Faculty of Economics and Business
Universitas Pamulang
INTERNASIONAL CONFERENCE & CALL FOR PAPER
ECONOMICS, BUSINESS, INNOVATION AND CREATIVITY (EBIC), 30th April 2025
Vol : 2 No.: 1 No. E- ISSN: 3025-4086

INFLUENCE OF EXECUTIVE CHARACTERISTICS, COMPANY SIZE AND CORPORATE SOCIAL RESPONSIBILITY (CSR) TOWARDS TAX AGGRESSIVITY

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ABSTRACT

This research aims to examine and empirically test the effect of executive characteristics, firm size, and corporate social responsibility on tax aggressiveness. This type of research uses an associative quantitative research method. The population in this research are non-cyclical consumer sector companies in the food and beverage subsector listed on the Indonesia stock exchange from 2018 to 2023. The sampling technique used in this research is purposive sampling technique, resulting in a sample of 25 companies with total of 150 data. The statistical method uses Eviews9 software. The data are analyzed using panel data regression. The results of this research show that executive characteristics, firm size, and corporate social responsibility simultaneously have an effect on tax aggressiveness, executive characteristics has an eeffect on tax aggressiveness, firm size has an effect on tax aggressiveness, corporate social responsibility has no effect on tax tax aggressiveness.

Keywords: Executive Characteristics, Firm Size, Corporate Social Responsibility, And Tax Aggressiveness

ABSTRAK

Penelitian ini bertujuan untuk menguji dan menguji secara empiris pengaruh karakteristik eksekutif, ukuran perusahaan, dan tanggung jawab sosial perusahaan terhadap agresivitas pajak. Jenis penelitian ini menggunakan metode penelitian kuantitatif asosiatif. Populasi dalam penelitian ini adalah perusahaan sektor konsumen non-siklis subsektor makanan dan minuman yang terdaftar di Bursa Efek Indonesia tahun 2018 sampai dengan 2023. Teknik pengambilan sampel yang digunakan dalam penelitian ini adalah teknik purposive sampling, sehingga diperoleh sampel sebanyak 25 perusahaan dengan jumlah data sebanyak 150. Metode statistik menggunakan software Eviews9. Data dianalisis menggunakan regresi data panel. Hasil penelitian ini menunjukkan bahwa karakteristik eksekutif, ukuran perusahaan, dan tanggung jawab sosial perusahaan secara simultan berpengaruh terhadap agresivitas pajak, karakteristik eksekutif berpengaruh terhadap agresivitas pajak, ukuran perusahaan berpengaruh terhadap agresivitas pajak, tanggung jawab sosial perusahaan tidak berpengaruh terhadap agresivitas pajak.

Kata Kunci: Karakteristik Eksekutif, Ukuran Perusahaan, Tanggung Jawab Sosial Perusahaan, dan Agresivitas Pajak

1. INTRODUCTION

The Indonesian government has a target is to implement various tax policies to maximize state revenue from the tax sector, as tax revenue can affect the size of the state budget. Tax is a mandatory contribution to the state that must be paid by individuals or entities that is mandatory based on law, without receiving direct compensation and is used for state needs for the prosperity of the people. In Indonesia, the highest percentage of state revenue comes from tax revenue. According to the minister of Finance, Sri Mulyani Indrawati, the 2022 State Budget reported the tax revenue realization reached IDR 2,034.5 trillion (114%) of the total state revenue realization of IDR 2,626.4 trillion (Kemenkeu, 2023). Tax should be viewed as a contribution to national development, but for companies, they are a burden that reduces net profit. Tax aggresiveness kown as manipulating taxable profit through tax planning, using either legal (tax avoidance or illegal (tax evasion) (Ramadani & Hartiyah, 2020).

The phenomenon of aggressive tax practices still frequently occurs in Indonesia, as evidenced by the case of PT Jafpa Comfeed Indonesia Tbk, an agri-food company established and operating since January 1971. the company's business fields include animal feed, chicken farming, cattle farming, poultry processing and fish farming. Its products include food and beverages under the "SO GOOD" brand. As reported by sindonews.com on November 15, 2020, the Supreme Court judges conducted a review to reveal the components or details of the total tax owed by PT Japfa Comfeed Indonesia Tbk. Specifically, the tax components inclde : Taxable Income of IDR 80,892,895,344, Income Tax owed (20%) of IDR 16,178,579,069, Tax Credit of IDR 0, Income Tax Underpayment of IDR 16,178,579,069, and administrative sanctions of IDR 7,765,717,953. consequently, the total amount of income tax still to be paid is IDR 23,944,297,022. In their considerations, the Supreme Court judges emphasized the disputed object in the form of a correction to the imposition of Article 26 income tax rate of 20% on interest payments with a disputed Value of IDR 16,178,579,069. This tax avoidance was carried out due to differences in who the real beneficial owner for the unpaid tax. The Supreme Court judges confirmed that there were instructions that convinced the panel that the real beneficial owner was not Comfeed Trading BV Netherlands but PT Japfa Comfeed Indonesia Tbk. therefore, the unpaid tax must be paid by PT Japfa Comfeed Indonesia Tbk in accordance with the recalculated amount determined by the Supreme Court judges (Sindonews, 2020).

