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Does Capital Intensity have Effect on The Relationship Good Corporate Governance and Tax Aggressiveness?

Ananda Fitria Zahra
Department of Accounting, Universitas Pamulang
Email: anandazahra0305@gmail.com

ABSTRACT
This study aims to determine the effect of good corporate governance measurement with independent commissioners and institutional ownership on tax aggressiveness. Capital intensity is a moderating variable in companies listed on the Indonesia Stock Exchange, with total assets exceeding $10 trillion from 2017 to 2021. A sample of 65 companies was obtained using the purposive sampling method. The panel regression analysis method was used for the analysis. The finding of this study state that independent commissioners and institutional ownership have no significant effect on tax aggressiveness. Besides, capital intensity cannot moderate the effect of independent commissioners and institutional ownership on tax aggressiveness. The results of this study are expected to benefit the company and later can be an additional consideration not to tax aggressiveness.

Keywords: *Corporate Governance, Independent Commissioner, Institutional Ownership, Tax Aggressiveness, Capital Intensity.*

1. INTRODUCTION

Tax aggressiveness is an act that is harmful to the state in the form of taxable income abuse or engineering within a company; the lower the tax paid by the company, the more aggressive the company is towards taxes (Ejeh & Salaudeen, 2018; Migang & Dina, 2018; Firmansyah & Estutik, 2020). According to Setyawan et al. (2019), a company is aggressive in taxes when it carries out a large-scale engineering imposition of expenses classified in the Minister of Finance Regulation Number 167/PMK.03/2018 to reduce taxable income. If the company charges too aggressively, the burden will be suspected, resulting in a tax audit. According to Chen (2013) and Rengganis & Dwija Putri (2018), companies actively avoid being audited by tax authorities because if tax evasion is proven, the company can be criminally charged under Article 39 paragraph (1) of Law Number 28 of 2007 with a maximum penalty of 6 (six) years and a maximum fine of 4 (four) times the amount of unpaid or underpaid tax.

Meanwhile, Global Witness published a report in 2019 detailing how Adaro Energy reduced the tax burden to be paid in Indonesia. Even though 70% of the coal sold came from operations in Indonesia, Adaro Energy was proven to have transferred revenue from Indonesia to Singapore and Mauritius to transfer tax rights to its income at a lower rate. Most businesses practise tax evasion because paying taxes is a burden that contradicts the business concept of maximizing profits with the least amount of expense (Yahya et al., 2021; Aburajab et al., 2019; Wait et al., 2018). It is supported by a 2021 statement by Price water house Coopers (PwC) Indonesia stating that only 30-40% of large mining companies in Indonesia have implemented transparency in their tax reports (Mine, 2021; Great Expectations, Seizing Tomorrow, 2021). It

*Corresponding author's e-mail: anandazahra0305@gmail.com
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demonstrates that a variety of factors influence tax aggressiveness.

This study measured good corporate governance using independent commissioners and institutional ownership. The independent commissioner, a member of the company's independent board of commissioners, is one of the factors influencing tax aggressiveness (Innocent & Gloria, 2018; Faradisty et al., 2019; Amri et al., 2022). According to Adharani et al. (2022) and Wahab et al. (2017), the more independent commissioners oversee managers' corporate tax decision-making, the lower the level of corporate tax aggressiveness. It is due to the equality principle in companies, which states that companies must prioritize all stakeholders so that independent commissioners can supervise and direct directors and company management to reduce tax evasion (Ejeh & Salaudeen, 2018; Sihombing et al., 2021; Chan et al. al., 2013).

In contrast, Adharani et al. (2022) and Adam & Putri (2018) found that the more independent commissioners there are, the greater the potential for tax evasion. It is because the independent commissioners needed to manage their supervisory system correctly. Rengganis and Dwija Putri (2018), Neno and Irawati (2022), and Kurniawan et al. (2021) all stated that independent commissioners do not affect tax aggressiveness, implying that there are many or few independent commissioners in a given area. The firm does not affect the level of tax aggressiveness. These studies' findings indicate that independent commissioners' effect on tax evasion needs to be more consistent.

