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# THE INFLUENCE OF INDEPENDENT BOARD OF COMMISSIONERS, AUDIT COMMITTEE, CORPORATE SOCIAL RESPONSIBILITY, AND INSTITUTIONAL OWNERSHIP ON AGGRESSIVE TAX ACTIONS

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***Abstract :*** *This study aims to determine the effect of independent commissioners, audit committees, corporate social responsibility, and institutional ownership on aggressive tax actions in mining companies listed on the Indonesia Stock Exchange. The technique used in selecting the sample is purposive sampling which uses a quantitative approach method that uses secondary data from financial reports of mining companies listed on the Indonesia Stock Exchange in the 2020-2022 period. The data analysis technique used to test the hypothesis is regression analysis. The results of this study show that: (1) the Independent Board of Commissioners which has been measured has a negative influence on Aggressive Tax Actions. (2) Audit Committee which has been measured has a positive influence on Tax Aggressive Actions. (3) Corporate Social Responsibility which has been measured has a negative influence on Aggressive Tax Actions. (4) Institutional Ownership which has been measured has a positive influence on Aggressive Tax Actions. Suggestions for further research are to expand the scope of research by using data from longer periods or expanding the object of research to companies outside the mining sector.*

***Keywords : Independent Board of Commissioners, Audit Committee, Corporate Social Responsibility, Institutional Ownership, Aggressive Tax Actions***

## BACKGROUND

According to Anggraini et al., (2020) Taxes are one of the largest national incomes. So that taxes are considered as an important element for a country in order to fund all forms of expenditure in the country. As it is known that the source of funding for Indonesia's development is the result of the tax sector, in realizing the goals of this development, a sizable budget is needed. Data from the Ministry of Finance in the last ten years shows that there is a gap between the tax revenue target and the actual income. According to the State Expenditure Revenue Budget, the realization of tax revenue in Indonesia from 2017 to 2019 is as follows:

Table. Tax Growth in Indonesia

| Tax Growth in Indonesia | 2019 | 2018 | 2017 |
|---|---|---|---|
| Income tax | 770,29 | 751,49 | 645,6 |
| -Non Oil and Gas | 711,21 | 686,8 | 595,3 |
| -Oil and Gas | 59,08 | 64,69 | 50,3 |
| VAT & PPnBM | 532,91 | 538,2 | 478,4 |
| Building Land Tax & Others | 28,86 | 26,24 | 23,5 |
| Total | 1332,06 | 1315,93 | 1147,5 |

Seeing the growth of tax revenues in Indonesia, the government continues to work hard to increase the realization of tax revenues every year. Every year the Government has targeted an increase in tax sector revenue, but often the goal of achieving the national budget every year is not achieved. One of the reasons why the government never achieves the target of tax revenue is the lack of awareness of taxpayers, and taxpayers do not pay attention to how important taxes are, especially for business entities.

In 2020 the North Halmahera district government stated that PT Birinda Perkasa Jaya (BPJ) committed tax evasion because it did not report the results of its mining production. The Head of the Regional Asset Management and Finance Agency said that since the beginning of its operation, PT BPJ has never reported its company's production results. This has an impact on the value of local revenues, which are sourced from corporate taxes (antarnews.com, 2020, accessed on January 23, 2020). Another case phenomenon is PT Ramando Putra Pratama and

PT Budi Karya Mandiri which are engaged in the procurement of goods and services. Each of them had committed tax evasion which resulted in losses of 3.9 billion and 1.64 billion (radarsurabaya.id, 2020).

Aggressive tax behavior can be detrimental to the company in the short and long term. In the short term, the state will lose tax revenue that can be used to finance the implementation of development projects as a whole (Suprimarini et al., 2017). This research refers to the research of Anggraini et al., (2020) and Vanesali et al., (2020). The results of research by Anggraini et al., (2020), show that political relations between directors and institutional ownership have a positive and significant effect on tax aggressiveness. While the board of commissioners did not prove to be influential. The results of research by Vanesali et al., (2020) state that corporate governance is proven as a way of assessing tax aggressiveness motives. One of the differences between this research and previous studies is that there is the addition of an independent variable, namely corporate social responsibility.

## LITERATURE REVIEW

### *Agency Theory*

Agency theory according to Jensen and Meckling (1976) in (Midiastuty & Suranta, 2016) is a relationship or work contract between shareholders (principal) and managers (agents), in which a principal assigns an agent an assignment to carry out his duties in the interest of the principal, while the agent is a party that carries out the interests of the principal. This in the company is when an investor invests in a company, the manager is given the authority to manage it so that the investment can provide benefits for the company and investors.

