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Original Paper

The Effect of Good Corporate Governance and Profit Management on Tax Aggressive (Empirical Study on Manufacturing Companies Listed on the IDX Periode 2014-2017)

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Abstract

The objectives of this study are as follows: 1) Finding empirical evidence regarding the effect of institutional ownership on tax aggressiveness; 2) Find empirical evidence regarding the influence of the Board of Commissioners on Tax Aggressiveness; 3) Find empirical evidence regarding the influence of the independent board of commissioners on Tax Aggressiveness; and 4) Find empirical evidence regarding the effect of Profit Management on Tax Aggressiveness.

The type of research used in this study is causal associative research. The population in this study are all Manufacturing companies listed on the Indonesia Stock Exchange for the period 2014-2017. The selection of samples using the purposive sampling method. The analytical method used to test the hypothesis is a multiple regression test.

The results of the study show that: 1) Institutional Ownership has a significant negative effect on Tax Aggressiveness; 2) The board of commissioners does not have significantly effect on Tax Aggressiveness; 3) Independent commissioners have a significant negative effect on Tax Aggressiveness; 4) Earnings management does not significantly effect on Tax Aggressiveness.

Keywords

good corporate governance, earnings management, Tax Aggressiveness

1. Introduction

Big companies around the world, include Indonesia, take aggressive tax actions are a mechanism to reduce the tax burden and increase profits because for companies tax is an additional burden that can reduce profits while for the State, taxes are part of the coffers of state income. Therefore, the government wants high profits so that paid taxes are also high. The existence of these differences of interests has resulted in taxpayers taking aggressive tax actions, namely by utilizing legal concessions both legally and illegally (Lestari & Murtanto, 2017). Furthermore, to empower state revenue from taxes, the government, as a regulator, needs to appeal and ensure that companies have appropriately implemented the principles of ethical corporate governance as taxpayers. Corporate governance is a system or mechanism that regulates and controls the company to create added value for all shareholders. The company is a taxpayer, while corporate governance is a relationship between various stakeholders in the company that determines the direction of company performance. Therefore, corporate governance has a contribution in making decisions, including the decision to pay taxes. Based on this, the tax compliance of a company depends on the dynamics of corporate governance that apply to the company (Winata, 2012). Related to Hidayah et al. (2019), there are five basic principles of corporate governance. Namely, the first one is fairness, which is fair and equal treatment in fulfilling the rights of stakeholders that arise based on agreements and applicable laws and regulations. Second is transparency (disclosure of information), namely openness in carrying out the decision-making process and openness in expressing material and relevant information about the company. The third is accountability (clarity), namely clarity of functions, structures, systems, and accountability of corporate organs, so that company management is carried out effectively. The third is accountability (clarity), namely clarity of functions, structures, systems, and accountability of corporate organs, so that company management is carried out effectively. Fourth is responsibility, namely, compliance (compliance) in the management of the company towards sound corporate principles and applicable laws and regulations. Moreover, the fifth is independence, which is a situation where the company is managed professionally without conflict of interest and influence or pressure from the management that is not following applicable laws and regulations and sound corporate principles. Thus, if the rules of corporate governance, namely justice, transparency, accountability, responsibility, and independence, are carried out with close supervision and good impact, then it is likely that the company has good governance including in terms of fulfilling its tax obligations. Nevertheless, when the dynamics of corporate governance are carried out incorrectly, that is, governance and the principles that must be implemented are not implemented, and there is no adequate supervision, so there is an opportunity for companies to make modifications in tax payments aimed at reducing its expenditure (Annisa & Kurniasih, 2012). In carrying out good corporate governance, tax is an obligation in accordance with the definition of the tax itself, while the company considers it a burden so that the company will try to do tax planning that refers to one goal which is trying to save money so that the tax debt is as low as possible, but it is still within the framework of tax regulations, so it does not violate existing tax regulations. Research conducted by Samuel and Ranti (2013) explains that if a company has a well-structured corporate governance mechanism, it will be directly proportional to compliance in fulfilling its tax obligations.

