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THE INFLUENCE OF CORPORATE GOVERNANCE, INVENTORY INTENSITY, CAPITAL INTENSITY ON TAX AGGRESSIVENESS

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ABSTRACT
This study aims to provide empirical evidence of the effect of corporate governance, inventory intensity, capital intensity on tax aggressiveness. This study uses a sample of property and real estate companies listed on the Indonesia Stock Exchange during the 2016-2020 period. the type of research used is quantitative associative research. This research uses purposive sampling. with the sample studied as many as 7 companies, and the total sample studied is 60 units of analysis. Data analysis in this study used software version 9. The results showed that corporate governance, inventory intensity, capital intensity had no effect on tax aggressiveness.

Keywords: Corporate Governance; Inventory Intensity; Capital Intensity Against Tax Aggressiveness

1. INTRODUCTION

Taxes are an important source of funding for the Indonesian economy. The government's role is very prominent in its efforts to stimulate and guide the country's economic and social development which requires relatively large funds, causing the government to tend to collect taxes until it reaches the most optimal level of tax revenue. By carrying out reforms in taxation, it is hoped that tax revenues will increase. Tax revenue tends to increase but has not consistently increased every year and PNBP tends to decrease every year. This could be due to the inhibiting factors in both tax and non-tax revenues. So it can be concluded that although the government is intensively carrying out tax reforms so that state revenues from the tax side are optimal, of course they cannot be separated from various existing obstacles, causing tax revenues to be still not optimal. Taxes for the government are a source of state revenue. As for companies that are taxpayers, they assume that taxes are a burden that will reduce the company's net profit, thus giving rise to the company's intention to minimize the tax burden legally, illegally or both can reduce state revenue. This tax avoidance behavior is one of the inhibiting factors for the government in collecting taxes and this behavior refers to aggressive tax actions that will harm the state. Tax aggressiveness or tax aggressiveness is an action aimed at reducing the tax burden through tax planning, both legal and illegal (Frank, et al, 2009). Although not all of the actions taken are against the regulations, the more loopholes that are used, the more aggressive the company is towards taxes. Thus, it can be concluded that tax avoidance behavior as an act of corporate tax aggressiveness, if it is often carried out by the company (taxpayer), will of course be detrimental to the government by reducing state revenues from taxes caused by the company's aggressive tax actions. However, in addition to government losses, there are also losses that will be experienced by companies if they take tax aggressive actions, for example the possibility that the company will get sanctions and

damage the company's reputation due to audits from the tax authorities, causing the company's stock price to fall. there is a depreciation expense attached to fixed assets

According to the news media Kompas.com, the phenomenon of one of the tax aggressiveness practices that occurred in Indonesia several years ago at the beverage company PT. Coca Cola Indonesia (CCI). PT CCI is suspected of circumventing taxes, causing a tax underpayment of Rp 49.24 billion. Initially, the Directorate General of Taxes (DGT), Ministry of Finance investigated the tax payment cases from 2002-2006. PT CCI reported a very large increase in the company's operating expenses. The large operating expenses cause the taxable income to decrease, so that the tax payment decreases. Operating expenses included advertising from 2002-2006 amounting to Rp 566.84 billion specifically for the Coca-Cola brand. DGT stated that PT CCI's total taxable income for that period was Rp 603.48 billion. Meanwhile, PT CCI claims taxable income of Rp 492.59 billion. As a result, the DGT calculated the shortfall in PT CCI's income tax (PPh) of Rp 49.24 billion.

2. LITERATURE REVIEW

Agency Theory (Agency Theory)

Agency theory explains the relationship between the party giving the authority (principle) and the party being given the authority (agent). According to Santoso (2015) agency theory is defined as a contract between the principal (the owner of the company - the main majority shareholder) and the agent (in this case the company manager) to carry out company activities. The principal, as the owner of the company, is obliged to provide facilities and funds for the company's operational needs, while the agent as the manager of the company is obliged to manage the company entrusted by the shareholders to him, for the prosperity and benefit of the shareholders, through increasing the value of the company. For this reason, the agent, in this case the company manager, will receive a salary, bonus, and various other compensations. In a situation like this, it can happen that the manager appointed to run the company's operations does not run it properly, or acts in his own interest.