The next corporate governance indicator is institutional ownership, which is the ownership of a portion of a company's shares by other institutions (Darsani & Sukartha, 2021; Magfira & Murtanto, 2021; Setyawan et al., 2019; Halioui et al., 2016). It is because the more effective the proportion of institutional share ownership, the lower the company's tax aggressiveness. The voice of institutional owners can guide other majority shareholders in implementing tax regulations so that if tax aggressiveness occurs, the institution is not affected (Fadli, 2016; Migang & Dina, 2018).

However, Magfira and Murtanto (2021) and Nugroho and Firmansyah (2018) argue that increasing the percentage of institutional ownership reduces tax compliance. Institutions that invest in businesses must supervise, press and direct company management to comply with tax regulations. Meanwhile, research conducted by Octaviani and Sofie (2019), Setyawan et al. (2019), Sihombing et al. (2021), and Wati & Astuti (2020) found that institutional ownership does not affect corporate tax aggressiveness, implying that the percentage increase or decrease in institutional ownership does not affect corporate tax aggressiveness. Because of the inconsistency of these studies' findings, the relationship between institutional ownership and tax aggressiveness must be reconsidered.

Because previous studies on the influence of independent commissioners and institutional ownership on tax aggressiveness have been inconsistent, it is necessary to include capital intensity as a factor that can strengthen or weaken the effect of these two factors on tax aggressiveness. Capital intensity is the amount of capital allocated to the company in the form of fixed assets (Aryatama & Raharja, 2021; Darsani & Sukartha, 2021; Solihin et al., 2020). The decision to allocate capital intensity to fixed assets is an investment decision that involves independent commissioners and institutional ownership.

If the depreciation charge on fixed assets complies with fiscal regulations, capital intensity can strengthen the influence of independent commissioners and institutional ownership on tax aggressiveness. Meanwhile, capital intensity is said to erode the influence of independent commissioners and institutional ownership on tax aggressiveness if the fixed asset depreciation burden is abused to carry out tax aggressiveness (Marfiana & Putra, 2021; Maulana et al., 2018; Prawati & Hutagalung, 2020; Suciarti et al., 2020). Lestari et al. (2019) and Hidayati et al. (2021) found that capital intensity affects tax aggressiveness, so capital intensity can strengthen the relationship between independent commissioners and institutional ownership in suppressing tax aggressiveness. As a result, capital-intensity investment decisions through fixed assets can strengthen and weaken the influence of

*Corresponding author's e-mail: anandazahra0305@gmail.com
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independent commissioners and institutional ownership on tax aggressiveness.

2. LITERATURE REVIEW

The relationship between those who have authority and those who are given authority is explained by agency theory (Indradi, 2018; Maulidah & Prastiwi, 2019; Sugiyanto et al., 2020). Agency theory explains how the owner of authority delegated authority to company management to manage the company (Panda & Leepsa, 2017; Sihombing et al., 2021). Delegating power over a specific part of the company to a professional who will then manage and report back to the authorizing party is how agency theory works (Bosse & Phillips, 2016; Maulidah & Prastiwi, 2019). According to Darsani and Sukartha (2021) and Aryatama and Raharja (2021), company management is independent of the supervision of the authorizing party, namely independent commissioners and institutional owners, when carrying out their duties. For example, management's decision to invest company funds in company fixed assets that affect capital intensity requires approval from the authorized owner.

Meanwhile, stakeholder theory is a theory that states that every stakeholder has the right to know about company activities and that companies must consider the impact of decisions as well as the interests of each stakeholder (Kusumawati & Hardiningsih, 2016; Pratama & Suryarini, 2020; Sugiyanto et al., 2020). According to Chandra and Cintya (2021), in stakeholder theory, corporate value is measured by the profitability of the company's financial performance and how the company carries out its responsibilities in providing feedback to stakeholders. According to Harsono and Susanti (2022), stakeholder theory is a type of corporate responsibility for stakeholder contributions. As a result, the opinion of stakeholders has the potential to influence the company's direction. This study employs the variables of independent commissioners and institutional ownership, which are stakeholders whose opinions will influence company policies regarding tax compliance and capital intensity decisions.

