on ETR. Another research by Yusuf, et al. (2022) and Sari, et al. (2021) showed that return on asset had insignificant effect on ETR.

Research by Erlianny and Hutabarat (2020) showed that leverage had a positive significant effect on ETR. This differs from the research conducted by Fatmawati and Solikin (2017) also Pahala et al. (2021) which shows that leverage had negative significant effect on ETR. Sari, et al (2021), Fitri and Munandar (2018) state that leverage had insignificant effect on ETR.

Setyoningrum (2019) showed that firm size had negative significant effect on ETR. Another research by Ambarukmi and Diana (2017) shows that firm size had no significant effect on ETR.

Research by Anisa and Prasetya (2021) showed that capital intensity had a negative significant effect on ETR. Jafar and Diana (2020) state that capital intensity had insignificant effect on ETR.

Hypothesis Development

The Effect of Profitability on Tax Aggressiveness

Profitability is a ratio that portrays the level of profit generated by the company against its comparators including total assets or total liabilities of the company. High corporate profits lead to the imposition of high tax payments as well. Companies with responsibilities to stakeholders, want to get maximum profit with minimum tax costs, while the government wants to get optimal tax revenue. The difference in interests creates an agency conflict between company management and the government. This conflict then encourages management to increase its aggressiveness toward tax payments by tax avoidance. Based on this thought, the following hypothesis is formulated:

Ha₁: There is a positive and significant effect of profitability on tax aggressiveness.

The Effect of Leverage on Tax Aggressiveness

Leverage is one of the factors that can reduce company profits. The higher the debt, the greater the principal and interest that must be paid and the smaller the company's profit. The basis for tax calculation is to multiply the applicable tax rate by the profit generated. Therefore, debt is one of the tax-deductible factors because the interest expense arises which makes the company's profit smaller. Companies with tax avoidance objectives will make the value of debt large and pay less tax. Although both generate costs, namely tax expense, and interest expense, companies will try to compare which costs are following the company's wishes. By utilizing the loopholes of the applicable accounting and taxation provisions, the following hypothesis is formulated:

Ha₂: There is a positive and significant effect of leverage on tax aggressiveness.

The Effect of Firm Size on Tax Aggressiveness

Firm size is a scope to see how big the company is reflected in its total assets. Large companies generally have larger activities and transactions when compared to medium and small companies. These larger transactions are also generally supported by resources with a large value and are reflected in the company's assets. In addition to facilities, large companies also have funding to purchase additional assets, both for operational and investment activities.

The resources owned by the company shows that large company tend to have large revenues which lead to large tax payments. The agent (management) and the principal (shareholder) both

have a different interest. The agent wants to keep tax payments from being too high by suppressing income, while shareholders want the company to get bigger so that in the future the benefits received are greater, and the government wants revenue from tax payments. Based on this thought, the following hypothesis is formulated:

Ha₃: There is a positive and significant effect of firm size on tax aggressiveness.

The Effect of Capital Intensity on Tax Aggressiveness

Capital intensity shows the concentration of fixed assets when compared to total assets. In carrying out its operational activities, the company is assisted by the use of fixed assets such as machinery. The use of large amounts of machinery is common, especially in manufacturing companies. The greater the fixed assets means that the company will recognize the higher depreciation expense. Depreciation expense is one of the components of profit deduction and tax payment. Although classified as a cost, in its implementation, the company does not spend money to pay these costs. This can be utilized for tax avoidance by increasing the depreciation expense. Based on this thought, the following hypothesis is formulated:

Ha₄: There is a positive and significant effect of capital intensity on tax aggressiveness.

The Effect of Profitability on Tax Aggressiveness Moderated by Earnings Management

Revenue earned by the company will be related to the amount of tax that company paid. The higher the company's profit will cause the company to pay a higher tax. One way to manipulate companies' profit is by doing earnings management. The political cost hypothesis describes that company conduct earnings management by decreasing companies' earnings to reduce the taxes paid. Earnings management will influence the relationship between profitability and tax aggressiveness. Based on these thoughts, the following hypothesis is formulated:

Ha₅: Earnings management practice moderates the effect of profitability on tax aggressiveness.

