Kontigensi: Jurnal Ilmiah Manajemen
Vol. 12, No. 1, June 2024, pp. 74-87
ISSN 2088-4877

The Effect Of Profitability And Liquidity On Tax Aggressiveness With Good Corporate Governance As A Moderation Variable

Yhoga Heru Pratama[1]; Antonius Rizky Noviandi[2]
Fakultas Ekonomi Universitas Sarjanawiyata Tamansiswa, Yogyakarta, Indonesia
yhoga.pratama@ustjogja.ac.id antoniusrizky49@gmail.com.id

DOI: https://doi.org/10.56457/jimk.v12i1.498

Received: January 30, 2024	Accepted: May 13, 2024	Published: June 07, 2024

ABSTRACT

The aim of this research is to explore how profitability and liquidity influence tax aggressiveness, by considering the role of good corporate governance as a moderating factor. This research uses a sample of manufacturing companies listed on the Indonesia Stock Exchange (BEI) during the 2019-2022 period. The research methodology used uses quantitative methods. The population in this study were 193 manufacturing companies registered on the IDX. The sample used was 316 samples from the results of 79 companies multiplied by four years of financial reports selected using the purposive sampling method. Next, the collected data was analyzed using the SPSS program for multiple linear regression. The significance level used to test the hypothesis is 5%. The research results show that liquidity and profitability have a positive impact on tax aggressiveness. In addition, it was revealed that good corporate governance weakens the influence of profitability on tax aggressiveness, although it does not succeed in moderating the influence of liquidity on tax aggressiveness.

Keywords: Profitability, Liquidity, Tax Aggressiveness and Good Corporate Governance

INTRODUCTION

State income has a crucial role in improving people's welfare. State revenue is the main source for supporting and implementing various government programs aimed at meeting community needs (Jusmani & Qurniawan, 2016). The government has a big role in managing, maintaining stability and developing the country's economic growth (Migang, S., & Wahyuni, 2020). Therefore, the government needs adequate sources of income to support the country's development. Several sources of state income include taxes, levies, loans, BUMN/BUMD finance, and others (Wulantari & Putra, 2020). of these sources, tax revenues are considered to be the most potential (Jusmani & Qurniawan, 2016).

Tax is an obligation that must be fulfilled by individuals or business entities in accordance with legal regulations and does not involve direct compensation, with the aim of supporting domestic interests to improve community welfare (UU KUP No. 28 of 2007). In Indonesia, taxation is an important pillar in generating income for the country. This fact is reflected in the details of the 2022 State Revenue and Expenditure Budget (APBN), which has only been realized at 115.9%, tax revenues contributed 97.77% of the total income of the Ministry of Finance (Ministry of Finance of the Republic of Indonesia, 2022). Taxation in Indonesia often faces challenges, as evidenced by several tax-related incidents where companies attempted to reduce their tax obligations.

Tax Justice Network reports that British American Tobacco (BAT), through their tobacco company, PT Bentoel Internasional Investama, has been involved in tax avoidance practices in Indonesia. The impact is that the country suffers losses of around 14 million US dollars every year. The report explains that BAT uses two strategies to shift part of its revenue from Indonesia. First, through borrowing at the company with PT Bentoel receiving a loan from Rothmans Far East BV, a related Dutch

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company, from 2013 to 2015. This loan was used to restructure bank debt, purchase machinery and equipment, so that loan interest can be deducted from the income generated. subject to tax in Indonesia. Second, PT Bentoel pays royalties, technical fees and Information Technology (IT) costs totaling 19.7 million US dollars every year. Included in these payments are IT fees to British American Shared Services (OSD) Limited of 4.3 million dollars, BAT Holdings Ltd royalties of 10.1 million dollars for use of the Dunhill and Lucky Strike brands, and BAT Investment Ltd fees of 5 .3 million dollars for consulting and technical fees. As a result, the average amount of tax payable annually is approximately 2.5 million US dollars for royalties, 1.3 million US dollars for technical fees, and 1.1 million US dollars for IT payments. In accordance with the agreement between Indonesia and the UK, the tax deduction on trademark royalties is around 15% of 10.1 million US dollars, or around 1.5 million US dollars . (kontan.co.id 2019).