Research by Lestari and Murtanto (2017) and Fadli et al. (2013), which discusses the effect of GCG on aggressive tax actions proves that GCG has a significant effect on aggressive tax actions. In contrast to the research of Hanum and Zulaika (2013) which used samples in state-owned companies listed on the Stock Exchange in the period 2009-2011 showed that the characteristics of CG did not affect tax aggressiveness. This is because the application of GCG is merely a regulatory impulse. Another factor that is predicted to cause corporate tax aggressiveness is earnings management. According to Desai and Dharmapala (2009), one of the motivations of managers to do earnings management is tax motivation. In principle, earnings management is a method chosen in presenting earnings information to the public that has been adjusted to the interests of the manager itself or benefit the company by increasing or decreasing company profits. Furthermore, earnings management methods can be used by companies to increase profits by reducing costs by reducing income tax payments. The more aggressive the company does earnings management, it can be said that the level of corporate tax aggressiveness is also high because the tax burden is getting smaller. Previous research conducted by Suyanto and Supramono (2012) found that earnings management had a positive effect on tax aggressiveness in manufacturing companies. Arief et al. (2016) study with a sample of coal companies listed on the Stock Exchange in the 2011-2014 period. Apandi (2019), using a sample of manufacturing companies listed on the Indonesia Stock Exchange in 2012-2014 proved that earnings management had a significant effect on actions aggressive tax. Whereas research Putri (2014), using a sample of manufacturing companies listed on the Indonesia Stock Exchange in the period 2008-2011 showed that earnings management did not affect tax aggressiveness. This happens because of differences in provisions related to the recognition of income between accounting earnings and fiscal profit.

The reason for researching manufacturing companies listed on the Indonesia Stock Exchange (IDX) in the 2014-2017 period is because Manufacturing companies have different financial characteristics than other companies so that it can lead to a bias in the results of research. This is due to government regulations that tend to affect the ETR value of manufacturing companies so that they are different from other companies (Lanis & Richardson, 2012). For reasons like the above, this study intends to examine the Good Corporate Governance and Earnings Management against Tax Aggressiveness in Manufacturing Companies Listed on the Indonesia Stock Exchange with the title: "**The Effect of Good Corporate Governance and Profit Management on Tax Aggressive**" (Empirical Study In Manufacturing Companies Listed on the Indonesia Stock Exchange in 2014-2017). From the description of the background of the research above, the main problems that will be discussed in this study can be formulated, namely: 1) What is institutional ownership affect the Tax Aggressiveness?; 2) Does the Board of Commissioners influence Tax Aggressiveness?; 3) Does the independent board of directors influence Tax Aggressiveness?; and 4) Does Profit Management affect Tax Aggressiveness?

2. Literature and Hypotheses

2.1 Legitimacy Theory

Legitimacy theory is based on the notion of social contracts that are implied between social institutions and society (Nugroho, 2014). Sulistiana and Istianingsih (2018) provide an explanation of the concept of social contracts as follows: All social institutions are no exception for companies operating in society through either explicit or implicit social contracts where survival and growth are based on 1) Final results which can be socially provided to the broader community; 2) Distribution of economic, social or political benefits to groups in accordance with the power they have. Legitimacy theory also explains that the practice of disclosing corporate responsibility must be carried out in such a way that the activities and performance of the company can be accepted in the community. Bäckstrand et al. (2013) explain that in order to legitimize company activities in the eyes of the public, companies tend to use environment-based performance and disclosure of environmental information. Legitimacy theory is the theory most often used, especially when it is related to social territory and environmental accounting. Although there is still an intense pessimism put forward by many researchers, this theory has been able to offer a real perspective on the recognition of a company voluntarily by the community.

2.2 Agency Theory

Agency Theory or Agency Theory can be seen as a contractual model between two or more people (parties), where one party is called an agent, and the other party is called a principal. The Principal delegates responsibility for decision making to the agent; this can be said that the principal gives an agent a mandate to carry out certain tasks per the agreed work contract. The authority and responsibility of the agent and principal are regulated in the work contract with the mutual agreement (Nugroho et al., 2019; Vania et al., 2018).

2.3 Stakeholders Theory

The concept of corporate social responsibility has been known since the early 1970s, which is generally known as stakeholder theory, meaning as a collection of policies and practices that relate to stakeholders, values, compliance with legal provisions, community, and environmental rewards, and the commitment of the business community to contribute to sustainable development. Stakeholder theory begins with the assumption that the value (value) explicitly, and is part of the business activities (Freeman & McVea, 2001). *Stakeholder* theory says that a company is not an entity that only operates for its own sake but must provide benefits to its stakeholders. Thus, the existence of a company is strongly influenced by the support provided by *stakeholders* to the company (Wahyono et al., 2019).

2.4 Good Corporate Governance (GCG)

According to Vania et al. (2018), Corporate governance is a structure, process, culture, and system to create successful operational conditions for an organization Hadi et al. (2018). Hadi et al. (2018) said that "Good Corporate Governance is a relationship among stakeholders that are used to determine and control the strategic direction and performance of the organization." From the definition above, it can be concluded that Good Corporate Governance is a system of corporate governance to be better and better improve the value of the company by prioritizing justice for all stakeholders, transparency regarding the condition of the company as part of the external environment (Nugroho & Nezzim Bararah, 2018).

