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Factors that Affect Tax Aggressiveness with Good Corporate Governance as a Moderating Variable

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General Background: Taxation plays a crucial role in generating revenue for the Indonesian government, primarily through a self-assessment system that challenges taxpayers to report taxes accurately. **Specific Background:** However, the tax-to-GDP ratio has consistently fallen short of targets, highlighting the need for enhanced compliance and governance. **Knowledge Gap:** Previous studies on tax aggressiveness have yielded inconsistent results regarding the effects of managerial character, political connections, and firm size, moderated by corporate governance, on tax strategies. **Aims:** This study examines the impact of managerial character, political connections, and firm size on tax aggressiveness, with a focus on corporate governance as a moderating factor in manufacturing companies listed on the Indonesia Stock Exchange between 2019-2021. **Results:** Managerial characteristics and firm size were found to have significant positive effects on tax aggressiveness. However, executive compensation and political connections showed no significant impact. Corporate governance, represented by audit quality, moderated the relationship between managerial characteristics and firm size on tax aggressiveness but did not influence the relationships involving executive compensation and political connections. **Novelty:** This study uniquely highlights the moderating role of corporate governance in shaping tax strategies in the Indonesian context, providing empirical evidence of its efficacy. **Implications:** The findings suggest that enhancing audit quality within corporate governance frameworks could mitigate aggressive tax practices, thereby aiding policymakers and stakeholders in developing strategies to improve tax compliance.

Keywords: Tax Aggressiveness, Executive Character, Executive Compensation, Political Connections, Firm Size, Audit Quality

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INTRODUCTION

Taxation plays an important role in generating revenue for the government, especially for developing countries like Indonesia. The main source of government revenue is taxes, which are collected through a self-assessment mechanism. This method authorizes taxpayers to calculate and report their taxes. The self-assessment approach allows individuals to take steps to limit their taxable income, thereby minimizing the amount of their financial liability. This of course creates new challenges for the government. The Directorate General of Taxes' report shows that, since 2016, government revenue from tax sources has consistently fallen short of the target. On the tax side, the tax-to-GDP ratio has continued to decline from year to year. The tax ratio serves as a measure for the government to evaluate the effectiveness of its tax revenue, as it shows the proportion of tax revenue to gross domestic product (GDP). Table 1 shows the tax ratio, tax revenue target and actual tax revenue for each year.

[Table 1 about here.]

The Organization for Economic Cooperation and Development, or OECD, an organization dedicated to economic cooperation and development, is paying special attention to Indonesia's low tax ratio. Indonesia's tax ratio is considered far from the ideal figure of 15% and lags far below the average of OECD member countries. In a publication by the OECD titled "Revenue Statistics in Asian and Pacific Economies 2022 - Indonesia" Indonesia's tax ratio in 2019 was the third lowest in Asia Pacific with a tax ratio percentage of 10.1% to GDP. Then followed by Bhutan and Laos with a tax ratio percentage of 8.9% and 8.9% respectively. Then the country with the highest tax ratio percentage is owned by Nauru with a percentage of 47.5% (OECD, 2022).

There are several reasons behind the decline in tax revenue in Indonesia, one of which is the low level of public compliance with taxes. Tax compliance is an act of awareness from taxpayers to fulfill the requirements in the taxation process by understanding and fulfilling the provisions of tax laws and regulations. (Surliani & Kardinal, 2014). The issue of tax compliance is an important issue, because if taxpayers behave non-compliant, it can trigger decisions that can lead to aggressive tax planning, negligence, and avoidance actions that cause losses to the state. Efforts and decisions made by companies in avoiding and reducing the tax burden aggressively are called aggressiveness in tax. Aggressiveness in taxation refers to the process by which companies calculate their tax liabilities by using tax planning strategies, such as tax avoidance or tax evasion, both legal and illegal. (Jessica & Toly, 2014).

Executives who serve as company leaders play an important role in making decisions and strategies in running the company, of course, have different characters from one another. To be able to find out the character of the executive can be seen from the risk preferences taken by the executive, which then the executive character will be classified into two, namely, risk takers and risk aversion. (Budiman & Setiyono, 2012). Findings from the research conducted by Nugraha & Mulyani (2019) as well as Pitaloka & Merkusiawati (2019) shows that executive characteristics have a positive impact on tax avoidance. Wherever there is greater potential to take risks, there is also a greater likelihood of tax avoidance. However, this is different from the studies conducted by Juliawaty & Astuti (2019) and Fitri (2018) where in the study, indicates that executive character does not affect the level of tax avoidance.

Another factor that can influence executives in making decisions in their taxation is executive compensation. Executives who act as operational leaders make decisions, including decisions in corporate tax avoidance if in these decisions executives benefit from the policies and actions taken (Juliawaty & Astuti, 2019). According Nugraha & Mulyani (2019) as well as Riswandari & Bagaskara (2020) Their research shows that there is a positive relationship between executive compensation and tax aggressiveness. Specifically, they found that when the amount of remuneration received by executives increases, the level of tax aggressiveness also increases. However, research conducted by Apsari & Supadmi (2018) presents conflicting evidence, which indicates that an increase in executive compensation is associated with a decrease in tax avoidance cases. On the other hand, research conducted by Juliawaty & Astuti (2019) found that the compensation given to executives has no effect on tax aggressiveness.