Another case occurred in 2019, PT. Adaro Energy Tbk uses a transfer pricing strategy. The company participates in the important mining industry in Indonesia. According to a report from Global Witness entitled "Taxing Time for Adaro", PT Adaro Energi Tbk has transferred profits from coal mining activities in Indonesia to a subsidiary in Singapore, namely Coaltrade Services International. By transferring profits to the subsidiary company, this action is thought to have reduced tax obligations in Indonesia by around USD 14 million per year. As a result, the company only paid tax of USD 125 million, which is lower than the amount of tax that should be paid in Indonesia (ekonomi.bisnis.com).

Menurut Wardani et al., (2022) Tax aggressiveness is a strategy carried out by an entity to manage income that is subject to tax, either through legal methods (tax avoidance) or unlawful actions (tax evasion). The aim of the practice of tax aggressiveness by companies is to increase profits by aggressively reducing the company's tax payment obligations (Azzam & Subekti, 2019). This is because companies believe that taxes can reduce their profits (Astika & Asalam, 2023). Although the core objective of company operations is to maximize profits and reduce expenses, companies seek to optimize their tax expenditures in order to achieve greater profits, which will benefit company owners and ensure business continuity.(Andriani et al., 2022).

Aggressive tax actions occur due to differences in interests between taxpayers and the government, causing aggressive tax actions (Laksono et al., 2022). However, companies that do not directly take an aggressive stance on taxes will consider the consequences that could affect the company's future before acting (Setyawan et al., 2019). Carrying out aggressive tax actions impacts companies in two categories, namely marginal benefits and marginal costs (Fahmi & Adi, 2020). Previous researchers who examined tax aggressiveness variables mentioned several variables that were considered influential in tax aggressiveness, including: Profitability and liquidity (Candra Dewi, 2022;JayantoPurba & Dwi, 2020;Kulsum, 2020).

There are several factors that can influence tax aggressiveness including profitability and liquidity (JayantoPurba & Dwi, 2020). Menurut Munawar et al., (2022) Profitability is a financial indicator used to determine a company's ability to gain profits (Krisjayanti P et al., 2022). This ratio can also provide an example of management effectiveness in a company (Stiawan & Sanulika, 2021). Profitability is estimated using Return on Assets (ROA), which functions as a metric for evaluating a company's financial performance (JayantoPurba & Dwi, 2020). Company performance is better with a higher ROA value, and conversely, with a lower ROA value, company performance tends to be worse (Joelianti Dwi Supraptiningsih & Nuridah, 2022). In general assumptions, as a company's profitability increases, the amount of tax obligations that need to be paid also tends to increase, thereby encouraging companies to be more active in looking for ways to avoid taxes (Rahmadian et al., 2023).

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Apart from profitability, another factor that can influence tax aggressiveness is liquidity. Menurut Kulsum, (2020) the liquidity ratio reflects a company's ability to pay its debts that are maturing in the short term, while this ratio is also used to assess the company's ability to fund and settle financial obligations that are coming due. This includes paying employee salaries, electricity bills, debts, tax costs, and other short-term needs (Pitria & Wijaya, 2017). There are certain businesses that cannot pay these short-term debts within the estimated time period due to insufficient income (Yogiswari & Ramantha, 2017). If a company experiences problems resolving short-term debt, it can encourage the company to adopt aggressive measures in taxation because the company is more focused on maintaining smooth cash flow rather than having to pay large amounts of tax (JayantoPurba & Dwi, 2020).

This research pays attention to the important role in the context of taxation in companies, so good corporate governance was chosen as a moderating variable because it provides guarantees to interested parties regarding manipulation practices and is associated with the existence of an independent board of commissioners (Wardani et al., 2022). Independent commissioners are part of the commissioners who are responsible for ensuring that company management does not make mistakes (Laksono et al., 2022). Menurut Azzam & Subekti, (2019) Good corporate governance was created to monitor tax planning so that it complies with applicable law, ensure that company tax management complies with the legal tax avoidance framework, and avoid unlawful acts of tax evasion.

