



Received 28 Dec. 2022; Revised 16 Jan. 2022; Accepted 22 Jan. 2022; Published 30 Jan. 2022

Impact of Company Characteristics, Liquidity, and Good Corporate Governance on Tax Aggression

**Juli Ismanto*)¹, Listiya Ike Purnomo¹, Yenni Cahyani¹, Ahmad Rifai¹,
Endang Ruhiyat¹**

¹ Accounting Department Universitas Pamulang, Tangerang Selatan, Indonesia

Email: July.ismanto@gmail.com

ABSTRACT

This study aims to determine the impact of company characteristics, liquidity, and good corporate governance on tax aggressiveness. As secondary data, annual report information from companies included in the LQ45 index and listed on the IDX between 2016 and 2020 is utilized. The sample size was fourteen companies. The study used regression analysis of panel data as a methodology. The results indicated that the liquidity variables partially influenced tax aggressiveness, whereas the company's characteristics and good corporate governance did not. The test results suggest that if the liquidity level is low, it will reduce the level of creditor trust and result in a decrease in the level of capital loans by creditors; therefore, the company will maintain its liquidity level so as not to engage in tax avoidance.

Keywords: *Company Characteristics; Liquidity; Good Corporate Governance; Tax Aggressiveness.*

1. INTRODUCTION

The largest source of state revenue is taxes. Taxes play an essential role in the economy, as tax contributions make up a more significant portion of the state budget (APBN) revenue post than other sources of revenue (non-tax) (Putra, 2019). Consequently, the government encourages businesses and individuals to pay taxes through various socialization. In reality, numerous companies and individuals still have not met their tax obligations. Many businesses and

private individuals seek to minimize their tax payments through tax aggressiveness activities. If employed correctly, tax aggressiveness can provide substantial benefits, particularly for corporate taxpayers. Companies engage in aggressive taxation or tax avoidance in response to perceived opportunities, namely weak tax laws and regulations and

*Corresponding author's e-mail: july.ismanto@gmail.com
<http://openjournal.unpam.ac.id/index.php/EAJ>

inadequate human resources (Fiscus) (Putra & Merkusiwati, 2016).

Sri Mulyani Indrawati, Minister of Finance (Menkeu), stated in her report that the implementation of the 2021 State Budget was successful and exceeded the 2021 State Budget's target. Until December 31, 2021, state revenue was able to increase by IDR 2,003.1 trillion, or 114.9 per cent of the 2021 state budget target of IDR 1,743.6 trillion. "Assuming this deviation, we see that our state budget has been realized very favourably, with state revenues reaching 2,003,1 trillion IDR as of December 31," stated the Minister of Finance at the Press Conference on the Realization of the 2021 State Budget on Monday (03/01) (Kemenkeu,2022). This accomplishment increased by 21.6%

compared to the state budget of 1,647,8 trillion IDR for 2020. This year there will still be a pandemic with Delta and Omicron, but we can still grow at 21.6 per cent. The improved performance of the 2021 State Budget is a positive sign for the continuation of a more substantial economic recovery in 2022. The State Budget will continue to serve as a safeguard for public safety and a catalyst for economic recovery (Kemenkeu, 2022)

Over the past five years, the performance of tax revenues has fluctuated. Regarding the performance, the government explained. The government described in the document titled 2021 Macroeconomic Framework and Fiscal Policy Principles.



Figure 1. Development of Tax Revenues during Period 2015-2020 (DDTNews, 2020)

From 2015 to 2019, the growth of tax revenues was 8.2%, 3.6%, 4.6%, 13.0%, and 1.8%, respectively. "The volatile tax performance demonstrates that tax revenues are heavily influenced by domestic economic activity and international

trade performance, (DDTNews, 2020).

Taxes are regarded as expenses that reduce a company's profits. This has prompted many businesses to make arrangements for taxes that must be paid to reduce the costs associated with taxation. According

to Frank, Lynch, and Rego (2009) (A. A. Putri & Hanif, 2020; Susanto et al., 2018), corporate tax aggressiveness is the act of engineering taxable income through tax planning actions, either legally classified (tax avoidance) or illegally (tax evasion) (tax evasion). The greater the tax savings a company achieves, the more aggressive its tax strategy is deemed to be (Fadli et al., 2016). Tax aggression is regarded as an effective method for lowering tax obligations and increasing stakeholders' wealth. Tax aggressiveness is intensifying, focusing on drawing the attention of various parties, such as top executives, shareholders, and government regulators (Abd-Elmageed et al., 2020).

At least two reports revealed the tax payment behaviour of large corporate groups and the world's wealthiest individuals about the phenomenon that occurred in Indonesia in 2021. Initially, Pandora papers. Investigative journalism succeeded in capturing the public's attention. The report reveals the existence of millions of documents detailing the techniques and schemes employed by the wealthiest individuals to conceal their wealth from tax authorities. Place various assets in shell corporations registered in tax haven nations or what is currently known as investment hub nations. Second, statistics on corporate taxation The OECD has published this annual report. A relatively quiet publication of the public discourse but containing a wealth of taxation-related information. This report includes, at a minimum, statistics on tax revenues in various nations, comparisons of

corporate income tax rates in more than 100 jurisdictions, and comparisons of tax incentive policies for research and research activities. The publication of the Country-by-Country Report (CbCR) statistics is an exciting piece of information in the report. This report compiles and anonymizes data about group companies with a consolidated revenue of more than 11 trillion Indonesian Rupiah (Daholi, 2022).