2.5 Corporate Governance Mechanism

The existence of two principal participants and agents caused problems about mechanisms that must be formed to harmonize the different interests between the two, then a corporate governance mechanism emerged. According to Caprio et al. (2007), Corporate governance mechanisms will be able to reduce the deprivation of bank resources and promote bank efficiency. This is one of the facts regarding the importance of corporate banking governance. Corporate Governance typically refers to a set of mechanisms that influence the decision to be taken by the manager when there is a separation between ownership and control some of this control lies in the function of the board of directors, institutional shareholders, and control of market mechanisms (S. Hadi et al., 2018). The success or failure of the company will be primarily determined by the decisions or strategies taken by the company. The board plays a very significant role even the central role in determining the company's strategy. Indonesia is a country that uses the two-tier concept, where the board consists of the Board of Directors and the Board of Commissioners Wardhani (2007). So that the corporate governance mechanism that is an indicator of good corporate governance in this study is the size of the board of directors, the size of the board of commissioners, and the proportion of independent commissioners.

2.6 Earning Management (Profit)

According to Hapsari and Manzilah (2016), earnings management is a process to take specific, deliberate steps within the limits of generally accepted accounting principles to produce the desired level of reported earnings. Earnings management is a method used by managers to influence profit figures systematically and deliberately by selecting specific accounting policies and accounting procedures by managers of existing accounting standards and scientifically can maximize their utility and or market value (Nugroho & Utami et al., 2018; Watts & Zimmerman, 1978). Earnings management can also be defined as "deliberate management intervention in the process of determining profits, usually to fulfill personal goals" (Arief et al., 2016). Often this process includes beautifying financial statements, especially the lowest number, namely profit.

2.8 Tax Aggressiveness

Tax aggressiveness has been typical of companies in the world. Tax aggressiveness is an activity carried out to minimize tax burden through legal, illegal, or both ways. Although the action aims to minimize corporate tax, it is not in line with the expectations of the community and harms the government as well. Corporate tax payments should have implications for society and society because they form an essential function in helping fund the provision of public goods in society, including things such as education, national defense, public health, public transportation, and law enforcement (Lanis & Richardson, 2012). Furthermore (Nugroho & Wicaksono et al., 2018) also explain, the most significant issue that arises to apply CSR principles to corporate taxes includes actions that can reduce corporate tax obligations through corporate tax avoidance and tax planning. Furthermore, tax aggressiveness is a corporate strategy that is not in line with the expectations of the community (Lanis & Richardson, 2012). Slemrod and Wilson (2009) define tax aggressiveness as desire and action to minimize the tax burden using legal and illegal, or both. Also, according to (Chen et al., 2010) defines tax aggressiveness as a planning activity involved in efforts to reduce effective tax rates. Tax risks, including the risk of paying taxes less than required in tax laws and reputation damage arising from these additional costs. The Board of Commissioners has a vital obligation to participate in risky tax management so that a balance exists between risk and opportunity within the company (Behn, 2016). Tax is an essential component of the risk management system and internal control. The same rules apply to tax risk in terms of recognizing and controlling general business risks and establishing a general control environment that is usually the duty of the board. There are various proxies for measuring tax aggressiveness, including *Effective Tax Rates* (ETR), *Book Tax Differences*, *Discretionary Permanent* BTDs (DTAX), *Unrecognize Tax benefits*, *Tax Shelter Activities*, and *Marginal tax rates*. In this study to measure the level of corporate tax aggressiveness using the proxy used by Lanis and Richardson (2012), namely *Effective Tax Rate*s (ETR). The reason why using ETR is because of previous researchers such as Gupta and Newberry (1997); Richardson and Lanis (2007); Derashid and Zhang (2003) many have used it, and this indicator is temporarily assessed as an indicator with the most accurate results. A low value from ETR can be an indicator of tax aggressiveness. The ETR proxy is considered to be an indicator of tax aggressiveness if it has an ETR that is close to zero. The lower the ETR value the company has, the higher the level of tax aggressiveness. A low ETR indicates that the income tax expense is smaller than pre-tax income.

2.9 Previous Research

Previous research that can support this research is Lanis and Richardson (2012) in his research entitled "*Corporate Social Responsibility and Tax Aggressiveness: An Empirical Analysis*" provides empirical evidence that the higher the level of CSR disclosure of a company, the lower the level of tax aggressiveness carried out. The sample used is an Australian public company registered in the *Aspect-Huntley Financial Database for the* period 2008-2009 using tobit regression analysis. Suyanto and Supramono (2012) in his research entitled "*Liquidity, Leverage, Independent Commissioner, and Profit Management Against Corporate Tax Aggressiveness*" provide empirical evidence that 1) The liquidity of manufacturing companies has a negative but not significant effect on corporate tax aggressiveness; 2) Independent commissioners in manufacturing companies have a negative and significant effect on corporate tax aggressiveness; 3) Earnings management in manufacturing companies has a positive and significant effect on corporate tax aggressiveness; and 4) Leverage on manufacturing companies has a positive and significant effect on corporate tax aggressiveness. J. Hadi and Mangoting (2014) in their research entitled "The Influence of Ownership Structure and Characteristics of the Board Against Tax Aggressiveness" provide evidence that ownership structures have a significant effect on tax aggressiveness, while board characteristics do not affect tax aggressiveness. The SIZE control variable effects, while LEV and ROA do not affect tax aggressiveness. Arief et al. (2016) in their study entitled "The Influence of Profit Management on Tax Aggressiveness (Study of Coal Companies Listed on the