The capital intensity policy of a company is related to agency theory. According to Neno and Irawati (2022), the principal must approve decisions to allocate investment funds to fixed assets. Depreciation on fixed assets is a deductible expense that can reduce the company's taxable income. Authorities must exercise supervision and direction to suppress and prevent management from exploiting the imposition of fixed asset depreciation as a form of tax evasion (Nugroho & Firmansyah, 2018; Sakinah et al., 2020).

Independent commissioners and institutional ownership are closely related to agency and stakeholder theories. According to agency theory, an independent commissioner, as a principal who does not have a position in the company, must have an agent (management) to manage the company. The company's management will provide information on the company's condition regularly so that the independent commissioners can continue to carry out their functions of overseeing tax decisions made by management to reduce the level of tax aggressiveness and monitoring company performance (Adharani & Junaidi, 2022; Ejeh & Salaudeen, 2018; Onyali & Okafor, 2018).

The relationship between institutional ownership and agency theory is that an institution that owns stock in a company has the right to select, appoint, and supervise managers who have authority over the company's operations. According to Dridi and Boubaker (2015), institutions that own a portion of a company's stock will be able to encourage, influence, and discipline company managers' adherence to tax regulations. As a result, company executives will be more cautious when making decisions and more tax-aggressive (Aburajab et al., 2019; Octaviani & Sofie, 2019).

Stakeholder theory can also explain independent commissioners and institutional ownership. According to Harsono and Susanti (2022), protecting investors' rights will be more

*Corresponding author's e-mail: anandazahra0305@gmail.com
http://openjournal.unpam.ac.id/index.php/EAJ

secure with an independent commissioner the company does not bind. The more significant the proportion of independent commissioners, the more outstanding the company's contribution and rights to independent authority (Adam & Putri, 2018; Pratama & Suryarini, 2020). The authority rights of independent commissioners are used to regulate company operations and policies, particularly in tax compliance; independent commissioners' shareholding portion can influence company compliance with tax regulations (Onyali & Okafor, 2018; Setyawan et al., 2019; Wati & Astuti, 2020).

According to Adam and Putri (2018), the percentage of shares owned by an institution significantly impacts the company's decisions. It is because institutions that own stock in a company have the authority to intervene and encourage company management to implement policies that reflect these institutions' values (Nugroho & Firmansyah, 2018). A high percentage of institutional ownership will provide external solid (institutional) control over company management, particularly in company compliance with applicable regulations, in this case, tax regulations, to maintain the institution's image (Vanesali & Kristanto, 2020).

Because independent commissioners are responsible for company operations, they significantly influence corporate tax aggressiveness (Chandra & Cintya, 2021; Vanesali & Kristanto, 2020). This assertion is supported by research conducted by Fadli (2016), Vanesali & Kristanto (2020), Magfira & Murtanto (2021), Migang & Dina (2018), and Setyawan et al. (2019), which demonstrates that the greater the share of independent commissioner ownership in a company, the less likely the company is to engage in tax evasion. The findings of this study are consistent with agency theory, which holds that independent commissioners can supervise company management to resolve agency conflicts caused by tax evasion. The findings of this study are also consistent with the stakeholder theory, according to which company management prioritizes the interests of its stakeholders over financial performance by refraining from tax evasion, which can hurt stakeholders in the company (Setyawan et al., 2019). Based on the preceding discussion, the following hypothesis can be developed:

H1: Independent commissioners have a significant effect on tax aggressiveness.