In addition to executive compensation, the existence of political connections within the company can provide opportunities for tax aggressiveness. Companies with political connections get special treatment from the government in the form of low risk of tax audits, this makes companies more aggressive in conducting tax planning. (Butje & Tjondro,2014). Based on the results of research conducted by Ferdiawan and Firmansyah (2017) and Putri (2018), political connections are said to have an influence on tax avoidance.

When political relations exist within a company, it can encourage aggressive tax actions by that company. Furthermore, research conducted by Lestari et al. (2019) and Riswandari & Bagaskara (2020) shows that there is a negative effect of political connections on tax aggressiveness. Companies that have strong political ties will weaken the level of tax aggressiveness practices or in other words are not aggressive, where companies with political connections will receive special attention in conducting their taxation and maintaining the company's reputation by not engaging in aggressive tax behavior.

Another factor considered in this research is the size of the company, which is measured by the amount of assets it owns. Companies can be divided into two scales: namely large and small. Where according to Mutia, Dewi & Siddi (2021) the more the company has a large scale, thus, the possibility of the company to carry out tax planning increases. Based on the results of research conducted by Fitria (2018) & Prastyatini & Trivita (2023) which states that when the size of the company increases, the company will tend to take tax avoidance measures. On the other hand, research conducted by Sawitri, Alam, & Dewi (2022) has different results where as company size increases, the level of tax avoidance in the company will

decrease because the performance of large-scale companies is in the public spotlight and chooses to be careful in reporting financial conditions.

This study uses the Good Corporate Governance (GCG) variable which is proxied by audited quality as a moderating variable. The use of GCG as a moderating variable is because GCG plays a big role in encouraging taxpayers to fulfill their tax obligations. (Prastyatini & Trivita, 2023). Therefore, by implementing good corporate governance, it is hoped that it will create supervision of company activities, so as to ensure that aggressive tax compliance can be minimized. Supervisory activities can be carried out one of them through the role of auditors. It is expected that when a company is audited by an experienced and competent auditor, the audit results will be of high quality. Thus, this will limit the company's opportunity to do tax avoidance (Annisa & Kurniasih, 2012).

This study focuses on the selection of manufacturing companies listed on the Indonesia Stock Exchange between 2019-2021 as the object of this study. The reason for choosing a manufacturing company as the object of research lies in its involvement in the real sector and has the largest number of companies compared to other business categories. Based on the description above, the previous studies gave different results. iWith this dissimilarity in results, researchers are interested in retesting if the factors that have the potential to affect the level of tax aggressiveness using the variables of executive character, executive compensation, political connections and firm size moderated by good corporate governance.

Theoretical Framework and Hypothesis Development

Behavioral Accounting Theory

Behavioral accounting theory is a theory included in the accounting discipline that discusses the relationship between human behavior and decision-making in accounting activities (Lubis, 2017). The scope of behavioral accounting theory studies the impact of human behavior on the design of strategies in the use of accounting systems in companies and vice versa and how the impact of accounting systems on human behavior. Behavioral accounting also studies methods for estimating strategies to change human behavior. Thus, it is found that the focus of behavioral accounting is the process of observing, evaluating, and analyzing human behavior, both individually and in groups, that affects the accounting system and vice versa (Wahyuni & Hartono, 2019).

Agency Theory

The concept of agency theory was first introduced by Jensen & Meckling in 1976. This theory explains the relationship between shareholders and management. According to Wardani & Wijayanti (2022), agency relationships arise when one or more individuals (principals) use the services of other individuals (agents) and delegate decision-making power. The delegation of power creates a division of roles between ownership and control in management. This division of duties between owners and management leads to agency disputes between the two parties.

Tax Aggressiveness

Tax aggressiveness refers to the deliberate manipulation of taxable income by companies through the application of tax planning strategies, both legally through tax avoidance and illegally through tax evasion. (Jessica & Toly, 2014). The more aggressive the company is in reducing the nominal tax by doing tax planning, as a result, the company is seen as more aggressive in its approach to taxes. Tax aggressiveness is very beneficial for companies because it allows them to maximize profits by minimizing their tax obligations. Meanwhile, unlike the company, for the government, which acts as a stage manager, the aggressive tax actions carried out by the company result in reduced revenue from the tax sector, so the state will be disadvantaged by the tax aggressiveness carried out by the company here.

Executive Character

Executives owned by certain companies have different characters. According to (Carolina et al., 2014), executives can be divided into two groups: those who are willing to take risks and those who are cautious and risk-averse. Risk-taking leaders are usually more likely to take risks when making decisions. In contrast, risk-averse leaders will choose low-risk actions. Risk aversion is a trait that shows a strong aversion to risk.