Indonesia Stock Exchange Period 2011-2014)" provides evidence that partially earnings management has a significant effect on tax aggressiveness. Sari et al. (2016) in his research entitled "*The Effect of Profit Management on Tax Aggressiveness*" provides empirical evidence that earnings management as measured by *discretionary accruals* has a significant positive effect on tax aggressiveness as measured by the *Book Tax Difference* (BTD). Based on the theoretical foundation and previous studies, the researchers developed a research framework that was tested, as shown in the following Figure:

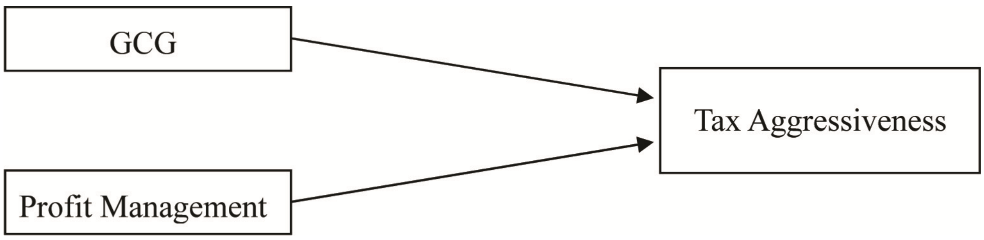

Figure 1. Framework for Thinking

The research hypothesis proposed is as follow:

Ha_1 = Institutional ownership has a negative effect on tax aggressiveness.

Ha_2 = The board of commissioners has a negative effect on the practice of tax aggressiveness.

Ha_3 = Independent boards have a negative effect on the practice of tax aggressiveness.

Ha_4 = Profit Management has a positive effect on Tax Aggressiveness.

3. Research Methods

3.1 Type of Research

The research used in this research is casual *associative research*. According to Nugroho and Tamala, (2018), associative-causal research is the search for the relationship between two or more variables. The purpose of associative research is to find relationships between one variable and another variable. The variables used in this study consisted of dependent variables and independent variables. Operational variables of research The influence of *Good Corporate Governance* and Earnings Management on Tax Aggressiveness can be summarized in Table 1.

Table 1. Variable Operationalization

Variable	Definition	Measurement	Scale
Dependent			
Tax Aggresiveness	*Effective Tax Rates* (ETR) Lanis dan Richardson (2012)	$\frac{\text{Income Tax Expenses}}{profit\ before\ tax}$	Ratioo
Independent			
GCG			
Institutional ownership	share ownership by the government, financial institutions, legal entities, foreign institutions, trust funds, and other institutions at the end of the year (Tarjo, 2008).	$\frac{\sum\ Intsitutionsharesi}{\sum outstanding\ shares}\ x\ 100\ \%$	Ratio
Board of Commissioners	A board whose duty is to supervise and provide advice to directors or directors of Limited Liability Company (PT)	$\sum member\ of\ the\ board\ of\ commissioners$	Ratio
Independent Board of Commissioners	Board of Commissioners members who do not have financial, management, share ownership and/or family relationships with the controlling shareholders, board members and/or board of directors (Bank Indonesia Regulation number11/33/PBI/2009)	$\frac{\sum Independent\ Commissioner}{\sum All\ Commissioners}$	Ratio
Profit management	*Conditional Revenue Model* dari Stubben (2010)	AR_{it}	Ratio

In this study, the type of data used is quantitative data. While the data source used is a secondary data type. This study uses secondary data obtained from the annual financial statements of Manufacturing companies that are listed on the IDX during 2014-2017, which are documented in *www.idx.co.id* and other relevant sources.

3.2 Research Population

The population used in this study are all Manufacturing companies *listing* on the Indonesia Stock Exchange for the period 2014-2017. The reason for choosing a manufacturing company as a sample of the company is because financial companies have different financial characteristics than other companies so that it can lead to a bias in the results of the research. This is due to government regulations that tend to affect the ETR value of financial companies so that they are different from other companies Lanis and Richardson (2012).