Realizing the importance of tax aggressiveness in a manufacturing company. Therefore, researchers are interested in conducting research related to profitability, liquidity and tax aggressiveness with good corporate governance as a moderating variable. The difference between this research and previous research is adding variables toWardani et al., (2022) s research on the influence of profitability on tax aggressiveness with Good Corporate Governance as a moderating variable in manufacturing companies listed on the BEI in the 2015-2019 period, and Azzam & Subekti, (2019) regarding the influence of profitability and company size on tax aggressiveness with Good Corporate Governance as moderation in coal subsector manufacturing companies for the 2015-2019 period. Apart from that, this research is supported by Wardani's research which states that further research will add liquidity variables. Therefore, the variables taken in this research are profitability (X1), liquidity (X3), tax aggressiveness (Y) and Good Corporate Governance (Z) using case studies of manufacturing companies listed on the Indonesian stock exchange as the population and period. used for the past 4 years, namely 2019-2022.

The contribution and motivation in this research is by conducting research on profitability and liquidity so that this research can help stakeholders in minimizing tax aggressiveness in manufacturing companies with the presence of independent commissioners as pillars who provide control and monitoring of company tax practices.

LITERATURE REVIEW

Agency theory

According to Jensen and Meckling (1976), agency theory is applied to the relationship between shareholders (principal) and management (agent) in a company. This theory describes the contractual relationship between individuals in a company or organization where they act in the interests of the main party by giving some decisions to the party who has authority. Because there are differences in interests between management and shareholders, it is difficult to realize the concept of this theory. This difference shows that there is a conflict of interest between the two parties involved in the company.

HYPOTHESIS DEVELOPMENT

The Effect of Profitability on Tax Aggressiveness

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According to Kulsum, (2020) Profitability is a company's ability to make a profit from its business activities. A high level of profitability reflects the entity's ability to generate increased profits and a good assessment for the company (Stiawan & Sanulika, 2021). One way to measure profitability is to look at Return on Assets (ROA), which is a measure that shows how well a company's financial performance is (Dotulong et al., 2023). The higher the ROA value, the better the company's performance (Krisjayanti P et al., 2022). If a company succeeds in obtaining high profits, this can be caused by the company's ability to manage income and tax payments efficiently (Herlinda & Rahmawati, 2021). As a result, tax aggressiveness carried out by companies tends to decrease because companies can manage their tax obligations well (JayantoPurba & Dwi, 2020).

This is supported by research by Wardani et al., (2022); Leksono et al., (2019); who found that profitability had a negative effect on tax aggressiveness, whereas in research by Margie & Habibah, (2021) stated that profitability had no effect on tax aggressiveness and in research (JayantoPurba & Dwi, 2020) Profitability had a positive effect on tax aggressiveness. Based on the results of this research, the researcher formulated a hypothesis:

H_1 : Profitability has a positive effect on tax aggressiveness

The Influence of Liquidity on tax aggressiveness

Liquidity is a ratio that can be used to measure a company's ability to pay off current debts that must be paid immediately using its current assets (Kulsum, 2020). Companies with high liquidity ratios describe financial conditions that have smooth cash flows (Charisma & Suryandari, 2021). In this situation, the company is expected to be able to pay its short-term obligations on time (Rahmadian et al., 2023). Because they prioritize smooth cash flow rather than paying high taxes, companies tend to take tax aggressive actions when they face difficulties meeting short-term debt obligations (JayantoPurba & Dwi, 2020).