### Aggressive Tax Measures

According to Frenk et al (2009) in Midiastuty & Suranta, (2016) Tax aggressive action is an action that aims to reduce the company's taxable profit by using tax planning whether it is classified as tax evasion or not classified as tax evasion (tax evasion). Tax evasion is an obstacle that occurs in tax collection which can harm state tax revenues. Tax evasion is a way to minimize taxes by violating tax regulations or by illegal means.

### ETR

According to Frank et al in Midiastuty & Suranta, (2016), ETRit is used to find out the fixed difference between the calculation of book profit and tax profit. ETR aims to find out the tax burden paid in the current year. According to Chen et al in Midiastuty & Suranta, (2016) the ETR calculation can be formulated as follows:

$$\text{ETRit} = \frac{Total\ Tax\ Expense_{it}}{Pre\ -Tax\ Income_{it}}$$

Information:

ETR : Effective tax rate based on applicable financial accounting reporting

Total Tax Expense it: Corporate income tax expense for company i in year t based on the company's financial statements.

Pre-Tax Income it: Represents income before tax for company i in year t based on the company's financial statements.

**CETRit**

According to Hanlon & Heitzmen in Midiastuty & Suranta, (2016) Cash ETR is an effective tax rate based on the amount of cash taxes paid by the company in the current year. CETR calculation can be formulated as follows:

$$\text{CETRit} = \frac{Cash\ Tax\ Paid_{it}}{Pre-Tax\ Income_{it}}$$

Information:

CETR : Effective Tax Rate paid.

Cash Tax Paid it: The amount of cash taxes paid by company i in year t based on the financial statements

Pre-Tax Income it: Income before tax for company I in year t based on the company's financial statements.

**Book-Tax Difference**

According to Manzon and Plesko in (Midiastuty & Suranta, 2016) Book Tax Difference is the difference between accounting profit and taxable profit. BTD calculation can be formulated as follows:

BTD= (Accounting profit-taxable profit)/(total net assets)

Information:

BTD-MPit : difference between accounting profit and tax profit

Accounting profit: the company's net profit or loss before deducting tax expenses

Tax profit: profit or loss for a period after deducting tax expenses

Total net assets: total assets of the company i the previous year

In this measurement, the calculation is the difference between accounting profit and tax profit.

The formula used to obtain accounting profit is:

Accounting profit = Revenue – company expenses

Meanwhile, the formula used to obtain fiscal profit is:

Fiscal Profit = (current tax expense)/(income tax rate)

**Independent Board of Commissioners**

According to Article 1 number 6 of the Company Law, the board of commissioners is a member of the company who is assigned to carry out general supervision in a particular company in accordance with the articles of association and to provide advice to the company's directors. Independent itself is meant to mean a perspective or resolution of a problem that is not interfered with personal interests or the interests of other parties. An Independent Commissioner is a commissioner who is not a member of management, a majority shareholder, an official or in other words not a party directly or indirectly related to the majority shareholder of a company who oversees the management of the company.

According to Midiastuty & Suranta, (2016) in measuring the board of independent commissioners are:

(Number of independent commissioners)/(Total number of company commissioners) X 100%

This formula is used to find out the number of members of the board of commissioners in the company. According to Annisa and Kurniasih, (2012) the greater the size of the board of commissioners in a company, the greater the aggressive tax actions taken by the company. This is due to the difficulty of cooperation between members of the board which can hinder the supervision process carried out.

**Audit Committee**

According to Midiastuty & Suranta (2016) the audit committee is the role of duties and responsibilities so that the company complies with applicable laws, including tax regulations and the audit committee maintains the quality of the accounting process and preparation of the company's financial reports. The existence of an audit committee within the company is expected to reduce problems that occur between shareholders and managers as well as between controlling shareholders and non-controlling shareholders, as well as reduce earnings management practices and also comply with taxes.

According to Midiastuty & Suranta (2016) the audit committee can be measured using:

Audit Committee = Number of Audit Committee Members in the Company

This formula serves to find out the number of audit committees in the company. The larger the size of the audit committee can increase the oversight function of the company's management.

**Corporate Social Responsibility**

Corporate Social Responsibility is a form of responsibility carried out by the company towards the surrounding environment where the company is established, responsibility to stakeholders such as consumers, employees and shareholders. According to Oktaviana & Wahidahwati (2017) CSR is an activity carried out by companies that are expected so that the business activities carried out can run smoothly and sustainably. The measurements used follow research conducted by Fuadah & Budiman, (2017) using Corporate Social Responsibility (CSR) disclosures that refer to sustainability reports according to GRI-G4.