The Effect of Leverage on Tax Aggressiveness Moderated by Earnings Management

Leverage or companies' debt ratio has a connection with earnings management conducts by company. The higher the companies' leverage, indicating companies have high dependency on lenders and companies will pay a higher interest expense. The purpose of earnings management conducts by company is to increase company's debt so that interest that must be paid is greater and will ultimately reduce profits. This decrease in profit aims reducing the tax burden companies paid. It is following the political cost hypothesis. Based on these thoughts, the following hypothesis is formulated:

Ha₆: Earnings management practice moderates the effect of leverage on tax aggressiveness.

The Effect of Firm Size on Tax Aggressiveness Moderated by Earnings Management

Large companies generally generate greater profits. Therefore, the greater the likelihood of companies doing earnings management by choosing accounting methods related to revenue recognition. If earnings management is applied, then fiscally recognized profit reporting can be made smaller. The smaller profit will make the tax payment smaller too. Company management as an agent will use loopholes related to revenue recognition to obtain optimal profits when compared to taxes paid. It is also in congruence with the political cost hypothesis, namely the tendency conducting earnings management by minimizing the number of company expenses. Depend on these thoughts, the following hypothesis is formulated:

Ha₇: Earnings management practice moderates the effect of firm size on tax aggressiveness.

The Effect of Capital Intensity on Tax Aggressiveness Moderated by Earnings Management

Capital intensity is reflected in the level of fixed assets owned by the company. The company performs earnings management by utilizing the depreciation method. The more fixed assets, the higher the depreciation expense and the smaller the tax payment. In accordance with the political cost hypothesis, company will try to reduce tax payments by minimizing the fiscal profit used as the basis for corporate taxation. Based on these thoughts, the following hypothesis is formulated:

Hag: Earnings management practice moderates the effect of capital intensity on tax aggressiveness.

Based on the explanation above, the model in this study is as follows:

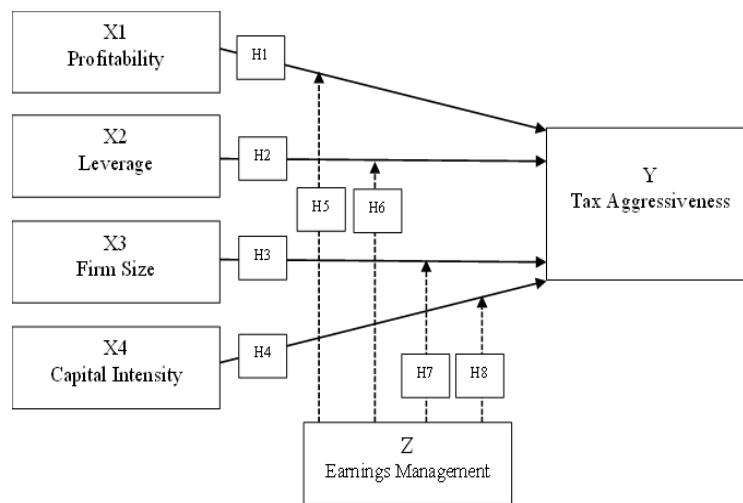


Figure 1. Research Model

3. RESEARCH METHODS

Population and Sample

This research uses a population from manufacture sector companies listed on the Indonesia Stock Exchange (IDX) during 2018-2020. This research uses the purposive sampling as the method of sampling. The criteria for choosing the sample used are: (1) Manufacturing-sector companies listed on the IDX; (2) Manufacturing-sector that are not just conducting an IPO; (3) Manufacturing companies on the IDX that are not delisted; (4) Manufacturing companies on the IDX that present annual financial reports in rupiah currency; (5) Manufacturing companies on the IDX that do not experience losses; and (6) Manufacturing companies on the IDX that have a tax expense. A sample of 55 companies was obtained based on these criteria. Three years of research period from 2018 to 2020, 165 observational data obtained.

Data Collection Technique

This research uses data originating from the financial statements of each manufacture sector company on the Indonesia Stock Exchange from 2018 to 2020. The collected data is compiled using Microsoft Excel 2013 and processed using EViews 12 SV software.