Institutional ownership in a company can significantly impact its tax aggressiveness practices. It is due to the votes cast by the institutions that control the company. This viewpoint is supported by the findings of Adam and Putri (2018), Migang and Dina (2018), Kusumawati and Hardiningsih (2016), Nugroho and Firmansyah (2018), and Wahab et al. (2017), who found that the higher the percentage of company shares owned by an institution, the greater the influence of institutional ownership in suppressing the level of corporate tax aggressiveness. According to the agency theory and stakeholder theory that underpin institutional ownership, managers who are authorized to manage their business by an institution will act following the values of the institution that provides this authority. As a result, the company's business relationships with institutional owners can overcome agency conflicts caused by tax aggressiveness regulations (Amri et al., 2022; Chen, 2013). The following hypothesis is derived from the preceding discussion:

H2: Institutional ownership has a significant effect on tax aggressiveness.

The issue of capital intensity necessitates a great deal of attention from company stakeholders. The ability of a company to use its assets to generate profits is referred to as capital intensity (Maulana et al., 2018). According to agency theory, capital intensity is the allocation of company funds to fixed assets, where a policy will describe the characteristics of stakeholders (Kurniawan et al., 2021; Wati & Astuti, 2020). As a moderating variable, capital intensity influences both the strength and weakness of independent commissioners' influence on tax aggressiveness.

When the value of a company's investment in fixed assets rises, so does the depreciation expense on those assets, increasing the risk of tax evasion. As a result, tax evasion will decrease if the independent commissioner can carry out his supervision optimally and the capital intensity ratio is within a reasonable

*Corresponding author’s e-mail: anandazahra0305@gmail.com
http://openjournal.unpam.ac.id/index.php/EAJ

range. It demonstrates that capital intensity can strengthen the relationship between independent commissioners and tax evasion. However, if the independent commissioner has carried out his duties following applicable regulations, but the capital intensity ratio needs to be lowered, tax aggressiveness is likely to increase further. It demonstrates how capital intensity can undermine the independent commissioner's relationship to tax aggressiveness. Based on the preceding discussion, the following hypothesis can be developed:

H3: Capital intensity can moderate the influence of independent commissioners on tax aggressiveness.

Capital intensity, as a moderating variable, can strengthen or weaken the effect of institutional ownership on tax aggressiveness. If the company has a high level of institutional ownership combined with a reasonable capital intensity ratio, the tax aggressiveness will be significantly reduced. It demonstrates how capital intensity can amplify the effect of institutional ownership on tax evasion. This assertion is supported by agency theory, which states that companies are subject to oversight and regulations imposed by institutional owners and that the amount of capital channelled in the form of fixed assets requires approval from stakeholders (Sakinah et al., 2020; Sihombing et al., 2021; Wati & Astuti, 2020). However, if institutional ownership is high but the ratio of capital intensity is also high, the institutional owners' voice will not be able to reduce the level of corporate tax aggressiveness caused by the increase in the value of capital intensity. It demonstrates how capital intensity can erode the link between institutional ownership and tax aggressiveness. Based on the preceding discussion, the following hypothesis can be developed:

H4: Capital intensity can moderate the effect of institutional ownership on tax aggressiveness.

3. RESEARCH METHOD

Capital intensity will be examined as a moderating variable in this study's effect of independent commissioners and institutional ownership on tax aggressiveness. A quantitative approach is used in this study. In this study, the population consists of all companies listed on the Indonesia Stock Exchange (IDX) that issue financial reports that have been audited and registered on the Indonesia Stock Exchange (IDX) between 2017 and 2021. The purposive sampling method was used to select the sample, and 65 companies were obtained. Financial and annual reports containing information on independent commissioner variables and institutional ownership of tax aggressiveness with capital intensity as a moderating variable are used as secondary data.

3.1. Data Collection Techniques

To obtain data for the issues being investigated in this study, the authors retrieved data from the financial statements of companies listed on the Indonesia Stock Exchange, which can be downloaded at the following link: www.idx.co.id.