The application of agency theory in this study explains the relationship between managers and owners, where agents have a moral responsibility to the principal to maximize profits. The application of agency theory to inventory intensity is if, the intensity of inventory is high, the costs will also be high, this can actually be used by managers to manipulate profits so that the tax burden paid will be small. Managers will try their best, even take advantage of existing but safe ways to keep the company standing in accordance with the agreed contract. One way is to do tax aggressiveness. If the inventory intensity is high, the costs will also be high, this can actually be used by managers to maximize the costs borne to reduce the tax burden paid. This will also affect the manager's decision when the company experiences financial distress by carrying out tax aggressiveness in order to obtain internal funds for the survival of the company.

Hypothesis Development

Effect of corporate governance on tax aggressiveness

Previous research conducted by Cahyono et al (2016) shows that institutional ownership has an effect on tax aggressiveness. Therefore, in this study the following hypotheses were formed:

H1: It is suspected that there is an influence of corporate governance (X1) on tax aggressiveness (Y).

Effect of inventory intensity on tax aggressiveness

Noviari (2015) shows that inventory intensity has an effect on tax aggressiveness. Based on the description above, the second hypothesis is formed, namely:

H2: It is suspected that there is an effect of inventory intensity (X2) on tax aggressiveness (Y).

Effect of capital intensity on tax aggressiveness

Septi Imelia (2015) and Darmadi (2013) explain that tax facilities have a positive and significant influence on tax management. From the existing description, the third hypothesis can be drawn as follows:

H3: It is suspected that there is an influence from granting tax facilities (X3) to tax management (Y).

The effect of corporate governance, inventory intensity, capital intensity on tax aggressiveness

H4: It is suspected that there is a simultaneous influence between corporate governance, inventory intensity, and capital intensity on tax aggressiveness.

3. DATA AND RESEARCH TECHNIQUE ANALISYS

In this study, the Indonesia Stock Exchange (IDX) is the research site chosen because the IDX is the first stock exchange in Indonesia that makes the stock more competitive with world-class credibility. IDX is also considered to have complete and well-organized data for research. The data collection for this research can be viewed through the official BEI website www.idx.co.id whose object is the annual financial report.

Variable Operation

1. Tax Aggressiveness

Tax aggressiveness is the company's desire to minimize the tax burden paid by legal, illegal or both (Kuriah and Asyik, 2016). This study measures tax aggressiveness and the method of measuring the variable refers to the research of Adisamartha and Noviari (2015) is the Net Profit Margin (NPM) which is calculated from:

$$Ap = \frac{\text{Total tax burden}}{\text{Income before tax}}$$

2. Corporate Governance

An institution usually delegates responsibility to a particular division to manage the company's investments. The existence of institutions that professionally monitor the development of their investments causes the level of control over management actions to be very high so that potential can be suppressed (Cahyono et al, 2016). Institutional ownership as supervisors from outside the company plays an important role in monitoring management. How to measure institutional ownership in the following ways:

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

3. Inventory Intensity

Inventory intensity is a reflection of how much the company invests in the existing inventory in the company. The inventory intensity ratio is calculated by comparing the value of the inventory in the company to the company's total assets (Imelia, 2015). With the following formula:

$$II : \frac{\text{Total Inventory}}{\text{Total Assets}}$$

4. Capital Intensity

Capital intensity explains how much the company's assets are invested in fixed assets. In this study, capital intensity is proxied using the ratio of the intensity of fixed assets. Companies can take advantage of the depreciation expense from fixed assets which directly reduces the company's profit which is the basis for calculating corporate taxes (Siregar and Widyawati, 2016). Capital intensity is formulated as follows:

$$CI : \frac{\text{Total Fixed Assets}}{\text{Net Total Assets}}$$

The population in this study are companies engaged in the real estate and property sub-sector listed on the Indonesia Stock Exchange in 2015-2019. This research is called the quantitative method because the research data is in the form of numbers and the analysis uses statistics. The sampling method used in this research is the purposive sampling method. The sample criteria used in this study are:

1. Real estate and property sub-sector companies listed on the IDX in 2016-2020.
2. Companies that experience profits for two consecutive years.
3. Real estate and property sub-sector companies that publish complete financial reports.
4. Real estate and property companies that are still listed in the year of the study.

4. RESULT AND DISCUSSION

Chow test

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

Effects Test	Statistic	d.f.	Prob.
Cross-section F	2.030117	(6,25)	0.0991
Cross-section Chi-square	13.891993	6	0.0309

Figure 1 Chow Test Results

Based on Figure 1, it can be seen that the probability value (Prob) of the Chi-square

Cross-section is 0.0309 <0.05 (determined at the beginning of the significant level or alpha). So that the Fixed Effect model is more appropriate to use than the Common Effect model.