Executive characteristics can be a significant factor in tax aggressiveness. Executives play an important role in managing the company. According to Budiman (Aulia, 2019), the more risk-tolerant executives are, the higher the level of tax aggresiveness exhibited by the company. risk taking leaders are more likely to take greater risks in business, as they understand that higher the risks are often associated with higher profits (Budiman in Aulia, 2019). Company size is a label based on the total assets owned by the company. The larger the company's assets base, the higher its productivity ('Iffah & Amrizal, 2022). Large-scale companies certainly have more experience in developing strategies for the sustainability of their operations, including tax minimization measures (Yulianto & Setianingsih, 2024).

According to Nugraha & Meiranto in (Herlinda & Rahmawati, 2021), company size is a measurement categorized based on the size of a company. Consequently, a company with a larger size will exert greater efforts to attract public attention. A company that has a large total assets indicates that the company is relatively large size. Consistent

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with the income generated, large companies will incur a significant tax burden, potentially leading to indications of tax aggressiveness (Wulansari in Rochmah & Oktaviani, 2021). In his book, Effendy explains that corporate social responsibility represents a company's commitment to implementing ethical behavior and contributing to sustainable economic development. Effective commnity relationships can be fostered when a company's top management implements CSR effectively (Neno & Irawati, 2022). Companies that carry out corporate social responsibility tend to avoid aggressive tax practices, seeking to mantain public validity or legitimacy, as aggressive tax practice can tarnish the reputation of companies with high reputation (Tanisa & Lastanti, 2022). CSR is carried out by companies with the aim of reflecting themselves as companies that are not only profit-oriented but have also carried out their social responsibilities (Holiawati et all, 2022).

2. THEORETICAL FRAMEWORK AND HYPOTHESIS

According to Jensen & Mekling, agency theory or also known as agency theory is a theory that describes the relationship that arises from a planned and agreed contract between individuals with or more who utilize different people as third parties (agents). According to Jensen & Mekling's agency theory, the principal is the individual who employes an agent, while the agent provides information to facilitate informed decision-making, especially regarding internal and external company conditions, which are commnicated to the company's owner (Tanisa & Lastanti, 2022). A company as an agent will seek to maximize profits through tax avoidance. In contrast, the government seeks to continually receive tax revenue, leading to conflict of interests known as agency theory (Yurisya & Sicillia, 2024).

Legitimacy theory is a theory that states that organizations or companies continuously seek ways to ensure their operations are aligned with societal norms and limits. Legitimacy theory explains that there is a social contract between the company and the community in which the company operates. A social contract is a way to explain a large number of community expectations about how an organization should carry out its operations. This shows that all activities and performance of the organization must be in accordance with the values and norms that apply in society in order to achieve the goals of the organization. A company's survival depends on the company's relationship with the community and the environment where the company operates. This aligns with legitimacy theory where society is a strategic factor for companies to ensure their long-term sustainability. (Vitaloka et al., 2023).

3. RESEARCH METHOD

The aim of this This type of research uses an associative quantitative research methods. The type of data used in this study is secondary data. This study aims to analyze the influence of executive characteristics, company size, and corporate social responsibility on tax aggressiveness. The data source in this study was obtained from the annual financial reports of non-cyclical consumer sector companies in the food and beverage subsector documented on the Indonesia Stock Exchange in 2018-2023. Secondary data was obtained from the Indonesia Stock Exchange database documented in www.idx.co.id

The variables in this study are divided into 2 categories : independent variables are executive characteristics, company size and corporate social responsibility. The dependent variable is tax aggressiveness. The following are operational definitions and variables involved in the study along with their measurements. According to Sugiyono, dependent variables are variables that are often referred to as output variable, criteria, consequence. Dependent variables are bound variables, namely variables that can be influenced or that are the result of the existence of independent variables. The dependent variable in this study is tax aggressiveness. According to Frank et al., corporate tax aggressiveness is an act of manipulating taxable income carried out by companies using either legal (tax avoidance) or illegal (tax evasion) methods. In this study, tax aggressiveness can be proxied into Effective Tax Rates (ETR). Lanis & Richardson's research uses the ETR proxy to measure tax aggressiveness. The ETR proxy is the most widely used proxy in the literature, and a low ETR value can be an indicator of tax aggressiveness. The ETR repruesents the percentage of total income tax expenses paid byu a company from its total pre-tax net income. The ETR calculation formula according to (Pakpahan & Pratomo, 2020) is:

$$ETR = \frac{\text{Beban Pajak Penghasilan}}{\text{Laba Sebelum Pajak}}$$

According to Sugiyono, an independent variable is a variable that is often referred to as a stimulus variable, predictor, antecedent or commonly called a free variable, which influences or causes changes or the emergence of a dependent variable. The independent variables used in this study are Executive Characteristics, Company Size and Corporate Social Responsibility.