This is supported by research by JayantoPurba & Dwi, (2020); Herlinda & Rahmawati, (2021); Kulsum, (2020) found that liquidity has a positive effect on tax aggressiveness, while research Herlinda & Rahmawati, (2021) states that liquidity has a negative effect on tax aggressiveness and research by Yogiswari & Ramantha, (2017) states that liquidity has no effect on tax aggressiveness. Based on the results of this research, the researcher formulated a hypothesis:

H_2 : Liquidity has a positive effect on tax aggressiveness

Good Corporate Governance can weaken the influence of profitability on tax aggressiveness

One element of good corporate governance is the existence of an independent board of commissioners Supervision and control provided by independent commissioners can reduce the possibility of managers acting undisciplined and aggressively in managing company taxes (Nur Hanifah, 2022). According to research by Wardani et al., (2022) the presence of independent commissioners is negatively related to the level of aggressiveness in tax strategies. With the increase in the number of independent commissioners in companies, monitoring of profitability becomes stricter (Bakhtiar et al., 2021). When corporate profits increase, management has less inclination to manage corporate income and tax payments, which in turn reduces the aggressiveness of corporate taxation (Wardani et al., 2022). Company management tends to be more compliant in paying company taxes in order to gain profits, which can reduce efforts to manipulate company profits in order to reduce the tax burden, resulting in a decrease in the level of corporate tax aggressiveness (Wardani et al., 2022).

This is supported by research by Rahmawati, (2018) which states that GCG can weaken the influence of profitability on tax aggressiveness. Wardani et al., (2022); Munawar et al., (2022) state that GCG can strengthen the negative influence of profitability

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on tax aggressiveness, while research by Azzam & Subekti, (2019) states that GCG is able to moderate the influence of profitability on tax aggressiveness. Based on the results of this research, the researcher formulated a hypothesis:

H_3 : Good corporate governance can weaken the positive influence of profitability on tax aggressiveness.

Good Comparative Governance can weaken the influence of liquidity on tax aggressiveness

Management is often opportunistic with the motivation to obtain as much profit as possible, which in turn can increase commission receipts(Hidayat & Muliasari, 2020). Management's way of maximizing net profit is by reducing tax-free company costs (Dotulong et al., 2023). This statement can move managers to act aggressively on taxes (Fahmi & Adi, 2020).

This is supported by research byFahmi & Adi, (2020) which states that independent commissioners can weaken the influence of liquidity on tax aggressiveness. Meanwhile, research by Yogiswari & Ramantha, (2017) states that independent commissioners cannot moderate liquidity against tax aggressiveness. Based on the results of this research, the researcher formulated a hypothesis:

H_4 : Good corporate governance can weaken the influence of liquidity on tax aggressiveness

METHODS

Population and Sample

The population in this research is manufacturing companies registered on the IDX for the 2019-2022 period. The data used is secondary data taken from financial reports and company annual reports obtained via the website www.idx.co.id or via the respective company websites. Sample selection uses a purposive sampling method, namely a sampling method by determining certain criteria. The data analysis methods used are multiple linear analysis and Moderated Regression Analysis, where the calculations use the SPSS 23 application. The criteria for companies used as research samples are manufacturing companies registered on the BEI (www.idx.co.id) for the 2019-2022 period. Companies that publish complete annual reports and financial reports on the company website or IDX website during the 2019-2022 period. Companies that did not experience losses or earned positive profits during the research year. Companies that use the rupiah value unit in their financial reports during the research year. The data presented is complete and meets all criteria relating to the variables used in the research.

Operational Definition and Variable Measurement

a. Tax Aggressiveness

The level of tax aggressiveness is reflected in the ETR (Effective Tax Ratio). Small companies with a low ETR are considered tax aggressive, while large companies with a high ETR are considered less aggressive in their tax approach. Tax aggressiveness is measured using the formula:

$$\text{ETR} = \frac{Tax\ expense}{Profit\ before\ tax} X\ 100$$

b. Profitability

Return on Assets (ROA) reflects the company's level of efficiency in managing assets, whether financed by company equity or through loans. Investors will assess how efficiently the company manages its assets. Profitability is measured using the formula:

$$\text{ROA} = \frac{Laba\ setelah\ pajak}{Total\ aset} X\ 100$$

c. Liquidity

Liquidity is measured to assess an organization's ability to pay short-term debt. Companies have greater profits if they have a higher liquidity ratio. A company using a low liquidity ratio will face difficulty meeting its short-term obligations, which can impact its level of profitability. The current ratio, which shows the comparison between the company's current assets (current assets) and current liabilities (current liabilities), is a metric used to measure liquidity. Liquidity measurement is carried out using the formula:

$$\text{CR} = \frac{Total\ Aset\ Lancar}{Hutang\ lancar} X\ 100$$

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d. Good corporate governance