3.2 Operational Definitions of Variables

Table 1: Variable Measurement

Variables	Measurement
Dependent Variables:	
Tax Aggressiveness *Ejeh & Salaudeen (2018)*	$ETR = \frac{Company\ tax\ expenses}{Earnings\ Before\ tax}$
Independent Variables:	
Independent Commissioner *Setyawan et al. (2019)*	$IC = \frac{Total\ Independet\ Commissioner}{Total\ Board\ of\ Commissioner}$
Institutional Ownership *Vanesali & Kristanto (2020)*	$IO = \frac{Total\ Institutional\ Ownership}{Total\ Outstanding\ Shares}\ x\ 100\%$

*Corresponding author's e-mail: anandazahra0305@gmail.com

Moderating Variables:	
Capital Intensity *Indradi (2018)*	$CI = \frac{TotalFixed\ Asset}{Total\ Asset}$
Control Variables:	
Leverage *Octaviani & Sofie (2019)*	$Leverage = \frac{Total\ Debt}{Total\ Asset}$

3.2. Sample Collection Techniques

The population in this study are companies listed on the Indonesia Stock Exchange taken from 2017-2021. The sampling technique in this study is purposive sampling, which is a sampling technique with specific considerations (Sugiyono, 2009). The criteria used can be based on consideration of certain limitations, namely:

Table 2: Sample Selection

Description	No. of companies
Listed on IDX as of December 31, 2021	767
Financial companies	(105)
IPO between January 1, 2017, and December 31, 2021	(238)
Companies with a negative book value of equity	(31)
Companies with total assets less than Rp 10 trillion	(297)
Companies with insufficient data	(2)
companies' data is not suitable for this research	(29)
Final sample	65
Duration study	5 years
Total observations	325

Table 3: Distribution of the sample according to sectors' type

Sector	Observation	Percentage (%)
Energy	9	13.9
Basic Material	8	12.4
Industrial	4	6.2
Consumer non-cyclic	14	21.5
Consumer cyclical	5	7.7
Healthcare	1	1.5
Properties and real es	14	21.5
Infrastructure	9	13.8
Technology	1	1.5
Total companies	65	100.00

3.3. Data Analysis Techniques

This study uses panel regression analysis to test the hypothesis with models:

$$ETRit = \alpha + \beta1(ICit) + \beta2(IOit) + \beta3(CIit) + \beta4(ICCIit) + \beta5(IOCIit) + \beta6(LEVit) + e$$

Dependent variables are the tax aggressiveness of the company "i" at period "t" (ETRit). The independent variables are independent commissioner of the company "i" at period t (ICit) and institutional ownership of the company "i" at period t (IOit). The moderating variable is the capital intensity of company "i" at period "t." (CIit). The variables control is leverage of company "i" at period t (LEVit).

4. RESULTS AND DISCUSSIONS

4.1. Results

Table 4: Statistic Descriptive

Variables	N	Mean	SD	Min	Max
Dependent variables:					
Tax Aggressiveness	325	0.17	0.14	-0.27	0.58
Independent variables:					
Independent Commissioner	325	0.41	0.12	0.20	0.83
Institutional Ownership	325	59.97	20.13	1.54	99.71
Moderating variables:					
Capital Intensity	325	0.28	0.21	0.01	0.77
Control variables:					
Leverage	325	0.25	0.16	0.00	0.71

Source: Proceed by E-views, 2022

*Corresponding author's e-mail: anandazahra0305@gmail.com
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Table 4 shows that the average value of tax aggressiveness is 0.17, indicating that the sample companies pay 17% of their profit before tax. The average value of independent commissioners is 0.41, indicating that the sample companies own 41% of all independent commissioners. The average value of institutional ownership is 0.5997, implying that institutional shareholders own 59.97% of the total outstanding shares in the sample companies. The average capital intensity value is 0.28, implying that the sample companies' average fixed assets account for 28% of total assets. The average leverage value is 0.25, meaning that the sample companies obtain an average debt of 25% of their assets.