Executive character is a certain character possessed by every leader at the top level of a company. These characters influence leaders to provide direction in carrying out business activities in accordance with the goals that the company wants to achieve. Executive character can also be defined as the unique traits that distinguish a company leader and influence their decision-making and business policies. Every individual company leader as an executive has two characteristics, namely risk taker and risk averse (Astriyani & Safii, 2022). The formula for calculating executive characteristics according to (Astriyani & Safii, 2022) is as follows:

$$RISK = \frac{\text{EBITDA}}{\text{TOTAL ASET}}$$

Company size as the second independent variable in this study. According to Brigham & Houston, company size is the size of a company that can be indicated or assessed by total assets, total sales, profit amount, tax burden, and others (Magfira & Murtanto, 2021). The calculation of company size in this study uses Log Natural Total Assets (LnTA). By using this calculation, the number of assets can be simplified without changing the proportion of the actual number of assets. The formula for calculating Log Natural Total Assets (LnTA) according to (Magfira & Murtanto, 2021) is as follows:

$$SIZE = LN(\text{TOTAL ASET})$$

Corporate social responsibility as the third independent variable (X3) in this study. Corporate Social Responsibility is a form of action that departs from the company's ethical considerations that are directed at improving the economy, which is accompanied by improving the quality of life for employees and their families, as well as improving the quality of life of the surrounding community and society more broadly (Lina et al., 2021). The Corporate Social Responsibility Index (CSRI) calculating formula according to (Hajijah et al., 2022) is as follows:

$$CSRIj = \sum Xyi/ni$$

Data analysis techniques are methods used to process existing variables to produce useful research results and obtain a conclusion. The data analysis technique in this study uses quantitative analysis techniques. Quantitative analysis is carried out by collecting data that is numerical. Quantitative data in this study are the annual financial reports of non-cyclical consumer sector companies in the food & beverage subsector listed on the Indonesia Stock Exchange (IDX). The data analysis technique used in this study uses panel data regression, assisted by Eviews 9 and Microsoft Excel software.

4. DATA ANALYSIS AND DISCUSSION

The hypothesis of this study was tested using a multiple regression model which aims to obtain a comprehensive picture of the influence of Executive Characteristics, Company Size, and Corporate Social Responsibility on Tax Aggressiveness.

Descriptive statistics summarize the data, showing minimum, maximum, average (mean), and standard deviation values generated from research variables using Eviews 9.

Tabel 1. Analisis Deskriptif

	AP	KE	UP	CSR
Mean	-0.615945	-0.446838	-0.776548	-0.498695
Median	-0.630860	-0.437650	-0.777365	-0.496640
Maximum	-0.035340	-0.005480	-0.742590	-0.113940
Minimum	-1.288490	-0.898610	-0.803010	-1.180890
Std. Dev.	0.135339	0.166503	0.015908	0.208667
Skewness	1.127102	0.087288	0.174108	-0.641735
Kurtosis	12.00444	3.159086	2.024794	3.552976
Jarque-Bera	538.5090	0.348658	6.701756	12.20674
Probability	0.000000	0.840021	0.035054	0.002235
Sum	-92.39175	-67.02570	-116.4822	-74.80428
Sum Sq. Dev.	2.729187	4.130762	0.037706	6.487749
Observations	150	150	150	150

The results of the descriptive statistical analysis obtained an average (mean) value of tax aggressiveness of -0.615945 and a standard deviation of 0.135339, which is greater than the average value with a maximum value obtained of -0.035340.

The executive characteristics show an average value (mean) of -0.446838 and a standard deviation of 0.166503 which is greater than the average value with a maximum value obtained of -0.005480.

Company size shows an average value (mean) of -0.776548 and a standard deviation of 0.015908 which is greater than the average value with a maximum value obtained of -0.742590.

Corporate social responsibility (CSR) show an average value (mean) of -0.498695 and a standard deviation of 0.208667 which is greater than the average value with a maximum value obtained of -0.113940.