Previous studies have attempted to attribute company financial condition factors to tax aggressiveness. Several of them emphasize liquidity levels. Research conducted Fadli et al., (2016) ; Putri & Hanif, (2020) demonstrated that businesses do not seek to minimize costs by avoiding taxes with good Liquidity. In contrast, low Liquidity may indicate that the company cannot meet its short-term obligations. Therefore, this can result in aggressive measures against corporate taxes.

Leverage is another financial condition that is anticipated to influence the aggressiveness of corporate taxes. Leverage is the capacity of a company to use debt to meet its operational and investment requirements. Leverage indicates how much of a company's assets are financed by debt. According to (Suyanto & Supramono, 2012), companies with a high tax burden can use debt to generate tax savings. This is because the use of debt incurs a fixed cost in the form of interest that can be deducted when computing income tax. The increasing use of debt will result in a rise in interest expenses, reducing profits while reducing the tax burden.

Institutional ownership is predicted to influence tax aggressiveness as well. In addition to corporate governance, tax aggressiveness can be motivated by the existence of corporate governance. Good Corporate Governance (GCG) is the practice of determining the direction of a company's performance based on professional ethics. According to the Organisation for Economic Co-operation and Development OECD (2004), openness and transparency should be the foundation of good corporate governance. The corporate governance framework must ensure timely and accurate disclosures on all material corporate issues, such as financial situation, performance, governance, and corporate governance.

Additionally, the ownership structure can be utilized to minimize agency conflicts. Institutional ownership will encourage a rise in the efficiency of management performance monitoring. Institutional investors are institutional shareholders, including Insurance Companies, Banks, and other institutions. The concentrated share ownership by institutional investors will further enhance the supervision of management activities due to the substantial amount of funds they invest (Putri & Putra, 2017).

According to prior research, the decision to engage in tax aggressiveness results from direct corporate policies. The individuals involved in making tax decisions are tax directors and corporate tax consultants, whereas executives

(president directors or president directors) with different characteristics also directly or indirectly influence all company decisions, so executive characteristics are regarded as significant factors that can affect the executive's policies (Boussaidi & Hamed-Sidhom, 2021; Desai & Dharmapala, 2007; Irmawati et al., 2020).

Research by Putri & Putra, (2017) develop evidence of institutional ownership factors in increasing the effectiveness of monitoring management performance. From research that has been carried out by Yanuarsa et al., (2021) that was inspired by a previous study (Dewi & Noviyari, 2017; Fadli et al., 2016; A. A. Putri & Hanif, 2020; Selvirani & Nofryanti, 2021; Wijayanti, 2017) about the phenomenon of Tax Aggressiveness associated with financial conditions. This study aims to retest the consistency of the results with previous studies in different periods and capital market requirements.

Problem Definition

Whether the company's characteristics, its level of Liquidity, and corporate governance have an impact on tax aggressiveness

2. LITERATURE- REVIEW

Agency Theory

Agency theory explains the relationship between principals and agents. In tax avoidance, the principal is the party that gives authority to the agent, namely the government. In contrast, the agent is a party

authorized by the principal, namely the taxpayer/company (Yuliana and Wahyudi, (2018); Yudhistira & Anggraeni, (2022). The government allows companies to perform their tax calculations, but frequently the companies do not fulfil their responsibilities. Companies often engage in practices that reduce the tax burden that must be paid, such as increasing or decreasing income, so that the tax burden paid is less than it should be (Yudhistira & Anggraeni, 2022).

The employment contract relations between the agent and principal permit the agent to decide when the agent and principal are utility maxims (Abd-Elmageed et al., 2020). This agency theory has multiple goals, including enhancing the agent's and principal's ability to evaluate the surrounding environment to determine the decisions that must be made and assessing the results of decisions made to facilitate the allocation of results between the agent and the principal following the employment contract (Astuti, 2021).

Legitimacy Theory

Understand the theory of legitimacy proposed by (Deegan et al., 2002), which states that an organization must continually assess whether it has operated following societal norms and ensure that its activities are acceptable to outsiders (legitimized).

According to Chariri and Ghozali (2007) (Dewi & Noviani, 2017; Suranta et al., 2020), the underlying theory of legitimacy is the social

contract between the company and the society in which it operates and uses resources. This theory is founded on the premise that businesses must benefit the community. This can be accomplished by implementing tax payments following applicable laws and regulations. With the benefits provided to the public, the company can receive legitimacy-based feedback from the crowd.

The elimination of corporate tax is viewed as fulfilling a company's social responsibility to the community in which it operates (Preuss, 2010). If there is a conflict between the enterprise's value system and the society's value system, the theory of legitimacy relating to social performance and financial performance is invalid (often called the legitimacy gap). Tax evasion is a crime against the state rather than against the director-general of taxes. In this perspective, the legitimacy theory is more pertinent when viewed through corporate compliance and tax avoidance (Suranta et al., 2020).