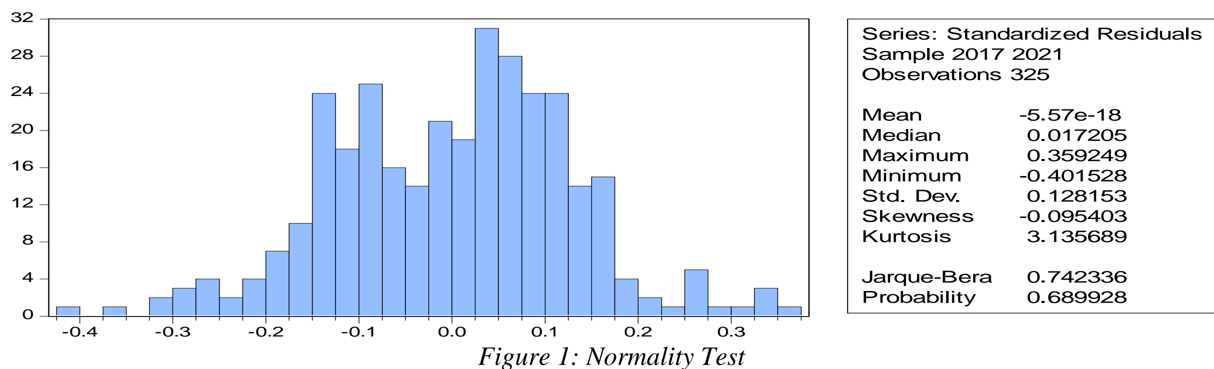

Figure 1: Normality Test

Source: Proceed by E-views, 2022

The normality test for the four regression models in this study shows, as shown in picture 1 that the significance greater than 0.05. According to the normality test residuals have a normal distribution.

Table 5: Multicollinearity test

Variables	IC	IO	CI	LEV
IC	1.000000			
IO	0.186228	1.000000		
CI	0.047835	0.081609	1.000000	
LEV	0.133034	-0.040470	0.215278	1.000000

Source: Proceed by E-views, 2022

Table 5 indicates no multicollinearity issues between variables in this study. Although the highest correlation between capital intensity and leverage is 0.22, it is still below 0.85, indicating no multicollinearity issue between these variables.

Table 6: Regression test

Variables	Coefficient	Sig.
Independent variables:		
IC	0.174095	0.1448
IO	0.042984	0.6355
Moderating Variables:		
CI	0.587021	0.0037**
*IC*CI*	-0.381413	0.1882
*IO*CI*	-0.335921	0.2130
Control variables:		
LEV	-0.034334	0.5352
R-square	3.69%	
Prob(F-statistic)	0.01	
Observations	325	

Source: Proceed by E-views, 2022

*Corresponding author's e-mail: anandazahra0305@gmail.com
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Independent Commissioner does not affect Tax Aggressiveness. It can be seen from the results of the t-test output that the Independent Commissioner variable has a probability value more significant than the significance level (0.05), namely 0.1448. Then the Independent Commissioner significantly affects Tax Aggressiveness because the probability value is greater than the significance level, or in other words, 0.1448 > 0.05.

Institutional Ownership does not affect Tax Aggressiveness. It can be seen from the results of the t-test output that the Institutional Ownership variable has a probability value more significant than the significance level (0.05), namely 0.6355. Then Institutional Ownership does not significantly affect Tax Aggressiveness because the probability value is greater than the significance level, or in other words, 0.6355 > 0.05.

Capital Intensity influences Tax Aggressiveness. It can be seen from the results of the t-test output that the Capital Intensity variable has a probability value smaller than the significance level (0.05), namely 0.0037. Then Capital Intensity significantly affects Tax Aggressiveness because the probability value is smaller than the significance level or, in other words, 0.0037 <0.05.

