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# The Effect of Company Size on Tax Aggressiveness with the Presence of Female Directors as a Moderation (Study on Manufacturing Sector Companies Listed on the Indonesia Stock Exchange in 2015-2017)

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***Abstract***— *The results of this test indicate that the chow test has a probability value of 0.0000 where this value shows lower than the significance level (alpha = 5% or 0.05) 0.0000 <0.05. Furthermore, the hausman test was carried out and the hausman test value had a probability of 0.0005 <0.05. These results indicate that the best model used is fixed effect. Based on the results of the fixed effect test above, it can be concluded as follows: The probability value of the independent variable of company size is 0.0000. This value shows that 0.0000 < 0.05 means that H1 is accepted and H01 is rejected, so that company size has a positive effect on tax aggressiveness. The probability value of the moderating variable of the existence of female directors is 0.4318. This value shows that 0.4318 > 0.05 means that H2 is rejected and accepted, so that the existence of female directors does not weaken the size of the company in carrying out tax aggressiveness.Nilai Adjusted R-squared sebesar 0.762229 atau 76,2229%. Thus, it can be concluded that the variables of company size and the presence of female directors explain tax aggressiveness which is proxied by the Effective Tax Rate. ETR) Thus, it can be concluded that the variables of company size and the presence of female directors explain tax aggressiveness which is proxied by the Effective Tax Rate. The Prob(F-Statistic) value is 0.000000 < 0.05. So it can be concluded that company size (X1), the presence of female directors (X2), profitability (X3), capital intensity (X4), leverage (X5), size. Board of directors (X6), company age (X7) simultaneously influence tax aggressiveness, This study examines the effect of company size on tax aggressiveness and the presence of female directors as a moderating variable in manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the period 2015-2017. Based on the hypothesis testing, it is concluded that : Company size has a positive effect on tax aggressiveness in manufacturing companies listed on the IDX for the 2015-2017 period and The presence of female directors does not affect tax aggressiveness or cannot weaken the relationship between company size and tax aggressiveness carried out by manufacturing companies listed on the IDX for the 2015-2017 period.*

***Keywords***— *Company Size, Tax Aggressiveness, Female Directors.*

## I. INTRODUCTION

Tax is the main source of a country's income. Taxation in Indonesia in Law No. 16 of 2009 is explained as a mandatory contribution to the state by individuals and business entities, this tax payment is mandatory and cannot be enjoyed directly, this tax is used for state needs for the prosperity of the people. (Ambarsari, Pratomo, & Kurnia, 2018).

If taxes for the state are the main source of income for a country, then taxes for Taxpayers (WP), especially for companies, are a burden because there are costs that must be incurred which can reduce the company's profits (Pradana & Ardiyanto, 2017).

The greater the tax paid by the company will increase the tax revenue for the country, but for companies the greater tax payments increase the burden that must be borne by the company and reduce the profit for the company. (Nugraha & Meiranto, 2015).

The taxation system in Indonesia, which adopts a self-assessment system, where taxpayers are given the trust to calculate, pay and report their own taxes, provides an opportunity for taxpayers to carry out tax planning. sebagai usaha dalam efisiensi beban pajak. (Rengganis & Putri, 2018). Efforts to reduce the tax burden illustrate the level of tax aggressiveness carried out (Rengganis & Putri, 2018). Tax aggressiveness is an action to reduce the tax burden through tax planning (Ambarsari, Pratomo, & Kurnia, 2018) by reducing taxable income. (Pradana & Ardiyanto, 2017). This tax planning can be done legally (tax avoidance) or illegally (Tax evasion) (Putri, Dewi, & Idawati, 2019).

Large-scale companies have complex operational activities, so there are more loopholes in making decisions to carry out tax planning. Large companies will be easier to carry out tax planning practices because they have superior resources that can be utilized to minimize the tax burden that must be paid compared to small companies (Prameswari, 2017).

Decision making in a company, including in the field of taxation to carry out tax aggressiveness, is also influenced by executives in the company. The comparison of the proportion of male and female presence in company executives has an influence on decision making, because in essence women and men have different characteristics that are inherent in the individual (Winasis & Yuyetta, 2017).

Women are also monitors which is better in this case reducing tax aggressiveness (Richardson, Taylor, & Lanis, 2015). There are many factors that influence tax aggressiveness but in this study the author focuses on the influence of company size on tax aggressiveness by using the presence of female



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directors as a moderating variable. Previous research conducted by Hartadinata and Tjaraka (2013) stated that company size does not affect tax aggressiveness because conditions in Indonesia show that the larger the company size, the higher the effective tax ratio, this is influenced by the company's political policy that avoids tax audits.

## II. Theoretical Basis

Meanwhile, research by Nurjanah et al, (2018) stated that company size has a significant effect on corporate tax aggressiveness. Previous research related to the presence of female directors by Winasis and Yuyetta (2017) stated that increasing the percentage of women in executives will increase the opportunity for tax avoidance.

Previous research conducted by Richardson, Taylor and Lanis (2015) stated that relatively one female board member or a higher female presence (i.e. more than one member) on the board of directors can reduce the possibility of tax aggressiveness. Furthermore, research conducted by Aliani et al. (2011) in Ambarsari, et al. (2018) stated that there is a significant negative effect between gender diversity on the board of directors and tax optimization, which means that the presence of women on the board can reduce tax aggressiveness because women have a higher level of tax compliance compared to men.

Based on the background above, the author formulates the research problem, namely whether company size affects tax aggressiveness with the presence of female directors as a moderating variable in manufacturing companies listed on the Indonesia Stock Exchange 2015-2017. The purpose of this study is to test the relationship between company size and the level of tax aggressiveness in the company and to find out whether the presence of female directors will be able to weaken the relationship between company size and tax aggressiveness.