Organizational Characteristics

Numerous factors distinguish one company from another, even if they are in the same business line, influencing each company's social impact. The factors that determine such companies are known as the company's characteristics, and leverage is one of them. Leverage is a source of external funding for companies, particularly in long-term debt. The interest expenses generated from these debts will reduce company profits and tax burdens over the long term (Aisyah & Habibah, 2021).

This is because leverage measures a company's dependence on its creditors to finance its assets. Leverage is the use of assets and sources of funds by companies with fixed expenses, precisely the source of funds derived from loans because interest is a fixed expense, to increase potential profits (Yuliana & Wahyudi, 2018).

Liquidity

A company with a high liquidity ratio can meet its short-term obligations, indicating that it is in good financial health and can quickly sell its assets if necessary (Sugiono & Untung, 2016). The company's Liquidity positively affects the level of corporate tax aggressiveness. This assertion is supported by researchers Fadli et al., (2016), who demonstrate that partially liquid variables substantially impact tax aggressiveness. Nonetheless, the results of some researchers' studies contradict the theory that there is a positive relationship between Liquidity and tax aggressiveness. Research conducted by (Siahaan, 2005) indicates that companies with liquidity issues are unlikely to comply with tax regulations and are more likely to engage in tax avoidance to

maintain cash flow. Consequently, firms with a low liquidity ratio will have a high corporate tax aggressiveness.

Corporate Governance

Another definition of GCG is a sound system and structure for managing the company to increase shareholder value and accommodating various parties interested in the company (stakeholders), including creditors, suppliers, business associations, consumers, workers, government, and other communities (Avianita & Fitria, 2020). Institutional ownership distinguishes decision-making processes. Institutional ownership is the proportion of all outstanding shares owned by institutional investors, as measured by the percentage of shares held by institutions, (Fadli et al., 2016). Institutional ownership is the primary measure in corporate governance that mediates the existence of tax avoidance in corporations, which affects the company's value. Tax avoidance will benefit from the reality of control and a high level of supervision of institutional ownership (Fadli et al., 2016; Desai & Dharmapala, 2009).

3. RESEARCH METHOD

Research Framework

Framework

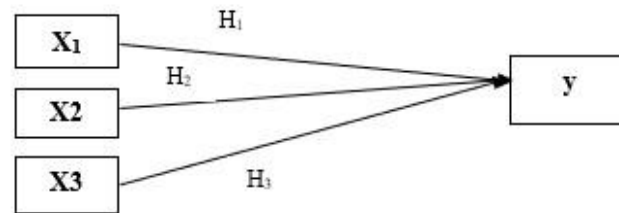


Figure2 Research Framework

Hypotheses in this study are (1) During 2016-2020, the company characteristics (X1) proxied by leverage significantly impacted the tax aggressiveness (Y) of companies included in the LQ45 Index and listed on the IDX; (2) During 2016-2020, the Liquidity of the company (X2) significantly impacts the tax aggressiveness (Y) of companies included in the LQ45 Index and listed on the IDX, (3) During 2016-2020, corporate governance (X3) as measured by institutional companies significantly impacts the tax aggressiveness (Y) of companies included in the LQ45 Index and listed on the IDX.

Data Collection Techniques

The secondary data used in this study are utilized in this investigation. According to the findings of this study, all LQ45 companies were listed on the Indonesia Stock Exchange between 2016 and 2020. This study employed a method of sampling known as purposive sampling. Purposive sampling is a technique for collecting samples based on the researcher's predetermined criteria. This study employs quantitative data from LQ45 companies listed on the Indonesia

Stock Exchange as its secondary data source (IDX). Secondary data is information gathered from sources other than the company being studied. The information utilized is the annual report information from 2016 to 2020. This study drew its lead from the www.IDX.co.id website.

Operational Definitions of Variables

Dependent Variables

This study's dependent variable is tax aggressiveness. Tax aggressiveness is implemented using the Effective Tax Rate (ETR) model, which illustrates the extent to which companies are tax aggressive by minimizing their corporate tax burden (Gunawan & Kris Resitarini, 2019; Putri & Hanif, 2020)

$$ETR = \frac{\text{Income Tax Expense}}{\text{Income Before Tax}}$$

Independent Variables

Characteristics of the company

Corporate characteristics can explain the wide range of voluntary disclosures in annual reports; corporate characteristics serve as predictors of disclosure quality (Aini, 2015). This study utilized several company characteristics, including

*Corresponding author's e-mail: july.ismanto@gmail.com
<http://openjournal.unpam.ac.id/index.php/EAJ>

leverage (Gunawan & Kris Resitarini, 2019; Putri & Hanif, 2020).

$$\text{Lev} = \frac{\text{Long – Term Debt}}{\text{Total Assets}}$$

Company Liquidity

Liquidity is calculated using the current ratio because it measures the company's short-term ability by comparing its current assets to its current debt (in this case, debt is the company's obligation, which includes tax debt) (Masyitah & Kahar, 2018).

$$\text{CR} = \frac{\text{Current Asset}}{\text{Current Liabilities}}$$

Current Ratio: CR

Current Assets: The total amount of a business's current assets.

Current Liabilities: The company's current debt and liabilities.