Variable Operations

This study uses profitability, leverage, firm size, and capital intensity as the independent variable, earnings management as moderated variable, and tax aggressiveness as dependent variable. According to Rani et al. (2018), tax aggressiveness is measured using the formula:

$$\text{Effective Tax Rate (ETR)} = \frac{\text{Tax Expense}}{\text{Net Profit Before Tax}}$$

According to Rani et al. [1] research, profitability is measured using the formula:

$$\text{Return on Asset (ROA)} = \frac{\text{Net Income After Tax}}{\text{Total Asset}}$$

According to Rani et al. [1] research, leverage is measured using the formula:

$$\text{Debt to Equity Ratio (DER)} = \frac{\text{Total Liability}}{\text{Total Equity}}$$

According to Rani et al. [1] research, firm size is measured using the formula:

$$\text{Firm Size} = \text{Ln of Total Asset}$$

According to Rahmawati and Mildawati (2019) research, capital intensity is measured using the formula:

$$\text{Capital Intensity Ratio (CIR)} = \frac{\text{Fixed Asset}}{\text{Total Asset}}$$

According to Edi and Jessica (2020) research, earnings management is measured using the formula:

$$DA_{it} = \frac{TA_{it}}{A_{it-1}} - NDA_{it}$$

4. RESULTS AND DISCUSSION

Descriptive Statistics

A sample of 55 manufacturing-sector companies and 165 observational data were obtained depend on the criteria described earlier. Statistic descriptive for each variable showed on table below (Table 1).

Table 1. Descriptive Statistics

Variable	Minimum	Maximum	Mean	Standard Deviation
ETR	0.001666	0.971211	0.281178	0.149912
ROA	0.000282	0.466601	0.084703	0.081315
DER	0.003465	3.609272	0.737806	0.657374
SIZE	25.95468	33.49453	28.8799	1.690525
CIR	0.000951	0.781027	0.36767	0.188391
DA	-0.206428	0.202944	-0.042028	0.064668

ETR has a minimum of 0.001666, maximum ETR is 0.971211, mean value is 0.281178, and the standard deviation is 0.149912. The ETR's mean value is greater than standard deviation indicating a small spread of ETR data.

ROA has a minimum of 0.000282, maximum ROA is 0.466601, mean value is 0.084703, and the standard deviation is 0.081315. The ROA's mean value is greater than standard deviation indicating a small spread of ROA data.

DER has a minimum of 0.003465, maximum DER is 3.609272, mean value is 0.737806, and the standard deviation is 0.657374. The DER's mean value is greater than standard deviation indicating a small spread of DER data.

Firm size has a minimum of 25.95468, maximum firm size is 33.49453, mean value is 28.8799, and the standard deviation is 1.690525. The firm size's mean value is higher than standard deviation indicating a small spread of firm size data.

CIR has a minimum of 0.000951, maximum CIR is 0.781027, mean value is 0.36767, and the standard deviation is 0.188391. The CIR's mean value is greater than standard deviation indicating a small spread of CIR data.

DA has a minimum of -0.206428, maximum DA is 0.202944, mean value is -0.042028, and the standard deviation is 0.064668. The DA's mean value is lower than standard deviation indicating a huge spread of DA data.

Chow Test

Table 2 below shows the result of Chow test:

Table 2. The Result of Chow Test

Effects Test	Prob.
Cross-section F	0.0001

The probability value of F is 0.0001 or smaller than 5% meaning that the fixed effect model is chosen.

Hausman Test

Table 3 below shows the result of Hausman test:

Table 3. The Result of Hausman Test

Test Summary	Prob.
Cross-section random	0.0051

The probability value of random is 0.0051 or smaller than 5% meaning that the fixed effect model is chosen.

Fixed Effect Model

Table 4 below shows the result of fixed effect model:

Table 4. Fixed Effect Model

Variable	Coefficient	Std. Error	t-Statistics	Prob.
C	-2.189410	2.299648	-0.952063	0.3432
ROA	-0.198135	0.297090	-0.666920	0.5063
DER	0.058499	0.053475	1.093952	0.2765
SIZE	0.074844	0.080087	0.934524	0.3522
CIR	0.768985	0.209467	3.671143	0.0004
ROA*DA	0.599470	2.291518	0.261604	0.7942
DER*DA	0.386901	0.349368	1.107430	0.2707
SIZE*DA	0.009274	0.018752	0.494576	0.6220
CIR*DA	-0.440117	1.153842	-1.248106	0.2148

Adjusted R-squared

Table 5 below shows the result of Adjusted R-squared test:

Table 5. The Result of Adjusted R-Squared

Variable	Adjusted R-squared
ETR	0.373438

The Adjusted R-squared test result shows the value of 0.373438. The Adjusted R² value concluded that 37.3438% of the effective tax rate variation is influenced by ROA, DER, firm size, and CIR. Thus, the remaining 62.6562% is affected by other elements outside this study.