**Institutional Ownership**

Ngadiman and Christiany (2014) in Feranika et al., (2016) suggest that institutional ownership is the percentage of share ownership owned by an institution. Dewi and I Ketut (2014) in Feranika et al., (2016), support that institutional ownership is the party that monitors companies with large institutional ownership and determines their ability to monitor higher management. These institutions can be foundations, banks, insurance companies, investment companies, pension funds, limited liability companies (PT) and other institutions. The existence of institutional ownership can encourage more optimal monitoring of management performance. Permanasari (2010) in Subagiastra et al., (2016) states that a high level of institutional ownership will lead to tighter monitoring by shareholders of management behavior that can be detrimental to the company and other shareholders. According to Diantari and Ulupui, institutional ownership can be formulated as follows:

$$KInst = (Institutional\ Share)/(Total\ outstanding\ shares)$$

## METHOD

The approach method used in this research is quantitative. According to Sugiono, (2016) a quantitative approach is used in research to examine a certain population or data sample using research instruments as an approach in testing hypotheses that have been determined as research material. The population used in this study are mining companies listed on the Indonesia Stock Exchange for the 2020-2022 period. This study uses secondary data obtained from the financial reports of mining sector companies listed on the Indonesia Stock Exchange in the 2020-2022 period, totaling 26 companies. The technique used in selecting the sample for this study is the Purposive Sampling Technique, in which the researcher determines the criteria for determining the sample according to the research objectives. The following are the sampling criteria: 1. Mining companies listed on the Indonesia Stock Exchange during the 2020-2022 period. 2. Companies that use the rupiah currency in their annual financial statements during the 2020-2022 period. 3. Companies that include independent commissioners in their annual financial reports for the 2020-2022 period. 4. Companies that include audit committees in their annual financial reports for the 2020-2022 period. 5. Companies that include Corporate Social Responsibility reports for the 2020-2022 period.

## RESULTS AND DISCUSSION

### Hypothesis test

Determination Coefficient Test (R2)

The Coefficient of Determination test is carried out to see the suitability of the model, or how much the ability of the independent variables is to explain the dependent variable. Following are the results of calculating the values of R and R2 in this study:

**Table *Goodness of Fit Test***

**Model Summary[b]**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Durbin-Watson |
|---|---|---|---|---|---|
| 1 | .282[a] | 0.796 | 0.291 | 1.087290521 | 2.152 |

a. Predictors: (Constant), Kepemilikan Institusional, Komite Audit, Komisaris Independen, Corporate Social Responsibility

b. Dependent Variable: Tindakan Pajak Agresif

In the table it can be seen that the Adjusted R Square value is 0.291. This means that the variation of the independent variable and the control variable (Institutional Ownership, Audit Committee, Corporate Social Responsibility, Independent Commissioner) is able to explain the variation of the dependent variable (Aggressive Tax Actions) of 29.1% while the remaining 70.9% of the variance of the dependent variable is explained by other factors.

Statistical t test (Partial Test)

The data method used in this study is a multiple regression model using a significance level of 5% (α=0.05). The t test was conducted to see the effect of the independent variables partially on the dependent variable.

**TabLE Regression Test Results**

| Coefficients[a] | | | | | | | | | Kesimpulan |
|---|---|---|---|---|---|---|---|---|---|
| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. | Sig. One Tailed | | |
| | | B | Std. Error | Beta | | | | | |
| 1 | (Constant) | 0.520 | 0.334 | | 1.558 | 0.124 | 0.062 | | |
| | Komisaris Independen | 1.563 | 0.180 | 0.209 | -8.698 | 0.000 | 0.000 | | H1 Diterima |
| | Komite Audit | 0.261 | 0.076 | 0.083 | 3.445 | 0.001 | 0.001 | | H2 Diterima |
| | Corporate Social Responsibility | -2.566 | 0.383 | -0.161 | -6.707 | 0.000 | 0.000 | | H3 Diterima |
| | Kepemilikan Institusional | 0.012 | 0.003 | 0.086 | 3.576 | 0.001 | 0.001 | | H4 Diterima |
| a. Dependent Variable: Tindakan Pajak Agresif | | | | | | | | | |

| Variabel | Prediksi Arah | Coefficients B | T | Sig. | Sig. One Tailed | Kesimpulan |
|---|---|---|---|---|---|---|
| (Constant) | | 0.520 | 1.558 | 0.124 | 0.062 | |
| Komisaris Independen | (-) | 1.563 | -8.698 | 0.000 | 0.000 | H1 Diterima |
| Komite Audit | (+) | 0.261 | 3.445 | 0.001 | 0.001 | H2 Diterima |
| Corporate Social Responsibility | (-) | -2.566 | -6.707 | 0.000 | 0.000 | H3 Diterima |
| Kepemilikan Institusional | (+) | 0.012 | 3.576 | 0.001 | 0.001 | H4 Diterima |

Based on Table the results of the regression test above, the following equation can be formulated::

$$\boldsymbol{Y = \alpha + \beta 1X1 + \beta 2X2 + \beta 3X3 + \beta 4X4 + e}$$

$$\boldsymbol{Y = 0,520 + (1,563)X1 + (0,261)X2 + (-2,566)X3 + (0,012)X4 + e}$$

1. Independent Commissioner Influenced Against Aggressive Tax Actions

Based on the results of the t-test from the table in the Independent Commissioner regression model, a significance value of 0.000 is obtained, which means less than 0.05 (0.000 <0.05) and an unstandardized beta value of -1.563 with a negative direction and T count <T Table (- 8.698 > 1.99300). So it can be concluded that H1 is accepted, this means that partially the Independent Commissioner variable has an effect on Aggressive Tax Actions.