3.3 Research Samples

Samples are part of the population used to estimate population characteristics. T sampling technique is using *purposive sampling* technique. Sampling is done by taking samples from the population based on specific criteria. The criteria used are based on individual *judgments* (Usman et al., 2018). The sample used in this study was chosen based on the following criteria:

- The company publishes annual reports and financial reports for four consecutive years (2014-2017) which can be accessed from the IDX website (*www.idx.co.id*) or the company's website and has complete data needed in this study.
- Companies that use a unit of rupiah value in their financial statements.
- The company did not experience losses during the research year. This is because it will cause the ETR value to be negative so that it will complicate the calculation.
- Companies that have ETR between 0-1 so that it can simplify the calculation, where the lower the ETR value (close to 0), the company is considered to be more aggressive towards taxes.

According to the above criteria, the number of company samples used was 55 companies during four periods, namely 2014, 2015, 2016, and 2017. So the number of samples was 55 companies x 4 periods = 220 data to be used in this study.

3.4 Data Collection Technique

The method of data collection in this study is the literature study method and documentation method. Library study method by conducting a literature review and reviewing various literature such as various journals, articles, and other literature books that support this research process. While the documentation method is the process of collecting data by recording documents related to this research.

3.5 Hypothesis Testing

In this study, the authors used five independent variables and one dependent variable. The analytical method used to test hypotheses is multiple regression methods, namely regression which is used to determine how much influence the independent variables have on the dependent variable, with simple linear regression analysis that aims to meet the expectations of researchers regarding the Effect of *Good*

Corporate Governance and Profit Management on Tax Aggressiveness. Regression analysis using SPSS version 22 *software.* The regression equation is as follows:

$Y = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \varepsilon_1$

Where:

Y = Tax Aggressiveness

α = constant or price Y if X = 0

β = Number or direction of the regression coefficient, which shows the number of increases or decreases in the dependent variable based on the independent variable

X_1 = Institutional ownership

X_2 = Board of Commissioners

X_3 = Independent Board of Commissioners

X_4 = Profit management

Ɛ = level of error/*error*

In this study, the significance level (α) of 0,05, or 5%, was used. To test the hypothesis whether accepted or rejected, then testing the variables of research by way of testing simultaneously through simultaneous significance test (test statistic F), which intends to be able to explain the influence of the independent variable on the dependent variable. Whereas to test each variable partially, it is done by testing the significance of individual parameters (statistical t-test) which aims to determine whether the independent variable has an effect on the dependent variable, and which variables predominantly affect the dependent variable.

4. Results and Discussion

4.1 Description of Research Data

The following are presented the results of descriptive statistics about the research variables as follows:

Table 2. Results of Descriptive Statistics

Variable	Min	Max	Mean	Std. Deviation
Institutional ownership	0	98	67,596	21,730
Board of Commissioners	2	12	4,423	1,918
Independent Board of Commissioners	0	100	37,652	12,950
Profit management	-1	3	0,003	0,305
Tax Aggressiveness	0	1	0,255	0,086

Source: Processed Primary Data (2019).

Based on Table 2 above can be presented the results of descriptive statistics about the research, the average value of Institutional Ownership variables shows an average of 67.596%. This means that the average share of the sample companies during 2014-2017 obtained 67.596% of shares owned by institutions or other organizations (companies or other institutions). The lowest value of institutional ownership is 0%, and the highest value is 100%. The high share ownership of institutions can function as a management controller. The average value of the board of commissioner size variables is 4,423 people, which means that the size of the board of commissioners owned by each company has fulfilled the requirements set by the Financial Services Authority Regulation Number 33/POJK.04/2014 that the board of commissioners of an issuer or public company at least consisting of two board of commissioners (OJK, 2014). The amount of the standard deviation value is 1.918; the value indicates the magnitude of the increase and decrease in the maximum size of the board of commissioners that may occur. The proportion of independent commissioners has an average of 37.652%. This shows that the proportion of independent commissioners has fulfilled the requirements determined by the Financial Services Authority Regulation Number 33/POJK.04/2014 that the proportion of independent commissioners is at least 30% of the total members of the board of commissioners (OJK, 2014). The standard deviation value of the proportion of independent commissioners is 12,950; this value indicates the magnitude of the increase and decrease in the maximum proportion of independent commissioners that might occur. The lowest amount is 0%, and the highest amount reaches 100%. Variable Earnings management has an average value of 0.003% with a standard deviation value of 0.305%, which means that the level of data deviation tends to be small. Earnings Management variables range from the lowest value of -1 % to the highest value of 3%. Aggressiveness Variables Taxes measured by ETR have an average value of 0.255% with a standard deviation value of 0.086%, which means that the level of data deviation tends to be small. The tax aggressiveness variable ranges from the lowest value of 0%, namely the company PT. Kabelindo Murni Tbk. up to the highest value of 1%, namely the company PT. Jembo Cable Company Tbk. The average value of variable tax aggressiveness of 0.255% indicates that the tax aggressiveness variable usually is distributed because the standard deviation value of the tax aggressiveness variable is smaller than the average value of the tax aggressiveness variable.