Good Corporate Governance (GCG)

Good Corporate Governance, specifically institutional ownership, to examine the relationship between the roles of the Board of Commissioners, the Board of Directors, shareholders, and other stakeholders (Fadli et al., 2016)

Institutional Ownership

$$= \frac{\text{Number of Institutional Shares}}{\text{Number of Outstanding Shares}}$$

Sample Collection Techniques

Table 1. Research Sample Criteria

No	Criteria	Sum	
1	Companies listed on the IDX and included in the LQ 45 index 2016-2020		45
2	Companies listed on the IDX and included in the LQ 45 index sequently between 2016-2020	16	29
3	Published annually during the research periode	5	24
4	Companies that do not suffer losses during the study period	1	23
5	Present dollar denominated financial expenses	3	20
6	Companies did not publish the sustainability report	6	14
	Companies's sample		14
	Sum of years		5
	Amount of research data		70

Data source: process data 2022

Based on these data, the selection of companies to be used as samples was conducted, and 14 companies were subsequently obtained. This study employs a causal approach, which tests the causal relationship

between independent and dependent variables. In the employed regression analysis method, the following equation is used:

*Corresponding author's e-mail: july.ismanto@gmail.com
<http://openjournal.unpam.ac.id/index.php/EAJ>

$$ETR = \alpha + \beta_1 Lev + \beta_1 Liku + \beta_1 KPI + e$$

Information:

α = Constants.

β = Regression coefficient

Etr = tax aggressiveness

Lev = leverage

Liquidity = Liquidity

KPI = Institutional ownership

e = Error coefficient

Descriptive Statistical Analysis

Descriptive statistics provide a description or descriptive data that can be seen from the average value (mean), standard deviation, maximum, and minimum. For this reason, a statistical description of the results of descriptive statistical tests using Eviews version 9.0 for windows will be presented in the following table:

4. RESULTS AND DISCUSSION

Table 2. Descriptive Statistic

	ETR	LEV	LIKU	KPI
Mean	0.243160	0.181423	1.651232	0.355444
Median	0.247776	0.158405	1.348719	0.421713
Maximum	0.726892	0.982456	4.657703	0.820451
Minimum	0.013872	0.027334	0.605632	0.000490
Std. Dev.	0.141857	0.137240	0.992719	0.251857
Skewness	1.933944	2.967116	1.686919	-0.006060
Kurtosis	8.171335	17.69584	5.278722	1.954725
Jarque-Bera	121.6345	732.6167	48.34478	3.187175
Probability	0.000000	0.000000	0.000000	0.203195
Sum	17.02118	12.69960	115.5862	24.88107
Sum Sq. Dev.	1.388520	1.299603	67.99893	4.376795
Observations	70	70	70	70

Data source: process data 2022

Chow Test

Chow test is used to test the regression model to be chosen between the common effect and fixed effect model. The choice between these two methods is based on the probability cross-section F value

generated. If the probability cross-section F value is > 0.05 , then H_0 is accepted, meaning that the common effect model is used. If the probability cross-section F is < 0.05 , then H_0 is rejected, meaning that the fixed effect model is used (Winarno, 2017).

Table 3 Chow Test

Redundant Fixed Effects Tests
Equation: FEM
Test cross-section fixed effects

Effects Test	Statistic	d.f.	Prob.
Cross-section F	25.528987	(13,53)	0.0000
Cross-section Chi-square	138.784202	13	0.0000

Data source: process data 2022

The results of the Chow test output in table 3 above, the probability value of cross-section F is 0.0000, and the probability value of cross-section Chi-square is also 0.0000. This shows the result that the probability value is less than 0.05, so in this chow test, the best model is the Fixed Effect, so the next estimation model is the Hausman test.

Hausman Test

The Hausman test was conducted to determine which regression model should be used in research between the fixed effect model and the random effect model. The choice between these two methods is based on the resulting Chi-square probability value. If the probability value of Chi-square > 0.05 , then H_0 is accepted, meaning that the method used is a random effect model. If the probability value of Chi-square < 0.05 , then H_0 is rejected, meaning that the method used is a fixed effect model.

Table 4. Hausman Test

Correlated Random Effects - Hausman Test
Equation: REM
Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	8.981765	3	0.0295

Data source: process data 2022

Hausman test output results are shown in table 4, the probability value of the Chi-square generated is 0.0295. The results show the probability of Chi-square < 0.05 , meaning that H_0 is rejected, and the fixed effect model is used.

The conclusion is the same in the two tests above, namely the Chow test and the Hausman test. The model used is the fixed effect model.

Heteroskedastisitas Test

Table 5. Heteroskedasticity Test Result

Heteroskedasticity Test: Glejser

F-statistic	1.403034	Prob. F(3,66)	0.2497
Obs*R-squared	4.196565	Prob. Chi-Square(3)	0.2410
Scaled explained SS	5.709153	Prob. Chi-Square(3)	0.1267

Data source: process data 2022

The output results above can be seen that there is no heteroscedasticity problem. This is because the results obtained in the form of a Chi-Square probability value of 0.2410 where the Chi-Square

Multicollinearity Test

probability value is greater than the significance level of 0.05 ($0.2410 > 0.05$) so it can be concluded that the data used is free from heteroscedasticity symptoms. and homoscedasticity.