2. The Audit Committee Influences Against Aggressive Tax Actions

Based on the results of the t test from the table in the Audit Committee regression model, a significance value of 0.001 is obtained, which means less than 0.05 (0.001 <0.05) and an unstandardized beta value of 0.261 with a positive direction and T count > T table (3.445 >

1.99300). So it can be concluded that H2 is accepted, this means that partially the Audit Committee variable has an effect on Aggressive Tax Actions.

3. Corporate Social Responsibility has an Influence on Aggressive Tax Actions

Based on the results of the t test from the table in the Corporate Social Responsibility regression model, a significance value of 0.000 is obtained, which means less than 0.05 (0.000 <0.05) and an unstandardized beta value of -2.566 with a negative direction and T count > T table ( -6.707 > 1.99300). So it can be concluded that H3 is accepted, this means that partially the Corporate Social Responsibility variable has an effect on Aggressive Tax Actions.

4. Institutional Ownership Influences Tax Aggressive Actions

Based on the results of the t test from the table in the Institutional Ownership regression model, a significance value of 0.001 is obtained, which means less than 0.05 (0.001 <0.05) and an unstandardized beta value of 0.012 with a positive direction and T count > T table (3.576 > 1.99300). So it can be concluded that H4 is accepted, this means that partially the Institutional Ownership variable has an effect on Aggressive Tax Actions.

## DISCUSSION

### The Influence of Independent Commissioners on Aggressive Tax Actions.

Based on the hypothesis test, it can be concluded that the Independent Commissioner has an effect on Aggressive Tax Actions. This conclusion is inconsistent with the results of research conducted by Seprini et al., (2016) the greater the size or number of the board of commissioners in a company, the more likely the company can take aggressive tax actions. This happens due to a lack of coordination between members of the board which can cause the information conveyed to be inconsistent with the other members of the board.

### The Influence of the Audit Committee on Aggressive Tax Actions.

Based on the hypothesis test, it can be concluded that the Audit Committee has an influence on Tax Aggressive Actions. This conclusion is in accordance with the results of research by Praptitorini (2018) which states that aggressive tax actions will not occur if the company has an effective audit committee, this is because an effective audit committee will carry out its duties and responsibilities well in supervising management in preparing financial reports so that fraudulent acts can be avoided.

**The Influence of Corporate Social Responsibility on Aggressive Tax Actions.**

Based on the hypothesis test, it can be concluded that Corporate Social Responsibility has an effect on Aggressive Tax Actions. This conclusion is in accordance with the results of research by Purwanggono & Rohman (2015) stating that the higher the disclosure of CSR, the lower the level of tax aggressiveness. This is because companies that are committed and have a high level of awareness in implementing CSR will be obedient in paying their taxes.

**The Influence of Institutional Ownership on Aggressive Tax Actions.**

Based on the hypothesis test, it can be concluded that Institutional Ownership influences Tax Aggressive Actions. This conclusion is in accordance with the results of research by Vanesali and Kristanto (2020) stating that institutional ownership is one of the factors driving the performance of company management, the institution will carry out maximum monitoring of management performance. The institution also has the power to oversee the policies of the management. This is done so that the policies produced by management can reduce risks that are detrimental to shareholders.

## CONCLUSION

This study aims to investigate the influence of the Independent Board of Commissioners, Audit Committee, Corporate Social Responsibility (CSR), and Institutional Ownership on tax aggressiveness in a company. Based on the analysis conducted, several possible conclusions can be drawn: The Independent Board of Commissioners has influence over aggressive tax actions within the company. The existence of a strong and independent Board of Commissioners can reduce the possibility of a company taking aggressive tax actions. The Audit Committee has influence over aggressive tax actions. An effective Audit Committee can strengthen oversight and control over company tax policies, thereby reducing the possibility of aggressive tax actions. Corporate Social Responsibility (CSR) has an influence on aggressive tax actions within the company. Companies that have a high commitment to social responsibility tend to avoid aggressive tax actions in order to maintain the company's image and carry out socially and environmentally responsible business practices. Institutional Ownership has an influence on aggressive tax actions. Companies with strong and diverse institutional ownership tend to have tighter oversight of their tax practices, thereby reducing the likelihood of aggressive tax actions.

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