4.2 Classical Assumption Test

Normality testing using the Lilliefors test. The provision in the error test is if the statistic of L count $<$ L table ($\alpha = 0{,}05$), then the error data is normally distributed. But if L count $>$ L table ($\alpha = 0{,}05$), then the data is not normally distributed. Thus the overall results of the calculation of the normality test using the Lilliefors test can be seen in the summary in Table 3.

Table 3. Summary of Normality Tests

No	Estimated Error	n	L Calculate	L Tabel α = 0.05	L Tabel α = 0.01	Decision
1	Y On X1	220	-0,7051	0,0597	0,0695	Normal
2	Y On X2	220	-0,5565	0,0597	0,0695	Normal
3	Y On X3	220	-0,6063	0,0597	0,0695	Normal
4	Y On X4	220	-0,5783	0,0597	0,0695	Normal

Source: Primary data processed (2019).

Based on the table above, the calculated L values are -0,7051, -0.5565, -0.6063 and -0,5783, the calculated L values are actually smaller than the L table values (n = 220 and α = 0.05) is 0.0597. Thus it can be stated that error data come from populations that are normally distributed. Multicollinearity test aims to test whether, in a regression model, there is a correlation between independent variables. A good regression model should not happen the correlation between independent variables (Ghozali, 2014). Detection of the presence or absence of multicollinearity in this study by (1) analyzing the correlation matrix between independent variables, if between independent variables there is a reasonably high correlation (generally above 0.90), then this is an indication of multicollinearity, (2) Seeing the value *tolerance* and *variance inflation factor value*, a regression model that is free from multicollinearity problems if it has a *tolerance* value of more than 0.10 or 10% and a *Variance Inflation Factor Value* (VIF) less than 10. The tolerance calculation results are following Table 4. It indicates that there are no independent variables that have a tolerance value of less than 10%; all tolerance values are more than 10%; which means there is no correlation between variables. The results of the calculation of the *Variance Inflation Factor* (VIF) value also show the same thing; there are no independent variables that have a VIF value of more than 10; all *Variance Inflation Factor* (VIF) values are less than 10. The conclusion is that there is no multicolonity between independent variables in the regression model based on the tolerance value test.

Table 4. Summary of Multicolonity Tests

Variable	Collinearity Statistics Tolerance	Collinearity Statistics VIF
Institutional ownership	0,865	1,157
Board of Commissioners	0,963	1,038
Independent Board of Commissioners	0,863	1,159
Profit management	0,997	1,003

Source: Primary data processed (2019).

The autocorrelation test was used to determine whether there was a correlation between intruder errors in a certain period and the previous period's disturbing errors. A good regression model is a regression that is free from autocorrelation. Autocorrelation test can be done by testing Durbin-Watson (DW). The autocorrelation test results can be seen in Table 5 below:

Table 5. Autocorrelation Test Results

Model	R	R Square	Adjusted R Square	Std. The error of the Estimate	Durbin-Watson
1	0,557[a]	0,310	0,297	0,072	1,933

Source: Primary data processed (2019).

Based on the SPSS output, the Durbin Watson statistical value was 1.933. Whereas from the Durbin Watson table with n = 220 and k = 4, it is obtained $d_{\textbf{table}}$ namely *dl* (outer limit) = 1.752 and *du* (inner limit) = 1.807 with a significance level of 5%, 4- *du* = 2.193; and 4- *dl* = 2,248; then from the calculation concluded that the DW-test is located in the test area. Referring to Ghozali (2010), the regression model in this study is free from the problem of autocorrelation because the value of Durbin Watson is between *du* and 4-*du*. Heteroscedasticity test is used to determine the presence or absence of classical assumptions of heteroscedasticity, namely the existence of variance inequalities from residuals for all observations in the regression model (Priyatno, 2009). Detections of heteroscedasticity are 1) Probability values > 0, 05 means free from heteroscedasticity. 2) A probability value < 0,05 fallow RTI exposed heteroscedatisity. The test results using the *Spearman rank* test can be seen in Table 6 below

Table 6. Heterocedasticity Test Results

			X1	X2	X3	X4
Spearman's rho	Absres	Correlation Coefficient	-0,111	-0,045	-0,096	0,104
		Sig. (2-tailed)	0,101	0,511	0,154	0,124
		N	220	220	220	220

Source: Primary data processed (2019).

The results of the *Spearman rank* test in the table above show the value of significance probability for institutional ownership variables, *the* board of commissioners, independent board of commissioners, and earnings management of 0.101, 0.511, 0.154 and 0.124. Because the significance probability value for institutional ownership variables, *the* board of commissioners, independent board of commissioners, and earnings management is higher than 0.05, it can be concluded that the data is free from heteroscedasticity.