Table 6. Multicollinearity Test Result

	LEV	LIKU	KPI
LEV	1.000000	-0.409682	-0.093698
LIKU	-0.409682	1.000000	0.113390
KPI	-0.093698	0.113390	1.000000

Data source: process data 2022

Output correlation between Leverage, Liquidity and Institutional Ownership is below the correlation coefficient of 0.80. An indication of the occurrence of multicollinearity is if the correlation coefficient between each independent variable is greater

than 0.80, then if viewed from the study's results above, there is no correlation between the independent variables that are high above 0.80. so that in this study, there is no multicollinearity between the independent variables.

Panel Data Regression Analysis

Table 7 Regression Results with Fixed Effect Model

Dependent Variable: ETR
 Method: Panel Least Squares
 Date: 06/20/22 Time: 19:57
 Sample: 2016 2020
 Periods included: 5
 Cross-sections included: 14
 Total panel (balanced) observations: 70

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.134208	0.135250	-0.992294	0.3256
LEV	0.056682	0.070608	0.802761	0.4257
LIKU	0.208947	0.071560	2.919895	0.0051
KPI	0.062075	0.164257	0.377913	0.7070

Effects Specification			
Cross-section fixed (dummy variables)			
R-squared	0.900557	Mean dependent var	0.243160
Adjusted R-squared	0.870536	S.D. dependent var	0.141857
S.E. of regression	0.051042	Akaike info criterion	-2.904833
Sum squared resid	0.138079	Schwarz criterion	-2.358770
Log likelihood	118.6692	Hannan-Quinn criter.	-2.687930
F-statistic	29.99793	Durbin-Watson stat	1.676350
Prob(F-statistic)	0.000000		

Data source: process data 2022

Estimation Command:

LS ETR C LEV LIKU KPI

Estimation Equation:

$$\text{ETR} = \text{C}(1) + \text{C}(2)*\text{LEV} + \text{C}(3)*\text{LIKU} + \text{C}(4)*\text{KPI}$$

Substituted Coefficients:

$$\text{ETR} = -0.134208 + 0.056682*\text{LEV} + 0.208947*\text{LIKU} + 0.062075*\text{KPI}$$

Based on the formed regression model with the Fixed Effect Model in table 7, the following results can be explained that the value of a constant of -0.134208 shows that if the independent variables (company characteristics, company liquidity level, and *corporate governance*) are considered constant, then the value of ETR is -0.134208 means that it has a prediction of negative tax aggressiveness, or in other words, the company can get out of the situation of committing tax aggressiveness and or it can be said that it does not carry out tax aggressiveness.

The characteristic regression coefficient of the company annotated with X1 leverage proxies is 0.056682. The meaning of the value of 0.056682 is that for every 100% increase in the characteristic variables of the company, the aggressiveness of taxes carried out by the company will increase by 5.6%, assuming that other

independent variables in the model are considered constant.

The regression coefficient of the company's liquidity level annotated with X2 is 0.208947. The meaning of the value of 0.208947 is that for every 100% increase in the variable level of Liquidity of the company, the aggressiveness of the tax carried out by the company will increase by 20.89%, assuming other independent variables in the model are considered constant.

The regression coefficient of *corporate governance* annotated with institutional ownership proxies X3 is 0.062075. The meaning of the value of 0.062075 is that for every 100% increase in the variable measure of *corporate governance*, the aggressiveness of taxes carried out by the company will increase by 6.21%, assuming that other independent variables in the model are considered constant.

Epsilon (error term) or e means that some other factors or variables affect tax aggressiveness in addition to the company's characteristics, the level of company liquidity, and *corporate governance*.

Coefficient' of Determination (R^2)

Based on the regression model with the Fixed Effect Model in table

7, the Adjusted R square value of 0.870536 indicates that accounting conservatism and tax avoidance influence the company's value by 87.05 per cent. In comparison, the remaining 12.95 per cent is influenced by other variables that have not been examined in this study.

0.056682 with a significance of 0.4257. Because the significance is greater than 0.05, the first hypothesis states that leverage has no significant effect on tax aggressiveness.

The results of this study support the research conducted by (Gunawan & Kris Resitarini, 2019; Yuliana & Wahyudi, 2018), which found no leverage effect on tax aggressiveness. On the contrary, the results of the study (Fadli et al., 2016; Putri & Hanif, 2020; Rohmansyah & Fitriana, 2020), shows that there is an effect of leverage on tax aggressiveness.

The results of this test are also reinforced by observations (Sabna & Wulandari, 2021) stating that Leverage can be used as a benchmark for how much a company depends on debt (creditors) in financing company assets. The greater the level of debt the company makes will not affect tax aggressiveness.

This study also supports the theory that Leverage can be used as a measure of how much the company depends on creditors to finance the company's assets. Legitimacy theory also asserts that companies continually strive to ensure that they operate within the framework and norms that exist in society. They work and pay attention to the environment in which the company is located, where it seeks to ensure that outsiders

Influence of the company's characteristics on tax aggressiveness.

The test results using panel data regression in table 7 show that the company's characteristics are proxied by the leverage coefficient value of accept its activities as legitimate (Deegan et al., 2002).

Indicate that a company with a high level of leverage means company can finance its assets with the capital it has. A company's leverage level can be used as an illustration of the company's financial risk. The company can be said to be independent and able to optimize the company's performance and not depend on debt. Companies that have too much debt will reduce investor confidence. So the company must maintain its profits because it is related to the interests of creditors.

The impact of the enterprise's Liquidity on its tax aggressiveness.