According to behavioral accounting theory, the character of people can affect the accounting system that is running in the company. Executives with risk-taker characters usually have a strong desire to obtain high cash flow. This is done by aggressive tax planning to maximize the company's tax savings. Thus, if the company's target is achieved, executives as policymakers will be rewarded. Therefore, executives who have a risk-taking character focus more on maximizing income regardless of the level of risk obtained (Oktamawati, 2017). Executive character can be seen from the amount of company risk, which can indicate deviant behavior. Based on research conducted by Nugraha & Mulyani (2019); (Oktamawati, 2017) as well as (Pitaloka & Merkusiawati, 2019), it was found that executive characteristics have a positive impact on tax avoidance. When the level of executive risk-taking in decision-making increases, the possibility of tax avoidance also increases.

H1. Executive character has a positive effect on tax aggressiveness.

Executive Compensation

Compensation is a reward for services provided by the principal to the agent / management, if the management does what is ordered or in accordance with the target / desire of the principal (Yusuf, 2016). This reward is intended to reduce the conflict of desire (Rahardjo, 2018). Agency theory states that there is a conflict between owners/investors and management. Executive compensation is seen as a means to align the interests of principals and agents. Agents as company managers make aggressive tax planning decisions to cut the

amount of tax that must be paid. From this decision the executive will get a reward for the decision that has been taken. So that providing large compensation to executives is believed to motivate executive performance in minimizing the company's effective tax rate (Syahruddin et al., 2020)

There are similar results obtained in previous studies conducted by Riswandari & Bagaskara (2020), Nugraha and Mulyani (2019) as well as Jihene & Moez (2019) showing the results of executive compensation has a positive effect on tax aggressiveness. When executive compensation increases, the level of tax aggressiveness also increases. With this description, the hypothesis is obtained:

H2. Executive compensation has a positive effect on tax aggressiveness

Political Connection

Political connections are special treatment received by companies due to special relationships with the government or authorities (Pratomo et al., 2021). Companies that have strong political connections often enjoy government protection and are less monitored in terms of taxes, thus making them adopt more aggressive tax planning strategies and ultimately increasing financial opacity. (Butje & Tjondro, 2014). So that companies can freely carry out aggressive tax planning by minimizing the amount of tax paid and obtaining as much profit as possible. This lack of disclosure stems from conflicting interests between the company and the government, both of which are stakeholders.

Based on the results of research conducted by Ferdiawan & Firmansyah (2017); Pratomo, Kurnia & Maulani (2021) as well as Sugeng, Prasetyo & Zaman (2020) it was found that there is a relationship between political connections and the level of tax aggressiveness, because most companies take advantage of their political connections to minimize the amount of tax burden, resulting in lower taxes. From the description above, a hypothesis is obtained:

H3. Political connections have a positive effect on tax aggressiveness

Firm Size

Firm Size, as defined by Ngadiman & Puspitasari (2014), refers to a scale used to measure the size of a company that is classified in the large or small category which is classified in various ways, one of which is by using total assets or total assets per company. A company can be categorized as large if its total assets increase. Large companies have more complex transactions, which provide opportunities for them to exploit existing loopholes to carry out aggressive tax practices for each transaction. In addition, the human resources owned by large-scale companies allow them to carry out aggressive tax practices.

Research conducted by Fitria (2018) with Prastyatini & Trivita (2023) shows that larger companies are more likely to practice tax avoidance. bBased on the above understanding, a hypothesis is formulated:

H4. Firm size has a positive effect on tax aggressiveness

Good Corporate Governance

According to Forum for Corporate Governance in Indonesia (FCGI), “Good Corporate Governance is a set of rules that determine the relationship between shareholders, management, creditors, government, employees, and other internal and external stakeholders with respect to their rights and obligations, or commonly referred to as a system that directs and controls the company.” GCG is also an important factor in the success of the company in running its business by adhering to existing principles.

In this study, audit quality was chosen as an external mechanism of good corporate governance to be studied as a moderating variable. Audit quality refers to the auditor's ability to detect and report irregularities and irregularities as a form of accountability for violations that occur in the accounting system and financial reports (Hartono, 2019).

Audit quality, which is one of the mechanisms of good corporate governance, is considered to prevent aggressive tax actions caused by executive characteristics. executive compensation, political connections, and firm size. Khairunisa, Hapsari & Aminah (2017), Widyari & Rasmini (2019), as well as Damanik & Muid (2019) in the study show that there is a relationship between audit quality and tax aggressiveness. Companies that produce quality audits by KAP Big Four can reduce aggressive tax behavior, which can be seen from the company's high Effective Tax Rate (ETR) as an indicator of tax aggressiveness. Based on the explanation above, the hypothesis is obtained:

H5. Good Corporate Governance can weaken the influence of executive character on tax aggressiveness.

H6. Good Corporate Governance can weaken the effect of executive compensation on tax aggressiveness

H7. Good Corporate Governance can weaken the influence of political connections on tax aggressiveness

H8. Good Corporate Governance can weaken the effect of firm size on tax aggressiveness

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METHODS

Population and Sample

This research uses a quantitative methodology that uses hypothesis testing to test the impact of executive character, executive compensation, political connections and company size on tax aggressiveness moderated by good corporate governance (GCG). The research was conducted on manufacturing companies listed on the IDX during the 2019-2021 period. The sample was selected using a purposive sampling approach, according to the criteria outlined in Table 2. A total of 48 companies were selected, so that the total sample was 144 companies.

[Table 2 about here.]