The F statistical test is an overall test of sample regression. The F statistical test will test whether all independent variables in the study have a joint influence on the dependent variable. The test decision is based on the significant value of F, using a 0.05 significance level. If the significance value is less than 0.05, the hypothesis is accepted indicating that the regression model can be used to predict the dependent variable. The results of the simultaneous significance test (F-statistical test) are presented in the following table:

Tabel 2. Uji Signifikansi Simultan (Uji Statistik F)

Cross-section fixed (dummy variables)

R-squared	0.490795	Mean dependent var	-0.615945
Adjusted R-squared	0.378102	S.D. dependent var	0.135339
S.E. of regression	0.106729	Akaike info criterion	-1.470326
Sum squared resid	1.389715	Schwarz criterion	-0.908341
Log likelihood	138.2745	Hannan-Quinn criter.	-1.242009
F-statistic	4.355158	Durbin-Watson stat	2.212279
Prob(F-statistic)	0.000000		

Sumber: Data diolah dengan *Eviews* 9, 2024

The results of the simultaneous significance test (f statistic test) obtained a probability value of 0.000000 with an f-count value of 4.355158. The F-table value based on a sample size of 150 with a significance level of 0.05% and the total number of variables (k) is 4, then df1 = k - 1 = 4 - 1 = 3, df2 = n - k = 150 - 4 = 146. From this calculation the f-table value is 2.67 so that the f-count value is greater than the f-table value or 4.355158> 2.67 and the probability value is smaller than the significance level of 5% or 0.000000 <0.05. It can be concluded that the variables of executive characteristics, company size, and corporate social responsibility simultaneously affect tax aggressiveness.

The t-test is used to determine the effect of each independent variable on the dependent variable by comparing the calculated t-value with the t table at a significance level of 0.05. If the significance value of t obtained is less than 0.05, the hypothesis is accepted, indicating that one of the independent independent variables significantly affects the dependent variable. The results of the Individual Parameter Significance Test (t-statistic test) are presented in the following table:

Tabel 3. Uji Signifikan Parameter Individual (Uji Statistik t)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-8.624833	3.887942	-2.218354	0.0284
KE	-0.344718	0.143892	-2.395664	0.0181

UP	-10.08989	4.996484	-2.019399	0.0456
CSR	-0.039237	0.070570	-0.555995	0.5792

The results of the partial significance test (t-statistic test), indicate that the executive characteristics variable has a probability value of 0.0181, which is smaller than the significance level of 0.05. From these results it can be concluded that executive characteristics have an effect on tax aggressiveness.

The probability value of the company size variable is 0.0456 is smaller than the significance level of 0.05. From these results it can be concluded that company size has an effect on tax aggressiveness.

The probability value of the corporate social responsibility variable is 0.5792 is greater than the significance level of 0.05 from these results it can be concluded that corporate social responsibility does not have an effect on tax aggressiveness.

Uji Koefisien Determinan (R2)

Tabel 4. Hasil Uji Koefisien Determinan (R2)

Cross-section fixed (dummy variables)

R-squared	0.490795	Mean dependent var	-0.615945
Adjusted R-squared	0.378102	S.D. dependent var	0.135339
S.E. of regression	0.106729	Akaike info criterion	-1.470326
Sum squared resid	1.389715	Schwarz criterion	-0.908341
Log likelihood	138.2745	Hannan-Quinn criter.	-1.242009
F-statistic	4.355158	Durbin-Watson stat	2.212279
Prob(F-statistic)	0.000000		

The results of the determinant coefficient test (R2), obtained an adjusted R-Square value of 0.378102, equivalent to 37%, so it is concluded that the independent variables are able to influence the dependent variable by 37%. The variables of executive characteristics, company size, and corporate social responsibility simultaneously influence tax aggressiveness by 37% and tax aggressiveness is influenced by other variables that are not variables in this study by 63%.

5. CONCLUSION & SUGGESTION

This study was conducted to test the effect of executive characteristics, company size and corporate social responsibility (CSR) on tax aggressiveness in non-cyclical consumer sector companies in the food & beverage subsector listed on the Indonesia Stock Exchange in 2018 - 2023. Based on the results of the research data testing, it was concluded that:

1. Executive Characteristics, Company Size and Corporate Social Responsibility (CSR) simultaneously have an effect on Tax Aggressiveness.
2. Executive Characteristics has an effect on Tax Aggressiveness.

3. Company Size has an effect Tax Aggressiveness.
4. Corporate Social Responsibility (CSR) has no effect Tax Aggressiveness.

In conducting this research, there are several limitations that are expected to be improved in further research. The limitations of this study are as follows: The sample used in this study is limited to only 150 data from 25 mining companies in the consumer non-cyclical sector, food & beverage sub-sector listed on the Indonesia Stock Exchange in 2018 - 2023 which were obtained through certain criteria (purposive sampling). This causes the research results to not be tested using different sectors/industries.

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