The second hypothesis states that the level of corporate liquidity affects tax aggressiveness. Table 7 shows the regression coefficient value of 0.208947 with a significance of 0.0051 because the significance is smaller than 0.05, the second hypothesis which states that the level of corporate liquidity has an influence on tax aggressiveness.

The results of this study support research conducted by (Rohmansyah & Fitriana, 2020; Stiawan & Sanulika, 2020), which found that corporate liquidity affects tax aggressiveness.

The test results are reinforced by research (Stiawan & Sanulika, 2020),

stating that "liquidity is the company's ability to generate cash in the short term to meet its obligations and depend on cash flows in the short term for its current assets and liabilities.

Theoretically, the results of this study support agency theory. Based on agency theory, the company's relationship with third parties (creditors) will make the company company's ability to meet the short-term debt. This shows that the company's finances are in a healthy condition and have no cash flow problems, so they can bear the costs that arise, such as taxes. If the liquidity is low, it will reduce the level of creditors' trust and decrease the level of capital borrowing by creditors. The company will maintain its liquidity level so as not to cause tax avoidance behaviour.

The effect of *corporate governance* on tax aggressiveness.

The third hypothesis states that corporate governance proxied by institutional ownership affects tax aggressiveness. Table 7 shows the regression coefficient value of 0.062075 with a significance of 0.7070 because the significance is more significant than 0.05; the third hypothesis states that corporate governance as a proxy for institutional ownership has no significant effect on tax aggressiveness.

The results of this study support the research conducted by (Fadli et al., 2016; Midiastuty et al., 2016; Susanto et al., 2018)

maintain its profits to maintain the stability of the company's performance. This is done in order to maintain good relations with third parties and to trust the company again to cooperate in the future. Debt companies tend to be less tax aggressive.

Indications that the company has a high level of liquidity indicate the

Theoretically, the results of this study support agency theory, ownership by institutional investors does not necessarily provide control to management to take tax aggressive actions. The controlling shareholder can influence the company's management policies, forcing the manager to reduce the company's tax costs. This could be because institutional ownership gives trust in the supervision and management of the company to the board of commissioners, so the presence or absence of institutional ownership can still carry out tax aggressiveness actions. Ownership structures can also be used to reduce agency conflicts.

Here we can see that if institutional ownership does not affect tax effectiveness because of a good and influential role in monitoring the company, the risk of tax aggressiveness is detrimental to the company.

Indicate institutional ownership to encourage increased effectiveness of management performance monitoring. Institutional investors are shareholders in the form of institutions, such as insurance companies, banks or other

institutions. Concentrated share ownership by institutional investors will optimize the effectiveness of monitoring management activities because of their large number of funds. Controlling ownership is not a factor that encourages company management to carry out tax aggressiveness.

5. CONCLUSION

Conclusion Based on the research results and discussion on the company's characteristics, the level of company liquidity, and corporate governance on tax aggressiveness in companies included in the LQ45 Index listed on the IDX during the 2016-2020 period. The following conclusions can be drawn (1) The characteristics of companies as proxied by leverage have no significant effect on tax aggressiveness with a positive coefficient direction on companies included in the LQ45 Index listed on the IDX during the 2016-2020 period; (2) The level of company liquidity significantly affects tax aggressiveness with a positive coefficient direction for companies included in the LQ45 Index listed on

the IDX during the 2016-2020 period; (3) Corporate governance as proxied by institutional ownership affects tax aggressiveness with a positive coefficient direction for companies included in the LQ45 Index listed on the IDX during the 2016-2020 period.

Limitations

The selection of research objects only uses companies included in the LQ45 Index listed on the IDX during the 2016-2020 period, so the sample of companies used is small. In addition, the research period is only five years, so the research results do not reflect the actual phenomenon.

Suggestions For Further Research For the development of further research, it is suggested to include other variables that theoretically can influence tax aggressiveness, such as adding other financial ratio variables such as profitability ratios, and firm size, capital intensity, inventory intensity. In addition, further research can also add Corporate Social Responsibility (CSR) variables. The use of other types of industry can also be done to obtain a comparison between each different type of industry. Using longer years of observation.

REFERENCES

- Abd-Elmageed, M. H., Abdel Megeid, N. S., & ElSayed, O. A. E. (2020). Impact of CEO Duality, Board Independence, Board Size and Financial Performance on Capital Structure using Corporate Tax Aggressiveness as a Moderator. *ATASU*, 24(4), 724–759. <https://doi.org/10.21608/atasu.2020.160195>
- Aini, A. K. (2015). *Pengaruh Karakteristik Perusahaan*