Capital Intensity cannot moderate the effect between Independent Commissioners and Tax Aggressiveness. The output results above show that the probability value is 0.1882, more significant than the significance level. So, Capital Intensity cannot moderate the influence of Independent Commissioners on Tax Aggressiveness because the probability value is greater than the significance level, or in other words, 0.1882 > 0.05.

Capital Intensity cannot moderate the influence between Institutional Ownership and Tax Aggressiveness. The output results above show that the probability value is 0.2130, more significant than the significance level. So, Capital Intensity cannot moderate the effect of Institutional Ownership on Tax Aggressiveness because the probability value is greater than the significance level, or in other words, 0.2130 > 0.05.

Based on Table 6 above, the R-squared value is 0.036899, which means that 3.69% of the amount of tax aggressiveness can be explained by the variables of Independent Commissioner, Institutional Ownership, and Capital Intensity studied. In contrast, the rest is explained by other variables outside research.

Based on Table 6, it is known that the probability value obtained is 0.006203. Compared with the value of α = 0.05, the probability value obtained is smaller than the significance level. So, it can be concluded that the model built is feasible to use.

4.2. Discussion

According to the study's findings, independent commissioners have no significant effect on tax aggressiveness, which means that regardless of the percentage of independent commissioners compared to the total number of commissioners, it is ineffective in preventing companies from engaging in aggressive tax behaviour. It is because the presence and number of independent commissioners are merely formalities (Rengganis & Dwija Putri, 2018; Wati & Astuti, 2020). Independent commissioners can only be elected and serve to fulfil existing requirements, giving up their oversight function over the company. An independent commissioner will always benefit from his position as a current board of commissioners' member. If the company pays its taxes, the independent commissioner will benefit because the company will be protected from sanctions, and its image will improve. The better the company's image, the higher the company's shares and profits will be obtained. Independent commissioners also benefit if the company engages in tax evasion because the profits that should be spent on paying taxes at the applicable rates are reduced. Companies use various legal and illegal methods to reduce the tax that must be paid.

Independent commissioners do not influence policies made by third parties, particularly those relating to taxation, which the Ministry of Finance directly regulates. It is demonstrated by the presence of the COVID-19 pandemic, which had a significant impact on the large companies used in this research sample. The Ministry of Finance provides a 3% income tax rate reduction facility for companies

*Corresponding author's e-mail: anandazahra0305@gmail.com

that meet the provisions of Law No. 2 of 2020 Article 5 paragraph (2); however, the provision of this facility falls outside the authority and power of the company's independent commissioner.

It happened to TBS Energi Utama Tbk, which has a 67% proportion of independent commissioner positions and a 15% tax aggressiveness level, compared to Astra International Tbk, which has a 30% independent commissioner rate and a 15% tax aggressiveness level. The findings of this study are consistent with those of Kurniawan et al. (2021), Neno & Irawati (2022), and Rengganis & Dwija Putri (2018), who found that independent commissioners have no significant influence on tax evasion.

According to the study's findings, institutional ownership has no significant effect on tax aggressiveness, which means that no percentage of a company's share ownership by an institution can prevent the company from engaging in aggressive tax behaviour. These institutions' ownership of shares is primarily to comply with applicable legal requirements rather than gain benefits for the company (Setyawan et al., 2019). As a result, the institutional parties' presence in the company still needs to be more effective and maximal, and they cannot exert pressure on the company's management to implement corporate tax policies (Octaviani & Sofie, 2019). The activity of tax planning to obtain a lower rate than it should be, legally and illegally, is carried out by company management based on mutual welfare. Institutions that own stock in a company will continue to be profitable. It is because the company's decisions will always prioritize the interests of its stakeholders.

External factors of the company beyond the control of institutional owners play a significant role in influencing the relationship between institutional ownership and tax aggressiveness in this case. One of them is a regulation enacted by the government in response to a national economic emergency, such as the COVID-19 period, which had a significant impact. Furthermore, companies are subject to government regulations that must be implemented immediately, further eroding the role of institutional investors in corporations.