Good corporate governance is a set of legal rules, ethical principles and values such as integrity, transparency, accountability and obligations. It regulates the relationship between shareholders, company management (including directors and commissioners), creditors, employees, and other related parties. Evaluation of the quality of corporate governance is often carried out by assessing the level of independence of the board of commissioners. Good corporate governance is measured using the formula:

$$GCG = \frac{Jumlah\ komisaris\ independen}{jumlah\ dewan\ komisaris}$$

RESULTS AND DISCUSSION

Table 1. Sample Determination Results

No	Information	Amount
1	Manufacturing company listed on the Indonesian stock exchange and publishing financial reports every year from 2019 - 2022	193
2	Companies that experience losses in 2019-2022	(99)
3	Companies that do not have complete information	(9)
4	Companies that do not use the rupiah currency in their financial reports	(6)
5	The selected companies become the sample	79
6	Observation period 4 X 78	316
	Number of research samples	316

Source: data processed by researchers

Table 2 Descriptive Test Results

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
PROFITABILITY	316	,00	86,11	,9564	6,61049
LIQUIDITY	316	,08	486,72	7,0528	38,18912
TAX AGGRESSIVITY	316	-,25	810787,88	6415,8221	59371,63538
GCG	316	,17	,80	,4143	,10480
Valid N (listwise)	316				

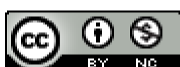
Source: secondary data processed using SPSS version 23.2023

The amount of data (N) used to examine each variable is 316 samples, according to the statistical data and analysis shown in table 2 above. The maximum value indicates the largest range of values found in the study, while the minimum value indicates the lowest range of values found. The average value shows the average value of all variable values divided by the number of samples, while the standard deviation shows how far the data in the study differs from the average.

The tax aggressiveness variable (Y) as measured by ETR shows a standard deviation of 59371.63538, a minimum value of -25, a maximum value of 810787.88, and an average value of 6415.8221. The level of tax aggressiveness of sample companies is very different during the observation period, as indicated by standard deviation values that are greater than the average.

The profitability variable (X1) is calculated using the ROA formula. It shows a minimum value of 0.0, a maximum value of 86.11, a mean value of 0.9564, and a standard deviation of 6.61049. This shows that the average profitability is 0.9564 with significant data variations from a minimum value of 0.0 to a maximum value of 86.11.

The liquidity variable (X2) which is measured using CR between total current assets and current liabilities shows a minimum value of 0.08, a maximum value of 486.72, an



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average value of 7.0528, and a standard deviation of 38.18912. Liquidity has an average of 7.0528 with quite large variations, from a minimum value of 0.08 to a maximum value of 486.72.

The GCG variable (Z) which is measured using the number of independent commissioners and the number of board of commissioners shows a minimum value of 0.17, a maximum value of 0.80, an average value of 4143, and a standard deviation of 10480. GCG has an average of 4143 with significant variations , from a minimum value of 0.17 to a maximum of 0.80

Classic assumption test

Table 3 Normality Test results
One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		316
Normal Parameters[a,b]	,0000000	,0000000
	59357,28072693	59357,28072693
Most Extreme Differences	,487	,487
	,487	,487
	-,455	-,455
Test Statistic		,434
Asymp. Sig. (2-tailed)		,000[c]
a. Test distribution is Normal.		
b. Calculated from data.		
c. Lilliefors Significance Correction		

Source: secondary data processed using SPSS version 23.2023

Based on table 3 above, it is stated to be normally distributed. This is shown by the Kolmogorov-Smirnov value of 434 and the significant value of 000, which means it is smaller than the alpha value, which is 0.05, so it can be concluded that the data is not normally distributed. Limit theory allows the use of the normal distribution as an estimate in various statistical analyzes when large samples are used, even though the data does not meet the requirements of a normal distribution.