- Terhadap Pengungkapan Tanggung Jawab Sosial Perusahaan (CSR) Pada Perusahaan Yang Terdaftar Di Indeks LQ45 Bursa Efek Indonesia (BEI).* 12(1), 1–11. <https://media.neliti.com/media/publications/144018-ID-none.pdf>
- Aisyah, M. L., & Habibah. (2021). Pengaruh Likuiditas , Leverage dan Profitabilitas, Terhadap Agresivitas Pajak. *Jurusan Akuntansi Fakultas Ekonomi Dan Bisnis Universitas Islam Syekh Yusuf Tangerang*, 4(1), 1–14.
- Ali Yudhistira, & Anggraeni, F. (2022). Pengaruh Tata Kelola Perusahaan, Rasio Keuangan, Dan Karakteristik Perusahaan Terhadap Penghindaran Pajak. *Proceedings NCAA*, 3(2022), 1–10. <http://www.universitastriologi.ac.id/journal/ks/index.php/EPAKT/article/view/1184/537>
- Astuti, W. A. (2021). Analisis Pengungkapan Corporate Social Responsibility Terhadap Nilai Perusahaan Di Sektor Property Dan Real Estate. *Jurnal Riset Akuntansi*, 13(2), 186–195. <https://doi.org/10.34010/jra.v13i2.4779>
- Avianita, H., & Fitria, A. (2020). Pengaruh Good Corporate Governance Terhadap Tax Avoidance. *Jurnal Ilmu Dan Riset Akuntansi*, 9(1), 1–21.
- Boussaidi, A., & Hamed-Sidhom, M. (2021). Board’s characteristics, ownership’s nature and corporate tax aggressiveness: new evidence from the Tunisian context. *EuroMed Journal of Business*, 16(4), 487–511. <https://doi.org/10.1108/EMJB-04-2020-0030>
- Daholi, T. Q. H. (2022). *Menelisk Jejak Penghindaran Pajak ‘Para Raksasa.’* Ddtc.Co.Id. <https://news.ddtc.co.id/menelisk-jejak-penghindaran-pajak-para-raksasa-36197>
- DDTNews. (2020). *Kinerja Penerimaan Perpajakan Fluktuatif, Ini Penjelasan Pemerintah.* DDTNews. <https://news.ddtc.co.id/kinerja-penerimaan-perpajakan-fluktuatif-ini-penjelasan-pemerintah-21153>
- Deegan, C., Rankin, M., & Tobin, J. (2002). An examination of the corporate social and environmental disclosures of BHP from 1983-1997: A test of legitimacy theory. In *Accounting, Auditing & Accountability Journal* (Vol. 15, Issue 3). <https://doi.org/10.1108/09513570210435861>
- Desai, M. A., & Dharmapala, D. (2007). Taxation and Corporate Governance: An Economic Approach. *SSRN Electronic Journal*. <https://doi.org/10.2139/ssrn.983563>
- Desai, M. A., & Dharmapala, D. (2009). Corporate Tax Avoidance And Firm Value. *The Review of Economics and Statistics*, 9(03), 537–546. <https://doi.org/10.1142/S2010139220500081>

- Dewi, N. L. P. P., & Noviari, N. (2017). Pengaruh Ukuran Perusahaan, Leverage, Profitabilitas dan Corporate Social Responsibility Terhadap Penghindaran Pajak (Tax Avoidance). *E-Jurnal Akuntansi*, 21(2), 882–911. <https://doi.org/10.24843/EJA.2017.v21.i02.p01>
- Fadjar O.P. Siahaan. (2005). Faktor - Faktor Yang Mempengaruhi Perilaku Kepatuhan Tax Profesional Dalam Pelaporan Pajak Badan Pada Perusahaan Manufaktur di Surabaya. *Desertasi*, 266. <https://repository.unair.ac.id/>
- Fadli, I., Ratnawati, V., & Kurnia, P. (2016). Pengaruh Likuiditas, Leverage, Komisaris Independen, Manajemen Laba, Dan Kepemilikan Institusional Terhadap Agresivitas Pajak PERUSAHAAN (Studi pada perusahaan manufaktur yang terdaftar di Bursa Efek Indonesia periode 2011-2013). *Jurnal Online Mahasiswa Fakultas Ekonomi Universitas Riau*, 3(1), 1205–1219. <https://www.neliti.com/publications/132452/pengaruh-likuiditas-leverage-komisaris-independen-manajemen-labadan-kepemilikan>
- Gunawan, B., & Kris Resitarini, F. (2019). The Influence of Corporate Governance Mechanisms, Profitability, Leverage, and Earnings Management on Tax Aggressiveness (An Empirical Study on Mining Sector Companies Listed on the Indonesia Stock Exchange in 2014-2017). *Proceedings of the 5th International Conference on Accounting and Finance (ICAF 2019)*, 102(Icaf), 13–19. <https://doi.org/10.2991/icafe-19.2019.3>
- Irmawati, I., Nasaruddin, F., & Junaid, A. (2020). Pengaruh Pengungkapan Corporate Social Responsibility, Karakter Eksekutif, Profitabilitas Dan Corporate Governance Terhadap Agresivitas Pajak Pada Perusahaan Manufaktur. *Journal of Accounting and Finance (JAF)*, 1(1), 144–154. <https://doi.org/10.52103/jaf.v1i1.198>
- Kemenkeu. (2022). *Realisasi Pendapatan Negara 2021 Capai Rp2.003,1 triliun, Lampau Target APBN 2021*. Kemenku.Go.Id. <https://www.kemenkeu.go.id/publikasi/berita/realisasi-pendapatan-negara-2021-capai-rp2003-1-triliun-lampau-target-apbn-2021/#:~:text=Menku> memaparkan realisasi sementara penerimaan, akibat terpukul pandemi Covid-19.
- Masyitah E & Kahar H. (2018). Analisis Kinerja Keuangan Menggunakan Rasio Likuiditas Dan Profitabilitas. *Jurnal Akuntansi Dan Keuangan Kontemporer*, 14(1), 46.
- Midiastuty, P. P., Indriani, R., Surantana, E., & Putri, sarry irawati. (2016). Pengaruh Kepemilikan Pengendali dan Corporate Governance Terhadap