The data collection technique is in the form of documentation with the source coming from the financial reports of manufacturing companies listed on the BEI in 2019-2021 which are accessed via www.idx.co.id. The data analysis technique uses the multiple linear regression model and MRA using SPSS Statistics software version 26.0.

Operational Definition

Tax Aggressiveness

This study examines the independent variable of tax aggressiveness which is then measured using the effective tax rate (ETR). ETR is an indicator of tax aggressiveness that is widely used in academic research. Taxpayer liability decreases along with a decrease in ETR. This indicates the practice of tax aggressiveness in the company (Lestari et al., 2019). According to Dyreng, Hanlon & Thornock (2017) tax aggressiveness can be formulated using:

$$ETR = \frac{Total\ Income\ Tax\ Expense}{Profit\ Before\ Tax}$$

Executive Character

In this study, executive character is assessed using corporate risk as a proxy, which is determined by the level of responsibility. A high level of corporate risk indicates that executives have a tendency to take risks, and vice versa. According to Oktamawati (2017) stated in her research that business risk can be measured using the following formula:

$$Risk = \frac{EBITDA\ Standard\ Deviation}{Total\ Assets}$$

Executive Compensation

In this study, the executive compensation variable according to Riswandari & Bagaskara (2020) as well as (Amri, 2017) can be measured through the total compensation earned by executives in Indonesian currency (rupiah) recorded in the company's financial statements within the relevant period. Executive compensation data can be obtained through the company's financial statements. dExecutive compensation data is contained in the company's annual report in Indonesian currency (rupiah) in the company's annual financial statements in the period under study.

Political Connection

According to Pratomo, Kurnia & Maulani (2021), political connections are special interactions between companies and the government so that companies will get preferential treatment from these relationships.

According to Ferdiawan & Firmansyah (2017) in Lestari, Pratomo & Asalam (2019) political connections can be measured using dummy variables. Companies that have political connections are coded 1, while companies that do not have political connections are coded 0. The company can be declared to have political connections, if the company has criteria where the director or commissioner in the company is a member of the executive cabinet, DPR, government intuition officials including the military, as well as active and inactive members of political parties..and if a shareholder with more than 10% share ownership is a member of a political party, has special ties with prominent politicians, officials, or former officials.

Firm Size

In this research, the firm size variable is measured by taking the natural logarithm of the total assets owned by the company. tTotal assets were chosen because they have a higher level of stability than other proxies and tend to be maintained throughout the period. The natural logarithm is used because the nominal total assets of the company tend to be large. sSo according to (Sawitri et al., 2022) the company size formula is obtained as follows:

$$FS = Ln(total\ asset)$$

Good Corporate Governance

In this research, audit quality will be a proxy for good corporate governance as a moderating variable. v Moderating variables have the ability to strengthen or weaken the relationship between independent and dependent variables (Ghozali, 2018).

Audit quality in this research is a dummy variable. Where according to Wardani & Juliani (2018), audit quality can be tested by classifying the quality of the audit results carried out by KAP which is considered more reliable and qualified. In this case, the Big Four KAP is considered more reliable and qualified, so that if a company is audited by the Public Accounting Firm (KAP) mentioned above, then it will be given a value of 1 (one), while companies audited by other KAPs will be given a value of 0 (zero). The Big Four accounting firms consist of Ernst & Young, Deloitte Touche Tohmatsu, KPMG, and Pricewaterhouse Coopers. In Indonesia, there are accounting firms affiliated with KAP which are part of The Big Four Auditors, namely, 1) KAP Prasetyo, et al, 2) KAP Osman, et al, 3) KAP Sidharta and Widjaja, 4) KAP Tanudiredia, et al (Nurfadilah et al., 2016).

Data Analysis Technique

This research uses data analysis techniques in the form of multiple linear regression analysis and moderated regression analysis (MRA), both of which have the following equation:

$$Y = a + \beta 1X1 + \beta 2X2 + \beta X3 + \beta X4 + e$$

$$Y = a + \beta 1X1 + \beta 2X2 + \beta 3X3 + \beta 4X4 + \beta 5Z + \beta 6X1{*}Z + \beta 7X2{*}Z + \beta 8X3{*}Z + \beta 9X4{*}Z + e$$

Where :

Y = tax aggressiveness
β = regression coefficient
X1 = executive character
X2 = executive compensation
X3 = political connection
X4 = firm size
Z = Good Corporate Governance
e = error

RESULTS AND DISCUSSION

Descriptive Statistical Analysis

This study uses a sample of 48 manufacturing companies listed on the Indonesian Stock Exchange (IDX) between 2019 - 2021, whose annual reports and financial statements meet the sampling criteria. The result is a total of 144 observational data collected over the three-year research period. hThe results of

the descriptive statistical analysis are presented in table 3 below:

[Table 3 about here.]

Classical Assumption Test

Normality Test

[Table 4 about here.]

Based on the results of the Kolmogorov-Smirnov test, the resulting significance value in the Asymp. Sig (2-tailed) column is 0.066. This value exceeds the expected threshold of 0.05. This shows that the data used follows the normal distribution and can be considered to meet the criteria for testing normality.