Table 4 Multicollinearity Test
Coefficientsa

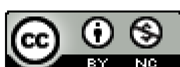
Model	Collinearity Statistics	
	Tolerance	VIF
PROFITABILITY	997	1,003
LIQUIDITY	995	1,005
GCG	997	1,005
a. Dependent Variable: TAX AGGRESSIVITY		

Source: secondary data processed using SPSS version 23.2023

According to the multicollinearity test results shown in table 4, this research model is not affected by multicollinearity because there is no excessive correlation between the independent variables; The Variance Inflation Factor (VIF) value for each variable is below 10 and the tolerability value is greater than 0.1 or 10%.

Table 5 Heteroskedasticity Test Results
Coefficientsa

Model	Unstandardized Coefficients	Standardized Coefficients	t	Sig.



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Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	43618,817	13212,227		3,301	,001
	PROFITABILITY	-224,919	490,136	-,026	-,459	,647
	LIQUIDITY	-21,327	84,918	-,014	-,251	,802
	GCG	-49849,191	31743,775	-,088	-1,570	,177

a. Dependent Variable: TAX AGGRESSIVITY

Source: secondary data processed using SPSS version 23.2023

Table 5 shows the results of the heteroscedasticity test, which shows that the significance value for each independent variable is greater than 0.05. According to the heteroscedasticity test criteria using the Glejser test, a significance value above 0.05 indicates that there is heteroscedasticity in the data.

Table 6 Autocorrelation Test Results
Model Summaryb

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,739[a]	,546	,543	1193,76736	1,077

a. Predictors: (Constant), PROFITABILITY, LIQUIDITY
b. Dependent Variable: TAX AGGRESSIVITY

Source: secondary data processed using SPSS version 23.2023

Based on table 6, it can be seen that the Durbin-Watson value in the Summary model is 1.077, which means it is between -2 and +2, so there is no autocorrelation.

Multiple Linearity Regression Test

Table 6 T and Moderation Statistical Tests
Coefficientsa

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	T	Sig.
1	(Constant)	10462	2340		4,469	,000
	PROFITABILITY	45889	3857	,686	11,897	,000
	LIQUIDITY	,496	,112	,210	4,412	,000
	PROF-GCG	-134054	15033	-,543	-8,917	,000
	LIQUID-GCG	14,017	165	,004	,085	,933

a. Dependent Variable: TAX AGGRESSIVITY

Source: secondary data processed using SPSS version 23.2023

Based on the results of the sig t test and moderation as shown in Table 6, it is known that the independent variables that influence the dependent variable are profitability and liquidity. The results of the first hypothesis show that the significance value of the profitability variable is 0.000 < 0.05, and the t value is 11.897 < t table 1.967. Additionally, the B value shows the number 45889 which is positive. This shows that the profitability variable has a significant positive influence on tax aggressiveness. Therefore, the first hypothesis which shows that the profitability variable has a positive influence on tax aggressiveness is supported. The second hypothesis related to the liquidity variable shows a significance value of 0.000 < 0.05, with a t value of 4.412 < t table 1.967, and a positive B value of 0.496. Therefore, it can be concluded that the liquidity variable has a significant positive influence on tax aggressiveness. Thus,

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the second hypothesis which states that there is a positive influence of the liquidity variable on tax aggressiveness is supported.

The third hypothesis highlights that Good Corporate Governance (GCG) weakens the influence of profitability on tax aggressiveness, showing a significance value of 0.000 < 0.05, with a t value of -8.917 < t table 1.967, and a negative B value of -134054. From these results, it can be concluded that the third hypothesis is supported, which states that GCG weakens the positive influence of profitability on tax aggressiveness. The fourth hypothesis is that Good Corporate Governance cannot moderate the effect of liquidity on tax aggressiveness with a significance value of 0.933 > 0.05 with a t value of 0.085 < t table 1,967 then the B value shows a positive number, namely 14,017. It can be concluded that the fourth hypothesis: Good corporate governance cannot strengthen the effect of liquidity on tax aggressiveness, therefore the fourth hypothesis is not supported.