Hausman Test

Correlated Random Effects - Hausman Test

Equation: RANDOM

Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	1.305093	3	0.7279

Figure 2 Hauman Test Results

Based on Figure 2, it can be seen that the probability value (Prob) of a random cross-section is 0.7279 > 0.05 (determined at the beginning as the significant level or alpha). So that the random effect model is more appropriate to use than the fixed effect.

Lagrange Multiplier Test

Lagrange Multiplier Tests for Random Effects

Null hypotheses: No effects

Alternative hypotheses: Two-sided (Breusch-Pagan) and one-sided (all others) alternatives

	Test Hypothesis		
	Cross-section	Time	Both
Breusch-Pagan	1.010527	0.971946	1.982473
	(0.3148)	(0.3242)	(0.1591)
Honda	1.005250	-0.985873	0.013701
	(0.1574)	--	(0.4945)
King-Wu	1.005250	-0.985873	-0.127878
	(0.1574)	--	--
Standardized Honda	1.812970	-0.778344	-2.569871

	(0.0349)	--	--
Standardized King-Wu	1.812970	-0.778344	-2.688634
	(0.0349)	--	--
Gourierioux, et al.*	--	--	1.010527
			(>= 0.10)

*Mixed chi-square asymptotic critical values:

1%	7.289
5%	4.321
10%	2.952

Figure 3. Lagrange Multiplier Test Results

Based on Figure 3, it can be seen that the probability value (Prob) of Breusch-food is 0.3148 < 0.05 (determined at the beginning as the significant level or alpha). So that the Common Effect is more appropriate to use than the Random Effect.

After testing the model from the Chow test, the Hausman test and the last LM test, it is known that in the Chow test Fixed Effect is known to be better than the Common Effect, while in the Hausman test Random Effect is known to be better used rather than Fixed Effect, because the results of the two tests are different, a third test is carried out, namely the LM test, in the LM test it is known that the Common Effect is better than the Random Effect. Therefore, it can be concluded that the Common Effect is the best or most appropriate model to be used in this study.

Classic Assumption Test

Normality Test

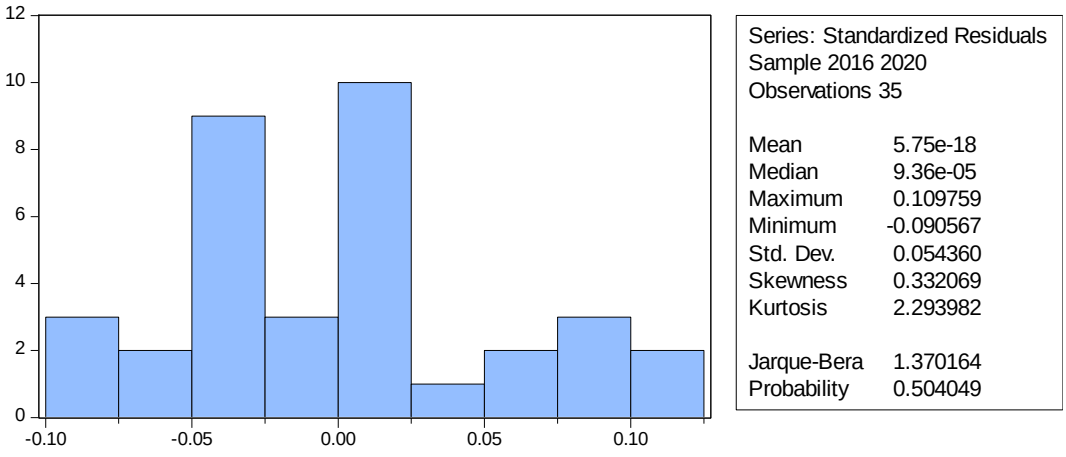

Figure 4 Normality Test Results

Based on Figure 4, it can be seen that the probability value is 0.504049. This value is greater than the significant value, namely 0.05 (0.504049 > 0.05). Thus it can be concluded that the data is normally distributed, which means that the regression model can be used for the next test.

Multicollinearity Test

	X1	X2	X3
X1	1	0.1483549263501069	-0.24495497872086 92
X2	0.1483549263501069	1	-0.24932724521766 53
X3	-0.24495497872086 92	-0.24932724521766 53	1

Figure 5 multicollinearity test results

Based on Figure 5, it can be seen that the relationship between variables is below 0.8. So it can be concluded that there is no multicollinearity between the independent variables in this study.