Multicollinearity Test

[Table 5 about here.]

Based on the information in table 5, the variance inflation factor (VIF) for all independent variables is less than 10. This indicates that there is no multicollinearity between the independent variables. s In addition, none of the tolerance values are greater than or equal to 0.10. d It can be concluded that there is no multicollinearity or correlation between the variables in this study.

Autocorrelation Test

[Table 6 about here.]

Based on the test results on table 6, the Durbin-Watson value (DW test) is 2.009. The DW value of 2.009 exceeds the upper limit (dU) of 1.8000 and is below the value of 4 minus 1.8000, which is 2.200 ($1.8000 < 2.009 \leq 2.200$). Therefore, it can be concluded that the data shows no evidence of positive or negative autocorrelation problems.

Heteroscedasticity Test

[Table 7 about here.]

Table 7 shows the values of the sig. column as follows: X1 = 0.295, X2 = 0.101, X3 = 0.929, X4 = 0.473 and Z = 0.933. Based on the p-values of each variable, with a significance level of 0.05, it can be said that there is no heteroscedasticity in each variable in this study.

Multiple Linear Regression Analysis

Test Coefficient of Determination (R2)

[Table 8 about here.]

The table above displays the R Square and Adjusted R values, which are 0.239 and 0.217, respectively. This implies that 21.7% of the variability in tax aggressiveness can be explained by executive characteristics, executive compensation, political connections, and firm size. Meanwhile, the remaining 78.3% is explained by other factors that are not included in this research.

Satistical Test t

[Table 9 about here.]

The results of the t-test on the table above show that the variable 'executive character' (X1) has a coefficient of -0.015. This means that a one-unit increase in the executive character variable results in a decrease in tax avoidance of -0.015 units. At a significance level of 0.000 which means that the significance value is smaller than 0.05, the t-value of -6.091 is smaller than the t table value of -1.97781. Therefore, it can be concluded that the executive character variable has a significant and positive effect on tax aggressiveness, which confirms the hypothesis H1 can be accepted.

The coefficient value of the executive compensation variable (X2) is 0.00002. This means that for every one unit increase in the executive compensation variable, the level of tax aggression will decrease by 0.00002, assuming all other variables are constant. With a significance level of 0.419> 0.05, with a t value of 0.810> t table value of -1.97718. Thus it can be concluded that the executive compensation component has no effect on tax aggressiveness. Therefore, H2 can be rejected.

The coefficient value of the political connection variable (X3) is 0.003. Thus, a one-unit increase in the political connection variable will result in a decrease in tax aggressiveness by 0.003, holding all other factors constant. The test results show that with a significance level of 0.698 (where the p-value is greater than 0.05) and a t-value of 0.389 (which exceeds the critical t-value of -1.97718). Therefore, it can be concluded that the political connection variable has no effect on tax aggressiveness, so hypothesis H3 can be rejected.

The firm size variable (X4) has a negative coefficient value of -0.011, indicating that a one-unit increase in firm size causes a decrease in tax aggressiveness of -0.011, assuming other things are considered constant. tThe significance level is 0.00, indicating that the calculated significance value is smaller than 0.05. In addition, the calculated t-value of -5.644 is smaller than the t-table value of -1.97718. Therefore, it can be concluded that the variable representing company size has a significant and positive effect on tax aggressiveness. Therefore, hypothesis H4 can be accepted.

Moderrated Regression Analysis

[Table 10 about here.]

The moderation test results show that the audit quality moderation variable has a significance value of 0.597 which is greater than the 0.05 threshold on the dependent variable Tax aggressiveness. The interaction term (X1*Z) between audit quality and executive character has a statistically significant value of 0.000 <0.05, with a coefficient of 0.023. Therefore, it can be concluded that hypothesis 5 which states that audit quality reduces the relationship between executive character and tax aggressiveness is acceptable.

[Table 11 about here.]

The moderation test results show that the audit quality moderation variable has a significant value of 0.086 which is greater than the 0.05 threshold on the dependent variable of tax aggression. Furthermore, the interaction variable between audit

quality and executive compensation (X2*Z) has a p-value of 0.595 which is above the 0.05 significance level. The coefficient is -0.00004. Therefore, hypothesis 6 which states that audit quality reduces the relationship between executive compensation and tax aggressiveness is rejected.

[Table 12 about here.]

The moderation test results show that the audit quality moderation variable has a significance value of 0.069> 0.05, indicating that it has no significant effect on the dependent variable of tax aggression. Furthermore, the statistical analysis results show that the interaction variable (X3*Z) between audit quality and political connections has a p-value of 0.141, which is higher than the predetermined significance level of 0.05. The coefficient value is -0.032. Thus, hypothesis 7 which states that audit quality reduces the correlation between political connections and tax aggressiveness is rejected.

[Table 13 about here.]

The results of the moderation test show that the moderating variable of audit quality has a significant effect on the dependent variable of tax aggressiveness, with a significance value of 0.000 < 0.05. The interaction coefficient between audit quality and company size (X4 * Z) shows a significant effect, which is indicated by a p-value of 0.001 <0.05. with a coefficient value of -0.009. Thus, hypothesis 8 which states that audit quality weakens the relationship between executive characteristics and tax aggressiveness is rejected.