- Tindakan Pajak Agresif. *Prosiding SNA XIX Lampung, 19*(Agustus), 1–26. <http://repository.unib.ac.id/11566/1/PengaruhKepemilikanPengendaliDanCorporateGovernanceTerhadapTindakanPajakAgresif.pdf>
- Putra, I. G. L. N. D. C., & Merkusiwati, N. K. L. A. (2016). Pengaruh Komisaris Independen, Leverage, Size Dan Capital Intensity Ratio Pada Tax Avoidance. *E-Jurnal Akuntansi Universitas Udayana, 17*(1), 690–714. <https://ojs.unud.ac.id/index.php/Akuntansi/article/view/22025>
- Putra, I. M. (2019). *Manajemen Pajak Strategi Pintar Merencanakan dan Mengelola Pajak dan Bisnis* (Cetakan Pe). Quadrant.
- Putri, A. A., & Hanif, R. A. (2020). Pengaruh Likuiditas, Leverage, Dan Komite Audit Terhadap Agresivitas Pajak. *CURRENT: Jurnal Kajian Akuntansi Dan Bisnis Terkini, 1*(3), 382–399. <https://doi.org/10.31258/jc.1.3.384-401>
- Putri, V. R., & Putra, B. I. (2017). Pengaruh Leverage, Profitability, Ukuran Perusahaan Dan Proporsi Kepemilikan Institusional Terhadap Tax Avoidance. *Jurnal Manajemen Daya Saing, 19*(1), 1. <https://doi.org/10.23917/dayasaing.v19i1.5100>
- Rohmansyah, B., & Fitriana, A. I. (2020). Analisis Faktor Agresivitas Pajak: Effective Tax Rate. *Jurnal Manajemen, 12*(2), 179–189. <http://journal.feb.unmul.ac.id/index.php/JURNALMANAJEMEN/article/view/7947>
- Sabna, Z. A. A., & Wulandari, S. (2021). Analisis Determinan Agresivitas Pajak Pada Perusahaan Sektor Industri. *Akuntansi Dan Manajemen, 16*(2), 123–141. <https://doi.org/10.30630/jam.v16i2.161>
- Selvirani, D., & Nofryanti. (2021). Pengaruh Karakteristik Perusahaan, Good Corporate Governance Dan Corporate Social Responsibility Terhadap Penghindaran Pajak. *Prosiding Seminar Ilmiah Akuntansi, 1*(1), 419–433. <https://doi.org/10.22202/economica.2017.v5.i2.383>
- Stiawan, H., & Sanulika, A. (2020). Pengaruh Profitabilitas, Ukuran Perusahaan Dan Likuiditas Terhadap Agresivitas Pajak Dengan Corporate Social Responsibility Sebagai Variabel Moderator. *Conference on Economic and Business Innovation, 19*(11), 3–16.
- Sugiono, A., & Untung, E. (2016). *Analisa Laporan Keuangan* (Adipramono (ed.); Gramedia). PT Grasindo.
- Suranta, E., Midiastuty, P., & Hasibuan, H. R. (2020). The effect of foreign ownership structure and foreign commissioners' board of tax avoidance. *Journal of Economics, Business, & Accountancy Ventura, 22*(3), 309–318. <https://doi.org/10.14414/jebav.v>

22i3.2143

- Susanto, L., Yanti, Y., & Viriany, V. (2018). Faktor-faktor yang mempengaruhi agresivitas pajak. *Jurnal Ekonomi*, 23(1), 10–19. <https://doi.org/10.24912/je.v23i1.330>
- Suyanto, K. D., & Supramono. (2012). Likuiditas, Leverage, Komisaris Independen, Dan Manajemen Laba Terhadap Agresivitas Pajak Perusahaan. *Jurnal Keuangan Dan Perbankan*, 16(2), 167–177. <http://jurkubank.wordpress.com>
- Wijayanti, A. (2017). Pengaruh Karakteristik Perusahaan, Good Corporate Governance Dan Corporate Social Responsibility Terhadap Penghindaran Pajak. *ECONOMICA*, 5(2), 113–127. <https://doi.org/10.22202/economica.2017.v5.i2.383>
- Winarno, W. W. (2017). *Analisis Ekonometrika dan Statistika dengan EViews* (ed. 5). UPP STIM YKPN.
- Yanuarsa, M., Wijayanti, D. M., & Haryono, S. (2021). The Influence of Ownership Structure, Debt Structure, and Independent Commissioner on Earning Management. *JURNAL AL-QARDH*, 6(2), 29–48. <https://doi.org/10.23971/jaq.v6i2.3190>
- Yuliana, I. F., & Wahyudi, D. (2018). Pengaruh likuiditas, profitabilitas, leverage, ukuran perusahaan, capital intensity dan inventory intensity terhadap agresivitas pajak (Studi Empiris pada Perusahaan Manufaktur yang Terdaftar di Bursa Efek Indonesia Tahun 2013 – 2017). *Journal of Chemical Information and Modeling*, 53(9), 105–120.