Table 7 F Test Statistics

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	290647173,501	3	145323586,750	65,793	,000[b]
	Residual	691352813,956	313	2208794,933		
	Total	981999987,457	316			

a. Dependent Variable: TAX AGGRESSIVITY
b. Predictors: (Constant), PROFITABILITY, LIQUIDITY

Source: secondary data processed using SPSS version 23.2023

Based on table 7 attached, the independent variables in this study have a significant influence on the dependent variable, as shown by a significance value of 0.000 and a significance value of less than 0.05.

Tabel 8 Uji Koefisien Detterminasi
Model Summaryb

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,739[a]	,546	,543	1193,76736	1,077

a. Predictors: (Constant), PROFITABILITY, LIQUIDITY
b. Dependent Variable: TAX AGGRESSIVITY

Source: secondary data processed using SPSS version 23.2023

From table 8, we get an adjusted R Square value of 0.543, which indicates that around 54.3% of the influence of tax aggressiveness is by the independent variables profitability and liquidity, with GCG as a moderating variable. The remaining 45.7% was influenced by other factors not investigated in this study.

DISCUSSION

The Effect of Profitability on Tax Aggressiveness

The results of hypothesis testing show that profitability has a positive influence on tax aggressiveness. The significance value of the profitability variable is 0.00, less than 0.05, and the calculated t value is 11.897, less than the t table of 1.967. Additionally, the B value shows the number 45889 which is positive. Therefore, it can be concluded that profitability has a significant positive influence on tax aggressiveness. Thus, the first hypothesis which states that profitability has a positive influence on tax aggressiveness can be supported.

High profitability shows that the company's asset management has been effectively managed to achieve greater profits. These high profits have the potential to increase the amount of taxes the company must pay, encouraging management to adopt aggressive

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strategies regarding taxes. The results of this research can conceptually confirm agency theory which explains that shareholders have influence in setting financial statements that benefit them. This encourages management to increase company profits and minimize tax burdens through aggressive tax-related practices. This shows that the company has the ability to make a profit from its business activities, as reflected in the high level of profitability and positive assessment of the company. One indicator of profitability is Return On Assets (ROA), which shows the company's financial performance. A higher ROA value indicates that the company's performance is better. Because companies can manage income and tax liabilities well, companies that generate high profits are considered not to use aggressive tax measures.

This research is supported by research conducted byHerlinda & Rahmawati, (2021); Stiawan & Sanulika, (2021); Candra Dewi, (2022) states that profitability has a positive effect on tax aggressiveness

The Effect of Liquidity on tax aggressiveness

The second hypothesis in this research is that liquidity has a positive effect on tax aggression. Hypothesis test results show that liquidity has a positive effect on tax aggression. This is supported by a significance level of 0.000 < 0.05 and a tcount level of 4.412 < ttable 1.967. Then the B value shows a positive coefficient of 0.496. It can be concluded that if the liquidity variable is positively correlated with tax aggression, then the hypothesis is supported.

Liquidity refers to a company's ability to meet its short-term needs within a specified time period. When a company has a high level of liquidity, it can be concluded that its operations will run smoothly. A strong accounting system is expected to help the company grow. However, it is possible that companies that rely heavily on labor will eventually bargain aggressively to reduce the amount of taxes they have to pay. The results of this research are in line with the concept of agency theory because the interests and behavior of agents can influence the liquidity risk faced by the company. Agency theory emphasizes that agents, in this case company management, have interests that may not always be in line with the interests of the principal or company owner (shareholder). Company management acts as an agent who manages the company's assets and responsibilities on behalf of its owners. Liquidity risk can be related to several factors originating from agents, such as incentives given to company management to take excessive risks or seek quick profits without considering long-term risks. Company management may have an incentive to accelerate asset growth to obtain greater compensation or financial incentives, but, in the process, may ignore the liquidity risks that can arise from uncontrolled growth in the company's liabilities.