Discussion

The Effect of Executive Character on Tax Aggressiveness

The results of testing hypothesis 1 regarding the effect of executive characteristics on tax aggressiveness show a significant and positive relationship between executive characteristics and tax aggressiveness. These results are consistent with the results of research conducted by Nugraha & Mulyani (2019); Oktamawati (2017); Pitaloka & Merkusiawati (2019) as well as Prasetya, Mulyadi & Suyanto (2020) who examined the relationship between executive characteristics and tax avoidance, concluding that the more executives who exhibit risk-taking behavior, the higher the level of tax avoidance. These results support the theory of behavioral accounting, where human character can affect the accounting system in the company, and vice versa how the accounting system of resources owned by the company can affect human behavior. Executives who dare to make decisions with great risk usually have a strong opportunistic drive to master their personal needs, in the form of higher positions, authority, income, and welfare. This is certainly the beginning of the selection of high-risk decisions by executives. In addition, this is also in line with the theory of behavioral accounting. that the opportunistic nature possessed by executives can trigger the practice of aggressive tax planning in the accounting system that applies in a company. Companies have a view that tax is a payment obligation that can reduce the company's optimal profit. To achieve ideal corporate profits, companies will make every effort, including aggressive tax practices.

The Effect of Executive Compensation on Tax Aggressiveness

The results of testing hypothesis 2 which examines the effect of executive compensation on tax aggressiveness show that there is no effect of executive compensation on tax aggressiveness. tThe findings of this study are consistent with the research conducted by Juliawaty & Astuti (2019), Tanzil and Arrozi (2020), as well as Cahyono & Saraswati (2022) that executive compensation has no effect on tax aggressiveness. This finding rejects agency theory, where compensation can trigger agency conflicts. Executive compensation as measured by the total compensation received by executives in this study was not able to motivate executives to act aggressively in tax planning. This is due to the high risk inherent in aggressive tax planning behavior. This aggressive tax decision can damage the reputation and trust of stakeholders who are in contact with the company. In addition, the existence of aggressive tax planning can expose the company to a thorough tax audit.

The Effect of Political Connection on Tax Aggressiveness

The results of hypothesis 3 which examines the effect of political connections on tax aggressiveness show that there is no significant relationship between political connections and tax aggressiveness. The findings of this study are consistent with the research conducted by Apsari & Supadmi (2018), Merkusiwati & Damayanthi (2019), as well as Sawitri, Alam, & Dewi (2022), which show that political connections have no effect on tax aggressiveness. The existence of political affiliation in a company can be determined by seeing whether the directors or commissioners of the company have a direct relationship with the government with the aim of obtaining benefits for the company in terms of tax strategies. The results show that the company's political connections do not have a significant impact on the company's involvement in tax-aggressive behavior. Companies with majority state ownership are classified as low-risk taxpayers based on the Minister of Finance Regulation No. 71/PMK.03/2010. This regulation states that companies with majority state ownership should not avoid their tax obligations. The strong relationship between the company and the state fosters a high sense of caution in formulating policies and decisions to maintain a reputation as a compliant taxpayer in the eyes of the government.

The Effect of Firm Size on Tax Aggressiveness

The results of hypothesis testing for hypothesis 4, which examines the impact of executive characteristics on tax aggressiveness, show a positive and significant effect of executive characteristics. This result is consistent with the research conducted by (Fitria, 2018), and (Prastyatini & Trivita, 2023) as well as Wardani & Puspitasari (2022), which state that larger companies have a greater possibility of tax avoidance. This is because companies with larger assets are more likely to generate larger profits, which in turn motivates them to carry out aggressive tax strategies. Companies perform tax aggressiveness by utilizing their competent human resources. These results confirm the agency theory that there is an information gap and differences in interests owned by the principal and the agent.

The Effect of Executive Character on Tax Aggressiveness Moderated by Good Corporate Governance

The results of testing hypothesis 5 which examines the role of audit quality as a moderating variable in the relationship between executive characteristics and tax aggressiveness show

that audit quality is able to weaken the effect of executive characteristics on tax aggressiveness. In essence, the higher the audit quality produced by the auditor, it will reduce executive decision making to carry out aggressive tax practices due to executive characteristics. pThis research is in line with previous research conducted by Khairunisa et al. (2017), Damanik & Muid (2019), and Widyari & Rasmini (2019), which found that audit quality has an effect on tax aggressiveness. Good audit quality produced by big four companies is able to limit executives in being risk takers or opportunistic to commit acts of tax aggressiveness. Executives as company managers have a tendency to prioritize their own interests. The opportunistic nature of this executive can be reduced by the quality of the audit of the financial statements conducted by the big four KAP and will prioritize the interests of the company because of the responsibility to do good financial reporting. So that companies audited by big four KAP will tend to avoid aggressive tax behavior and management will be more careful in presenting financial reports. In line with the theory of behavioral accounting that with an accounting system where financial statements are audited by an integrity auditor before being presented to investors and other stakeholders, it can affect the nature of executives in carrying out company activities.