Hypothesis Test Result

Table 6 below shows the result of hypothesis test:

Table 6. The Result of Hypothesis Test

	<i>Coefficient</i>	<i>p-value</i>	Description
ROA→ETR	-0.198135	0.5063	Ha ₁ not accepted
DER→ETR	0.058499	0.2765	Ha ₂ not accepted
SIZE→ETR	0.074844	0.3522	Ha ₃ not accepted
CIR→ETR	0.768985	0.3522	Ha ₄ not accepted
ROA*DA→ETR	0.599470	0.7942	Ha ₅ not accepted
DER*DA→ETR	0.386901	0.2707	Ha ₆ not accepted
SIZE*DA→ETR	0.009274	0.6220	Ha ₇ not accepted
CIR*DA→ETR	-0.440117	0.2148	Ha ₈ not accepted

The coefficient from regression of ROA on ETR is negative at 0.198135 and the p-value is 0.5063 (> 0.05). This means that profitability had no effect on tax aggressiveness. It concluded that Ha₁ is not accepted.

The coefficient from regression of DER on ETR is positive at 0.058499 and the p-value is 0.2765 (> 0.05). This indicates that leverage had no effect on tax aggressiveness. It concluded that Ha₂ is not accepted.

The coefficient from regression of SIZE on ETR is positive at 0.074844 and the p-value is 0.3522 which is greater than 0.05. This shows that firm size had no significant effect on tax aggressiveness. It concluded that Ha₃ is not accepted.

The coefficient from regression of CIR on ETR is positive at 0.768985 and the p-value is 0.3522 (< 0.05). This shows that capital intensity had negative and significant effect on tax aggressiveness. It concluded that Ha₄ is not accepted.

The p-value of all moderating variable are greater than 0.05. This shows that earnings management could not moderating the effect of profitability, leverage, firm size, and capital intensity on tax aggressiveness. It concluded that from H₅ to H₈ is rejected.

Discussion

The Effect of Profitability on Tax Aggressiveness

The test results show that profitability, measured by return on assets (ROA), has a negative but insignificant effect on the effective tax rate or ETR. The initial hypothesis stating that

profitability has a positive influence and significant on tax aggressiveness is not accepted or not supported by this study.

This result supports previous research of Fitri and Munandar (2018) which state that the ROA variable has a negative and insignificant effect on ETR. This indicates that the level of the company's profitability ratio does not have a big impact on the company's tendency to be aggressive with its tax payments.

The higher the level of profitability, not necessarily the higher the level of tax aggressiveness because the higher the company's profit, the company will be more careful in managing these profits. A high level of profit is one of the factors that attract investors' attention, so the company will also try to maintain a high level of profit even though it has to pay higher taxes.

The Effect of Leverage on Tax Aggressiveness

The test results show that leverage, proxied by the debt-to-equity ratio (DER), has a positive but insignificant effect on the effective tax rate or ETR. The initial hypothesis stating that leverage has a positive influence and significant on tax aggressiveness is not accepted or not supported by this study.

However, this result supports previous research of Sari et al. (2021), Ambarukmi and Diana (2017), also Siahaan (2020) which state that the DER variable has a positive and insignificant effect on ETR. This indicates that the level of the company's leverage ratio does not have a big impact on the company's tendency to be aggressive with its tax payments.

The Effect of Firm Size on Tax Aggressiveness

The test results show that company size, proxied by \ln total assets, has a positive but insignificant effect on the effective tax rate or ETR. The initial hypothesis stating that company size has a positive and significant effect on tax aggressiveness is not accepted or not supported by this study.

However, the results of this study support previous research conducted by Ariani and Hasymi (2018) also Rahmawati and Mildawati (2019) which state that the firm size variable has a positive and insignificant effect on ETR. This indicates that company size does not have a big impact on the company's tendency to be aggressive with its tax payments. The larger the size of a company, not necessarily the higher the level of tax aggressiveness because the larger the size of the company, the more careful the company will be in running its business. Companies with large sizes tend to get greater public attention.