4.3 Hypothesis Testing

Multiple regression analysis is used to obtain a regression coefficient that will determine whether the hypothesis made will be accepted or rejected. By using multiple linear regression methods, the results are as follows:

Table 7. Results of Regression Analysis

Model		B	T_{hitung}	Sig	T_{tabel}	*adj* R^2	F_{hitung}	*Sig*
1	(Constant)	0,495						
	X1	-0,002	-9,299	0,000				
	X2	0,000	0,123	0,902	1,971	0,297	24,166	0,000
	X3	-0,002	-5,847	0,000				
	X4	-0,011	-0,700	0,485				

Source: Primary data processed (2019).

Based on the results of the regression test above, an equation can be formed as follows: $Y = 0.495 - 0.002X_1 + 0{,}000X_2 - 0.002X_3 - 0.011X_4 + \varepsilon$

The coefficient of determination is indicated by the *adjusted R Square value*. The *adjusted R-Square value* of the regression model is used to find out how much the ability of the independent variable (independent) to explain the dependent variable (dependent). From Table 7, it is known that the *adjusted R square* value is 0.297. This means that 29.7% of Tax Aggressiveness can be explained by variations in the independent variables namely institutional ownership, *the* board of commissioners, independent board of commissioners, and earnings management, the remaining 70.3% (100%-29.7%) explained by other reasons outside the model. Simultaneous significance test (F test) is used to show whether all the independent variables included in the model have a joint influence on the dependent variable (Ghozali, 2014). If the analysis using the F test shows that all independent variables simultaneously are explanations of the significance of the dependent variable. From the Anova test or F Test in Table 7 above, the calculated F value is 24.166 with a significance probability that indicates 0,000. The test probability value is much smaller than $\alpha = 0.05$. This shows that together (simultaneous) Tax Aggressiveness can be influenced by institutional ownership, *the* board of commissioners, independent board of commissioners, and earnings management. Based on the calculation results in Table 7 above, it can be seen that institutional ownership variables have a negative effect on tax aggressiveness, which can be seen from the comparison between $\mathbf{t}_{\mathbf{table}}$ and $\mathbf{t}_{\mathbf{count}}$, that is $\mathbf{t}_{\mathbf{table}}$ is smaller than $\mathbf{t}_{\mathbf{count}}$, with $\mathbf{t}_{\mathbf{table}}$ 1.971 and $\mathbf{t}_{\mathbf{count}}$ -9,299 and the level of significance is less than 0.05. Thus Ha_1 is accepted. Based on the calculation results in Table 7 above, it can be seen that the board of commissioners variable does not affect the aggressiveness of the tax, which can be seen from the comparison between $\mathbf{t}_{\mathbf{table}}$ and $\mathbf{t}_{\mathbf{count}}$, that is $\mathbf{t}_{\mathbf{table}}$ is more significant than $\mathbf{t}_{\mathbf{count}}$, with $\mathbf{t}_{\mathbf{table}}$ 1.971 and $\mathbf{t}_{\mathbf{count}}$ 0.123 and the level of significance is more than

0.05. Thus Ha $_2$ is rejected. Based on the calculation results in Table 7 above, it can be seen that the independent board variables have a negative effect on tax aggressiveness, which can be seen from the comparison between t_{table} and t_{count}, namely t_{table} is smaller than t_{count}, with t_{table} 1.971 and t_{count} -5,847 and the level of significance is more than 0.05. Thus Ha $_3$ is accepted. Based on the calculation results in Table 7 above, it can be seen that the earnings management variable does not affect the tax aggressiveness, which can be seen from the comparison between $\mathbf{t_{table}}$ and $\mathbf{t_{count}}$, namely $\mathbf{t_{table}}$ is smaller than $\mathbf{t_{count}}$, with $\mathbf{t_{table}}$ 1.971 and $\mathbf{t_{count}}$ - 0,700 and the level of significance is more than 0.05. Thus Ha $_4$ is rejected. From the results of the study, it is known that the Institutional Ownership variable influences Tax Aggressiveness in a negative direction. This means that the higher the level of institutional ownership of a company, the lower the level of tax aggressiveness carried out.

Institutional ownership is ownership of shares owned by the government, foreign investors, insurance companies, and banks that have a more significant role in the supervision of company management Dewi and Jati (2014). In addition to fulfilling the interests of the company's management, the company must also consider the interests of the institutional parties. Institutional ownership plays a vital role in overseeing a more optimal management performance because it is considered capable of monitoring every decision taken by company managers. Companies that have high institutional ownership will be more aggressive in minimizing tax reporting. The existence of institutional ownership indicates that there is pressure from institutional parties to the company's management to carry out aggressive tax policies in order to obtain maximum profits as a result of the amount of institutional ownership capital invested in the company. The tax burden can reduce company profits; then institutional ownership will make more optimal supervision of management to minimize the corporate tax burden, which results in increasing corporate tax avoidance behavior. This research is in line with the research of Desai and Dharmapala (2009) which states that institutional ownership influences tax aggressiveness.