The Effect of Executive Compensation on Tax Aggressiveness Moderated by Good Corporate Governance

The results of hypothesis 6 which examines the effect of good corporate governance, represented by audit quality, on the relationship between executive compensation and tax aggressiveness, show that audit quality does not have the ability to increase or decrease the relationship between executive compensation and tax aggressiveness. This finding is consistent with research conducted by Abdillah & Nurhasanah (2020) which shows that there is no relationship between audit quality and tax aggressiveness. Research conducted by Wulandari, masripah, & Widiastuti (2020) found that audit quality does not have the ability to regulate the relationship between executive compensation and tax avoidance efforts. Audit quality serves as a regulatory mechanism in corporate governance. However, there is little evidence that choosing a Big Four or non-Big Four KAP (Public Accounting Firm) can reduce tax aggressive behavior. Auditors employed by KAP firms, both Big Four and non-Big Four KAP, are required to follow a code of ethics. This ensures that they maintain their integrity by complying with the accountant's code of ethics. In addition, this study shows that the remuneration received by executives is not enough to encourage them to engage in tax aggressive behavior. Despite high audit quality, the lack of desire on the part of executives to engage in tax aggressiveness makes the relationship between executive compensation and audit quality insignificant in relation to tax aggressiveness.

The Effect of Political Connection on Tax Aggressiveness Moderated by Good Corporate Governance

The results of hypothesis 7 which examines the impact of good corporate governance on the relationship between political connections and tax aggressiveness with audit quality as a moderating factor show that audit quality does not have the ability to strengthen or weaken the relationship between political connections and tax aggressiveness. This research is consistent with research conducted by Abdillah & Nurhasanah (2020), which concluded that there is no effect of audit quality on tax aggressiveness. Audit quality serves as a corporate governance tool to monitor the company. This is assessed based on whether the Big Four or non-Big Four KAP is selected. However, there is little evidence that this reduces tax aggressive behavior. Auditors working in both Big Four and non-Big Four firms are required to follow a code of ethics and uphold the accountants' code of ethics to maintain their integrity. In addition, this study shows that pre-existing political connections have little effect on the level of tax aggressiveness. Although audit quality is high, the absence of political connections in the implementation of tax aggressiveness makes the relationship between political connections and audit quality irrelevant to tax aggressiveness.

The Effect of Firm Size on Tax Aggressiveness Moderated by Good Corporate Governance

The results of hypothesis 8 which examines the effect of audit quality as a moderating factor in the relationship between firm size and tax aggressiveness show that audit quality strengthens the effect of firm size on tax aggressiveness. Higher audit quality provided by auditors will improve management's decision-making process in implementing aggressive tax tactics due to company size. Large companies tend to prefer the services of auditors who have good reputation, professionalism, independence, and reputation, as this will result in higher quality audits. However, even with careful supervision by auditors who have high moral character, large companies are still vulnerable to tax aggressive strategies. This is because Big Four KAPs can be easily influenced to cooperate with companies in conducting aggressive tax planning in their area of responsibility. This phenomenon can arise as a result of the auditor's ongoing relationship with the company, which can affect the auditor's work in several ways. These include emotional ties between auditors and clients, maintenance of independence, determination of audit fees and maintenance of audit professionalism.

CONCLUSION

Based on the research conducted, the results of the influence of executive characteristics, executive compensation, political connections, and company size on tax aggressiveness with good corporate governance as a moderating variable in manufacturing companies listed on the Indonesia Stock Exchange:

Executive character has a positive and significant influence on tax aggressiveness Executives as leaders of companies tend to make risky decisions.

Executive compensation has no impact on taxa ggressiveness. The existence of compensation aimed at executives is not enough to motivate them to perform aggressive tax actions.

Political connections have little influence on taxaggressiveness. The presence or absence of political connections in the company does not affect the level of tax aggressiveness.

The size of the company has a positive influence on tax aggressiveness. An increase in company size leads to a higher level of tax aggressiveness in the company.

Good corporate governance projected by the audit committee is able to weaken the relationship between executive character and tax aggressiveness. With effective supervision through high-quality audits conducted by KAP affiliated with

big four KAP, then executives can be constrained in making aggressive tax decisions.

Good corporate governance projected by audit quality is not able to strengthen or weaken the relationship between executive compensation on tax aggressiveness. This occurs because compensation it self is unable to influence executives to perform or avoid agressive tax behavior. So that the presence or absence of good audit quality by the auditor does not have a major effect on the relationship between executive compensation and tax aggressiveness.

Good corporate governance projected by audit quality is unable to strengthen or weaken the relationship of political connections to tax aggressiveness. Because the political connection it self has no effect on the level of tax aggressiveness. So that the presence or absence of good audit quality produced by auditors does not affect the relationship between political connections and tax aggressiveness.

Good corporate governance projected by audit quality is able to strengthen the relationship between firm size and tax aggressiveness This means that good audit quality produced by auditors actually strengthens companies with large scales to commit acts of tax aggressiveness.

Suggestion

This research has limitations, which include: the year observation period is only the last 3 years and the sector used is manufacturing Using audit quality as a projection of good corporate governance and the use of dummy variables in measuring audit quality It is hoped that future research will have a longer research year and use other sectors to be studied Using other projections of good corporate governance such as audit committees and independent commissioners.