Heteroscedasticity Test

Dependent Variable: RESABS
Method: Least Squares
Date: 12/22/21 Time: 09:01
Sample (adjusted): 2 35
Included observations: 34 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.021716	0.037607	0.577439	0.5680
X1	0.008506	0.041510	0.204906	0.8390
X2	-0.023222	0.045167	-0.514129	0.6109
X3	0.192133	0.171686	1.119096	0.2720

R-squared	0.058176	Mean dependent var	0.038491
Adjusted R-squared	-0.036007	S.D. dependent var	0.042306
S.E. of regression	0.043061	Akaike info criterion	-3.342283
Sum squared resid	0.055627	Schwarz criterion	-3.162712

Log likelihood	60.81882	Hannan-Quinn criter.	-3.281044
F-statistic	0.617693	Durbin-Watson stat	1.978262
Prob(F-statistic)	0.608967		

Figure 6 Heteroscedasticity Test Results

Based on Figure 6 above, it shows that the significant value of Prob. 0.8390 for X1, 0.6109 for X2, and 0.2720 for X3. This value is greater than 0.05, so the data used in this study does not have heteroscedasticity in the regression model.

The long run value of coefficient is positive (4.450019), as required, and is not significant. Importantly, the long-run coefficients from the ARDL equation are reported, with their standard errors, t-statistics, and p-values. First, not surprisingly, there's a long-run equilibrium relationship between the GDP and the consumption with ARDL long run model. Second, there is a relatively quick adjustment in the GDP when the consumption changes. Third, a 10% change in the consumptions will result in a long-run change of 44% in the GDP.

Autocorrelation Test

R-squared	0.080059	Mean dependent var	-0.016457
Adjusted R-squared	-0.008967	S.D. dependent var	0.056676
S.E. of regression	0.056929	Akaike info criterion	-2.786804
Sum squared resid	0.100469	Schwarz criterion	-2.609050
Log likelihood	52.76906	Hannan-Quinn criter.	-2.725443
F-statistic	0.899273	Durbin-Watson stat	1.092587
Prob(F-statistic)	0.452653		

Figure 7 Autocorrelation Results

Based on Figure 7, the Durbin-Watson (d) value shows a value of 2.525457 with a total sample of 35 (n=35), independent and dependent variables of 5 (k=5), obtained durbin lower (dL) = 1.1601 and durbin upper (dL) = 1.8029 and 4-du = 2.1971. These results indicate that the Durbin-Watson value (d) lies between the values of du and 4-du (1.1601 < 1.092587 < 2.1971) which means that in this study there is no autocorrelation.

Hypothesis testing

Coefficient of Determination Test (R2)

R-squared	0.080059	Mean dependent var	-0.016457

Adjusted R-squared	-0.008967	S.D. dependent var	0.056676
S.E. of regression	0.056929	Akaike info criterion	-2.786804
Sum squared resid	0.100469	Schwarz criterion	-2.609050
Log likelihood	52.76906	Hannan-Quinn criter.	-2.725443
F-statistic	0.899273	Durbin-Watson stat	1.092587
Prob(F-statistic)	0.452653		

Figure 8 Test Results (R2)

Based on Figure 8 the Adjusted R-Square is -0.008967. This shows the percentage of the influence of the independent variable on the dependent variable. It can be seen that the Adjusted RSquare value is 0.080059%. This means that corporate governance, inventory intensity, capital intention, only has a portion of influence on tax management of 0.080059%. and the remaining 0.919944% is explained by other variables that are not included in this research model.

F test (simultaneous)

R-squared	0.080059	Mean dependent var	-0.016457
Adjusted R-squared	-0.008967	S.D. dependent var	0.056676
S.E. of regression	0.056929	Akaike info criterion	-2.786804
Sum squared resid	0.100469	Schwarz criterion	-2.609050
Log likelihood	52.76906	Hannan-Quinn criter.	-2.725443
F-statistic	0.899273	Durbin-Watson stat	1.092587
Prob(F-statistic)	0.452653		

Figure 9 F test results (simultaneous)

It can be seen that based on Figure 9 the probability value of 0.452653 also shows a value greater than the value at the predetermined significance level of 0.05 (0.452653 > 0.05). Therefore, it can be concluded that the independent variables (corporate governance, inventory intensity, capital intensity) have no simultaneous significant effect on the dependent variable (tax aggressiveness).

t test (partial)

Dependent Variable: Y

Method: Panel Least Squares
Date: 12/02/21 Time: 19:12
Sample: 2016 2020
Periods included: 5
Cross-sections included: 7
Total panel (balanced) observations: 35