The Effect of Capital Intensity on Tax Aggressiveness

The test results that have been conducted above show that the capital intensity ratio (CIR) has a positive and significant effect on the effective tax rate or ETR, meaning that it has a negative effect on tax aggressiveness. The initial hypothesis stating that There is a positive and significant effect of capital intensity on tax aggressiveness is not accepted or not supported by this study.

However, this result supports previous research of Yusuf et al. (2022), Siahaan (2020), Rahmawati and Mildawati (2019) which state that the CIR has a positive influence and

significant on ETR. This indicates that the greater the capital intensity, the lower the company's tendency to execute tax aggressiveness.

This negative effect on tax aggressiveness is inconsistent with earlier theory which explains that the higher the fixed assets, the higher the depreciation expense and the greater the tendency to execute tax aggressiveness. In this study, this result indicate that the more fixed assets will lower the tendency of tax aggressiveness, because tax paid for these fixed assets is also high.

The Effect of Profitability on Tax Aggressiveness Moderated by Earnings Management

The test results show that profitability, proxied by return on assets (ROA) and moderated by discretionary accrual (DA), has a negative but insignificant effect on effective tax rate or ETR. The initial hypothesis stating that earnings management can moderate the influence of profitability on tax aggressiveness is not supported.

If earnings management is carried out to increase the company's profitability, it does not affect the tendency of corporate tax aggressiveness. This can occur because there are differences in method recognition between accounting and fiscal, so that even though they have applied different methods, fiscally they will apply the same method and are not affected by the earnings management practice.

The Effect of Leverage on Tax Aggressiveness Moderated by Earnings Management

The test results show that leverage, proxied by debt-to-equity ratio (DER) and moderated by discretionary accrual (DA), has a positive influence but insignificant on effective tax rate or ETR. The initial hypothesis stating that earnings management can moderate the effect of leverage on tax aggressiveness is not accepted or not supported.

If earnings management is carried out to increase or decrease the company's debt level, it does not affect the tendency of corporate tax aggressiveness. This can occur because there are differences in method recognition between accounting and fiscal, so that even though they have applied different methods, fiscally they will apply the same method and are not affected by the earnings management practice.

The Effect of Firm Size on Tax Aggressiveness Moderated by Earnings Management

The test results show that firm size and moderated by discretionary accrual (DA), has a positive influence but insignificant on effective tax rate or ETR. The initial hypothesis stating that earnings management can moderate the effect of leverage on tax aggressiveness is not accepted or not supported.

If earnings management is carried out, it does not affect the tendency of corporate tax aggressiveness. This can happen because the bigger the company size, the company will be more careful about getting more attention from the public. In addition, the form of earnings management is not directly related to company size if the profits generated by the company tend to be small.

The Effect of Capital Intensity on Tax Aggressiveness Moderated by Earnings Management

The test results show that the capital intensity ratio (CIR) has a negative but insignificant effect on the effective tax rate or ETR. The initial hypothesis stating that earnings management can moderate the effect of capital intensity ratio on tax aggressiveness is not accepted or not supported.

If earnings management is carried out, it does not affect the tendency of corporate tax aggressiveness. This can happen because the form of earnings management that can be done is to make the company's depreciation expense large so that profits are small. However, the large value of fixed assets does not necessarily have a larger depreciation expense because it is allocated to fixed assets without depreciation. The depreciation methods recognized in accounting and fiscal are also different so they tend not to be affected.

5. CLOSING

Conclusion

The purpose of this study is to determine the effect of profitability, leverage, firm size, and capital intensity on tax aggressiveness moderated by earnings management. The results of this study indicate that profitability, leverage, firm size, and capital intensity have no influence on ETR. Earnings management as moderated variable also could not moderate the effect of leverage, firm size, capital intensity, and profitability on financial performance.

Limitation

This study has several limitations that can be used as consideration for conducting further research or for future research. The limitations that exist in this study include: (1) This research is only limited to four independent variables, namely profitability, leverage, firm size, and capital intensity; (2) This research is only limited to one variable used as an interaction variable, namely earnings management; (3) This research is limited to manufacturing companies listed on the Indonesia Stock Exchange; and (4) This research is only limited to the research period 2018 to 2020.

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