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Table 1 / Tax Ratio Revenue Target and Tax Realization 2016-2021

*) *In Trillion*

Year	Tax Ratio	Target Tax Revenue	Realization Tax Revenue	Percentage
2016	9%	1.539	1.283	83,4%
2017	8,5%	1.283	1.147	89,4%
2018	8,8%	1.424	1.315,9	92%
2019	8,4%	1.577,6	1.332,1	84,4%
2020	8,3%	1.198	1.072,1	89,4%
2021	9,1%	1.229	1.227,5	103,9%

Table 2 / Sample Selection Criteria

No.	Criteria	Total
1.	Amount of manufacturing companies listed on the IDX in 2019-2021	193
2.	Manufacturing companies that do not publish financial reports consecutively IDX period 2019-2021	(29)
3.	Companies that experienced losses in the study year	(52)
4.	Manufacturing companies that publish financial statements in currencies other than rupiah	(34)
5.	Manufacturing companies that do not have complete data related to research variables	(30)
Total number of selected research companies		48
Amount of samples during the observation period (3 years)		144

Table 3 / Descriptive Statistics Test Results

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
KAR	144	0,0175	15354,8808	758,370615	2312,0603439
KOMP	144	2	1305000	65820,22	173699,364
KONEK	144	0	1	0,25	0,435
FS	144	6,0355	19,7217	14,059926	3,1812010
ETR	144	0,0059	0,3812	0,238493	0,0495203
GCG	144	0	1	0,43	0,497
Valid N (listwise)	144				

Source: data that has been processed SPSS ver. 26.0

Table 4 / Normality Test Results

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		**144**
Normal Parameters[a,b]	**Mean**	**.0000000**
	Std. Deviation	**.04197915**
Most Extreme Differences	**Absolute**	**.072**
	Positive	**.072**
	Negative	**-.039**
Test Statistic		**.072**
Asymp. Sig. (2-tailed)		**.066c**
a. Test distribution is Normal.		
b. Calculated from data.		
c. Lilliefors Significance Correction.		

Source: data that has been processed SPSS ver. 26.0

Table 5 / Multicollinearity Test Results

Coefficients[a]			
Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	KAR	0,401	2,493
	KOMP	.0,696	1,436
	KONEKSI	0,842	1,187
	FS	0,318	3,139
	GCG	0,789	1,267
a.	**Dependent Variable ETR**		

Source: data that has been processed SPSS ver. 26.0

Table 6 / Autocorrelation Test Result

Model Summary[b]					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0,585	0,342	0,313	0,0411925	2,009

Source: data that has been processed SPSS ver. 26.0

Table 7 / heteroscedasticity test results

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.046	.017		2.661	.009
	KAR	.001	.000	.135	1.051	.295
	KOMP	-.000001	.000	-.009	-.089	.929
	KONEK	-.009	.005	-.147	-1.651	.101
	FS	-.001	.001	-.104	-.720	.473
	GCG	.000	.005	-.008	-.084	.933

a. Dependent Variable: ABSS_RES

Source: data that has been processed SPSS ver. 26.0

Table 8 / Determination Coefficient Test Results

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.489[a]	.239	.217	.0438228
a. Predictors: (Constant), FS, KONEK, KOMPX, KAR				

Source: data that has been processed SPSS ver. 26.0

Table 9 / T Statistical Test Results

Model		Unstandardized Coefficients		Sig.
		B	Std. Error	
1	(Constant)	.407	.029	.000
	KAR	-.015	.000	.000
	KOMP	.00002	.000	.419
	KONEK	.003	.009	.698
	FS	-.011	.002	.000

Source: data that has been processed SPSS ver. 26.0

Table 10 / Moderated Regression Analysis Hypothesis 5 t test results

Model		Unstandardized Coefficients		Sig.
		B	Std. Error	
1	(Constant)	.241	.005	.000
	KAR	-.006	.000	.000
	KUAD	-.004	.008	.597
	X1*Z	.023	.000	.000

Source: data that has been processed SPSS ver. 26.0

Table 11 / Moderated Regression Analysis Hypothesis 6 t test results

Model		Unstandardized Coefficients		Sig.
		B	Std. Error	
1	(Constant)	.235	.006	.000
	KUAD	.016	.009	.086
	KOMPX	-.00002	.000	.799
	X2*Z	-.00004	.000	.595

Source: data that has been processed SPSS ver. 26.0

Table 12 / Moderated Regression Analysis Hypothesis 7 t test results

Model		Unstandardized Coefficients		Sig.
		B	Std. Error	
1	(Constant)	.233	.006	.000
	KUAD	.019	.010	.069
	KONEK	.013	.017	.448
	X3*Z	-.032	.022	.141

Source: data that has been processed SPSS ver. 26.0

Table 13 / Moderated Regression Analysis Hypothesis 8 t test results

Model		Unstandardized Coefficients		Sig.
		B	Std. Error	
1	(Constant)	.224	.024	.000
	FS	.001	.002	.645
	KUAD	.138	.038	.000
	X4*Z	-.009	.003	.001

Source: data that has been processed SPSS ver. 26.0