This research is supported by research conducted by JayantoPurba & Dwi, (2020); Herlinda & Rahmawati, (2021); Kulsum, (2020) states that liquidity has a positive effect on tax aggressiveness

Good corporate governance can weaken the influence of profitability on tax aggressiveness

The third hypothesis: Good corporate governance can weaken the influence of profitability on tax aggressiveness with a significance value of 0.000 < 0.05 with a t value of -8.917 < t table 1.967 then the B value shows a negative number, namely -134054. It can be concluded that the third hypothesis Good corporate governance can weaken the positive influence of profitability on tax aggressiveness, therefore the third hypothesis is supported.

One part of corporate governance is that an independent board of commissioners is part of the company's management. The formation of an independent board of commissioners to carry out supervisory and control duties, which is intended to reduce opportunities for managers to act selfishly and implement an aggressive approach to corporate taxes. The existence of an independent board of commissioners has a positive effect on aggressive tax-related practices. A larger number of independent commissioners in a

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company will increase supervision and control regarding profitability. In a situation where the company's profits increase, management has the ability to manage the company's income and tax obligations more effectively. As a result, aggressive action on corporate taxes is likely to decrease. Company management will be more careful in paying company taxes based on the profits earned, and this will reduce the tendency of management in managing company profits to take aggressive actions regarding taxes. Thus, aggressive practices regarding corporate taxes will show a decline.

This research is supported by research conducted by Rahmawati, (2018) which states that GCG can weaken the positive influence of profitability on tax aggressiveness.

Good corporate governance can weaken the influence of liquidity on tax aggressiveness

The fourth hypothesis: Good corporate governance cannot moderate the effect of liquidity on tax aggressiveness with a significance value of 0.933 > 0.05 with a t value of 0.085 < t table 1,967 then the B value shows a positive number, namely 14,017. It can be concluded that the fourth hypothesis Good corporate governance cannot moderate the effect of liquidity on tax aggressiveness, therefore the fourth hypothesis is not supported.

It is estimated that this practice is carried out by companies because the higher liquidity ratio can encourage companies to shift profits from the current period to the next period. The reason behind this is to avoid high levels of tax payments when the company's financial condition is in an adequate state. Management behavior is often opportunistic, motivated to increase profit receipts in order to obtain higher commissions. Management seeks to maximize net profit by reducing company costs, including tax-related expenses. The impact of this encourages management to adopt an aggressive attitude towards taxes. However, it should be remembered that the existence of independent commissioners cannot automatically guarantee an increase in overall effective supervision because they have limited authority, dependence on information, limited time and resources, and organizational culture can influence the independent commissioner's ability to supervise.

This research is supported byYogiswari & Ramantha, (2017) who stated that Good Corporate Governance cannot moderate the influence of liquidity on tax aggressiveness.

CONCLUSION

Profitability has a positive effect on tax aggressiveness. High profitability shows that the company's assets have been managed well to achieve higher profits. These high profits have the potential to increase the amount of taxes the company must pay, which encourages management to take aggressive tax strategies.

Liquidity has a positive effect on tax aggressiveness. Liquidity is some company's ability to pay its short-term obligations. A high level of liquidity can indicate a good corporate approach, increase the organization's laboratory capacity, and increase the potential for aggressive tax-related practices to reduce the tax burden.

GCG can weaken the influence of profitability on tax aggressiveness. The Independent Board of Commissioners controls the Manager's behavior and reduces aggressive and disruptive tax actions. More independent commissions increase profit margins, allowing managers to allocate resources more efficiently when margins decline.

GCG is unable to moderate the influence of liquidity on tax aggressiveness. It is predicted that when a company's liquidity ratio approaches a certain level, the company will be more willing to move from the current period to the next period with the aim of lowering the high tax payment threshold when the company is in a healthy condition.

By using good corporate governance as a moderating variable, the main focus of this research is the relationship between profitability and liquidity and tax aggressiveness. Additional factors, such as firm size, financial distress, or earnings management practices, were not included. Because this research only involves manufacturing companies as samples, the

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results cannot be applied to other industries in Indonesia. In addition, the data used may not be accurate because the research period was only 4 years.

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