From the results of the study, it is known that the Board of Commissioners variable does not affect Tax Aggressiveness in a positive direction. This does not prove that the higher the number of commissioners in office, the smaller the amount of tax burden paid. Brickley et al. (1997) revealed that the board of commissioners who oversee management and provide wise decisions would be able to increase the value of the company without having to assess the number of board of commissioners available. This means the board of commissioners, in this case, the board of commissioners of the company must have the knowledge and experience in their fields in order to be able to make wise decisions. Insufficient knowledge and experience are thought to be the cause of the size of the board of commissioners that does not affect Tax Aggressiveness. Also, Follesdal and Hix (2006) revealed that there is a possibility of a less democratic selection process of the board of commissioners where the board of commissioners candidates is often chosen by management so that after being elected they do not dare to criticize management. This has resulted in supervision by the board of commissioners not being objective in supervising management so that this results in the size of the board of commissioners not affecting Tax Aggressiveness. This research is not in line with Minnick and Noga (2010) research; the higher the size of the board of commissioners, the more difficult it is to carry out their duties effectively. However, this research is in line with the research of (Swingly & Sukartha, 2015), which states that the board of commissioners does not affect tax aggressiveness.

From the results of the study, it is known that the Independent Board of Commissioners variable influences Tax Aggressiveness in a negative direction. It shows that the higher the proportion of BOC Independent, then the level of aggressiveness of the corporate tax would be lower. Independent board of commissioners is one form of the mechanism of the application of *good corporate governance* that has a function to monitor performance and control the management of the company. The existence of an independent board of commissioners in the company will increase the supervision and monitoring of company management in every decision taken. The independent board of commissioners will also oversee the company's management in complying with applicable tax laws and regulations to report the company's tax burden fairly and minimize *tax avoidance* behavior. This research is in line with the research conducted by Suyanto and Supramono (2012) and Lanis and Richardson (2012) which states that independent commissioners have a negative effect on tax aggressiveness.

Earnings management in this study does not affect Tax Aggressiveness. This means that the management did earnings *income decreasing*, will be but the decline in profits made by the company is considered not significant in giving effect to the tax aggressiveness measured by *Effective Tax Rate* (ETR). Although management decreases profits, the company continues to pay taxes according to the applicable rates. Profit is a burden for the size of the tax burden following his desire to reduce the company's tax burden (Putri, 2014). From the results of descriptive statistical analysis, it is known that during the observation period, manufacturing companies do not consistently tend to increase profits. It can be seen from the results of descriptive statistics that the value of standard deviation is higher than the average value of earnings management of manufacturing companies. It can be explained that *income increasing is* carried out by the company to maintain company performance indicators and suppress the effective tax rate of the company by the applicable taxation provisions of 25% of net income before the income tax expense. Another factor that can explain the event is that during the observation period, the manufacturing company earns a declining profit from previous periods. In accordance with the provisions of tax laws that the greater the net income before tax, the higher the tax burden that must be borne by the company. The results of this study support the research by Lee and Swenson (2011), which states that the effect of taxation is not significantly affected by income smoothing, especially in Asian countries. Nevertheless, the results of this study are not in line with the findings of Suyanto and Supramono (2012) and Sari et al. (2016), which state that earnings management has a significant effect on the level of corporate tax aggressiveness.

5. Conclusions, Limitations, and Suggestions

Based on the results of the analysis and discussion that has been done, it can be given the following conclusions: 1) Institutional Ownership has a negative effect on Tax Aggressiveness; 2) The board of commissioners has no effect on Tax Aggressiveness; 3) Independent commissioners have a negative effect on Tax Aggressiveness; and 4) Earnings Management does not affect Tax Aggressiveness. This research is inseparable from shortcomings and limitations. Limitations in this study are as follows: 1) Researchers only use manufacturing companies as research objects; 2) Less precise sample selection procedures. In sample selection, every company that has a negative profit on one year of observation, the company is immediately excluded from the sample; 3) The observation period that was studied was only for four years, so it could not describe the tax avoidance actions that the company carried out in the long run. As previously explained, this study contains limitations. However, the results of this study can at least motivate the next study. Taking into account existing limitations, it is expected that future research will improve the following factors: 1) Further research is suggested to add other independent variables, including *profitability*, *market to book ratio*, and *inventory intensity*, which should be considered influential against tax aggressiveness; 2) Further research can do research can use research samples on financial sector companies; 3) Future research can use different proxies to measure aggressive tax actions. For example, using *Cash Effective Tax Rates* (CETR), *Book Tax Differences* (BTD), *Discretionary Permanent* (DTAX), *Unrecognize Tax benefits*, Tax *Shelter Activities*, and *Marginal tax rates*; 4) The Directorate General of Taxes should carry out further development in the taxation system and supervise the company so that state revenues from taxation can be optimized.

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