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.009045	0.049499	-0.182734	0.8562
X1	-0.009956	0.054041	-0.184233	0.8550
X2	-0.068773	0.059711	-1.151769	0.2582
X3	0.164609	0.220617	0.746129	0.4612

Figure 10 t(Partial) Test Results

1. The Effect of Institutional Ownership on Tax Aggressiveness

Based on table 4.18 the results of calculations using eviews 9 show that corporate governance shows a significance probability value of 0.8550 indicating a value greater than the value at a predetermined significance level of 0.05 (0.8550 > 0.05), thus it can be concluded that the Corporate variable governance partially has no significant effect on tax management in property and real estate sub-sector companies listed on the Indonesia Stock Exchange for the period 2016 – 2020.

2. Influence of Inventory Intensity on Tax Aggressiveness

Based on table 4.18 the results of calculations using eviews 9 show that the inventory intensity shows a significance probability value of 0.2582 which also shows a value greater than the value at a predetermined significance level of 0.05 (0.2582 > 0.05), thus it can be concluded that the variable Inventory intensity partially has no effect on tax aggressiveness in property and real estate sub-sector companies listed on the Indonesia Stock Exchange for the period 2016 – 2020.

Effect of Capital Intensity on Tax Aggressiveness

Based on table 4.18 the results of calculations using eviews 9 are shown that the tax facility shows a significance probability value of 0.4612 also shows a value greater than the value at a predetermined significance level of 0.05 (0.24612 > 0.05), thus it can be concluded that the variable Capital intensity partially has no effect on tax aggressiveness in property and real estate sub-sector companies listed on the Indonesia Stock Exchange for the 2016 – 2020 period.

5. CONCLUSION

Based on the research conducted, several conclusions can be drawn as follows:

1. Based on the corporate governance variable (institutional ownership) (X1) it has no effect on tax aggressiveness (Y). The results of calculations using review 9 show that the corporate governance variable (institutional ownership) partially has no significant effect on tax

aggressiveness in property and real estate sub-sector companies listed on the Indonesia Stock Exchange for the period 2016 – 2020.

2. Based on the inventory intensity variable (X2), it has no effect on tax aggressiveness (Y). The results of calculations using review 9 show that the inventory intensity variable partially has no effect on tax management in the property and real estate company sub-sectors listed on the IDX for the period 2016 – 2020.

3. Based on the capital intensity variable (X3) it has no effect on tax aggressiveness (Y). The results of calculations using eviews 9 show that the tax facility variable partially has no effect on tax aggressiveness in property and real estate sub-sector companies listed on the Indonesia Stock Exchange for the period 2016 – 2020.

4. Results Based on calculations using review 9 shows that simultaneously there is no significant effect between independent corporate governance variables (institutional ownership), inventory intensity, capital intensity simultaneously on tax aggressiveness in property and real estate sub-sector companies. estate listed on the IDX for the period 2016 – 2020.

This study identifies the relationship between GDP and annual consumption economics variables from 1967 to 2014 using ARDL, Cointegration and Causality granger analysis. not surprisingly, there is a long-run equilibrium relationship between GDP and consumption with a long-term ARDL model, a 10% change in consumption will result in long-term change of 44% in GDP. It is not surprising that there is no short-run equilibrium relationship between GDP and consumption. 10% of consumption will result in a short-term change of ARDL model of 95% in GDP. GDP variables and consumption are cointegrated in the long run significantly at lag interval 10, whereas the use of lags 1 and 5 intervals is not credited in the long run. Using a cointegration test with lag interval 1, 5 and 10 indicates significant for all usage slowness. So it can be summarized in the context of GDP and short term economic consumption that is cointegrated for all the prevailing interval lags. concludes that long-term causality test results between GDP variables and significant consumption with time intervals 5 and 10. intervals 1, 15 and 20 have no long-term causality relationship between GDP and consumption variables. causal model with short term. With lagging intervals of 1, 5, 10 and 15, there is a short-term causal relationship between the variable GDP and consumption. As for the use of delay interval 20 there is no causal relationship in the short term between the variable GDP and consumption in Indonesia.

SUGGESTION

Based on the research limitations that have been stated, suggestions for future research on tax management in this research are as follows:

1. Further research is recommended to use company data in other fields such as finance, industry, or manufacturing.

2. Further research is recommended to use a longer research period, for example 7 or 8 years.

Further research is recommended to use other variables that have an influence on Tax Aggressiveness.

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