Companies with a high percentage of institutional ownership, such as Agung Podomoro Land Tbk., which has 82.72% institutional ownership, have the same tax aggressiveness as Jababeka Industrial Estate Tbk., which has only 11.71% institutional ownership, or 13%. The findings of this study agree with those of Fadli (2016), Octaviani & Sofie (2019), and Setyawan et al. (2019), who found that institutional ownership does not affect tax aggressiveness.

The presence of an independent commissioner in a company has no bearing on the company's activities in carrying out tax evasion. The company freely appoints and elects its independent board of commissioners to ensure compliance with applicable regulations. As a result, the independent commissioner's function as a control and control system within the company must be recovered. Accordingly, the presence of capital intensity, defined as the company's decision to allocate its assets in the form of fixed assets, does not affect the influence of independent commissioners on tax aggressiveness.

The depreciation expense caused by capital intensity allocation is considered unprofitable for companies engaged in tax evasion. It is because the company's fiscal and conventional reporting contain a system of temporary and permanent differences. Temporary differences, such as capital intensity treatment, will be adjusted following the tax regulations in effect at the time of fiscal reconciliation, whereas permanent differences are absolute differences. Independent commissioners can only have an impact in a temporarily different environment because the more depreciation expense can be charged, the less taxable income. However, because temporary differences must be adjusted when performing fiscal reconciliation, the incurred depreciation expense is viewed as not contributing significantly to the company.

It happened to Tjiwi Kimia Tbk Paper Factory. and Indofood Sukses Makmur Tbk., which have 43% and 38% independent commissioners, respectively, with a capital intensity level of 26% compared to total existing assets. Tjiwi Kimia Tbk Paper Factory.

*Corresponding author's e-mail: anandazahra0305@gmail.com

Produces an ETR value of 0.03 in 2021, while Indofood Sukses Makmur Tbk. Produces an ETR value of 0.22. It demonstrates that capital intensity cannot mitigate the influence of independent commissioners and tax aggressiveness.

The relationship between the influence of institutional ownership and tax aggressiveness cannot be strengthened or weakened by capital intensity. It is due to the burden imposed by capital intensity, which is thought not to affect corporate tax aggressiveness. Another reason is the ineffectiveness of institutional ownership in making investment policies and corporate taxation, which is caused by institutional ownership that aims only to comply with existing regulatory requirements. The burden incurred on capital intensity allocation will be re-evaluated at the end of the period and adjusted to the existing policies. In this case, institutional owners cannot intervene in government policies.

It happened to TBS Energi Utama Tbk. and Astrindo Nusantara Infrastruktur Tbk., which has 93% and 57% institutional ownership, respectively, with a capital intensity level of 8% compared to total assets—produced an ETR value of 0.30 in 2018, while Astrindo Nusantara Infrastructure Tbk—produced an ETR value of 0.16. It demonstrates that capital intensity cannot mitigate the influence of institutional ownership and tax aggressiveness.

5. CONCLUSIONS

This study aims to assess the impact of independent commissioners and institutional ownership on tax aggressiveness in companies listed on the Indonesia Stock Exchange, using capital intensity as a moderating variable. Based on the research findings and the discussion, it is possible to conclude that independent commissioners do not affect tax aggressiveness, institutional ownership has no effect on tax aggressiveness, capital intensity cannot moderate the effect of independent commissioners on tax aggressiveness, and capital intensity cannot moderate the influence of institutional ownership response to tax aggressiveness. If you want to conduct the same research, you will likely select a more specific type of industry to obtain research results that are more representative of each business sector and can strengthen the findings of previous researchers. Future researchers are expected to be able to conduct longer and longer research periods in order to reflect the company better and obtain more accurate research results.

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*Corresponding author's e-mail: anandazahra0305@gmail.com

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*Corresponding author's e-mail: anandazahra0305@gmail.com

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*Corresponding author’s e-mail: anandazahra0305@gmail.com

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*Corresponding author’s e-mail: anandazahra0305@gmail.com