The existence of female directors Having women on the board of directors fosters diversity, which can improve the board's efficiency. Higher participation of women on corporate boards is generally promoted because female members are believed to bring important information and knowledge to the board due to their broader professional experience. The presence of female directors tends to have high honesty and ethical values, independent. Tax Aggressiveness

### *Tax aggressiveness*

is the use of tax planning tactics to lower taxable income, whether through legitimate tax avoidance or unlawful tax evasion (Ambarsari, Pratomo, & Kurnia, 2018). Tax aggressiveness is carried out to minimize the tax burden by carrying out tax planning. (Putri, Dewi, & Idawati, 2019) The efforts made to reduce the tax burden illustrate the level of tax aggressiveness carried out (Rengganis & Putri, 2018)

### *The Effect of Company Size on Tax Aggressiveness*

Tax evasion is favorably impacted by the size of the firm (Swingly & Sukartha, 2015). Company size partially has a significant effect on tax aggressiveness, the greater the amount of assets owned is directly proportional to productivity which will generate higher profits and affect the level of tax payments, large companies tend to have a greater opportunity to carry out good tax planning. (Rohmansyah, 2017). Company size measured using total assets has a significant effect on tax aggressiveness (Nurjanah, Hanum, & Alwiyah, 2018). From the explanation above, the author makes a hypothesis, namely: H1: Company size has a positive effect on tax aggressiveness.

### *The Impact of the Existence of Female Directors Weakens Company Size on Tax Aggressiveness*

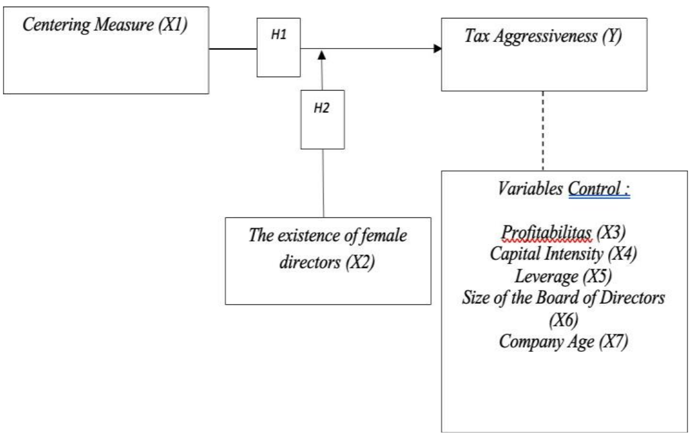
Decision making in a company, including in the field of taxation to carry out tax aggressiveness is influenced by company executives (Winasis & Yuyetta, 2017). The existence of directors as executives in a company can affect the aggressive tax position of a company (Oyenike & Olayinka, 2016)

Female directors provide effective monitoring and oversight, female directors are also more risk averse, have higher ethical and moral standards, demonstrate greater independent thinking and facilitate more informed decisions which increase the level of transparency at the board level and enhance the level of board trust. so that the presence of women on the board of directors can reduce the possibility of tax aggressiveness (Richardson, Taylor, & Lanis, 2015). From the explanation above, the author makes a hypothesis, namely: H2: The existence of female directors can weaken the relationship between company size and tax aggressiveness.

## III. Framework

### *Research Model*

The goal of this research is to investigate the correlation between tax aggressiveness and firm size, with the presence of female directors serving as a moderating factor. and supported by control variables, namely profitability, capital intensity, leverage, board of directors size and company age. The research model used is described as follows :




This study aims to determine the relationship between the company size variable and tax aggressiveness with the presence of female directors as a moderating variable and supported by control variables, namely profitability, capital intensity, leverage, board size and company age.

The research model that Profitability is :



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Capital Intensity Capital Intensity is measured by looking at the comparison between fixed assets and total assets. (Richardson, Taylor, & Lanis, 2015).

*Hypothesis Testing Results*

Table 1. Descriptive Statistics

| | N | Mean | Maksimum | Minimum | Std. Dev. |
|---|---|---|---|---|---|
| Tax Aggressiveness | 222 | 12,59910 | 41,13514 | -2,555965 | 61,49782 |
| Company Size | 222 | 3,401081 | 7,962992 | -2,429752 | 3,235834 |
| Female Gender | 222 | 0,693694 | 3,000000 | 0.000000 | 0.669879 |
| ROA | 222 | 0.058583 | 0.716026 | -0.221170 | 0.112460 |
| *Capital Intensity* | 222 | 0.445070 | 2.08995 | 0.051034 | 0.226433 |
| *Leverage* | 222 | 0.461221 | 6.481675 | 0.000000 | 0.682279 |
| Size of the Board of Directors | 222 | 5.342342 | 18.00000 | 2.000000 | 2.601759 |
| Company Age | 222 | 41.13514 | 104.0000 | 13.00000 | 16.69150 |

Based on Table 1, the minimum value, maximum value, average value (mean) and standard deviation for each variable can be seen with the number of samples in this study being 222 samples.

*Panel Data Stationarity Test*

In this study, the first stage in data estimation is the stationary data test using the unit root test (in level) and the results of the degree of integration test (first difference).

Table 2. Unit Root Test Results (In Level)

| Research Variables | t-statistics ADF | Critical Value MacKinon 5% | probability | Information |
|---|---|---|---|---|
| Tax Aggressiveness | 0.001875 | -2.874495 | 0.9569 | Not Stationary |
| Company Size | -2.115758 | -2.874435 | 0.2388 | Not Stationary |
| Female Gender | -5.076239 | -2.874617 | 0.0000 | Stationary |
| ROA | -9.344942 | -2.874435 | 0.0000 | Stationary |
| *Capital Intensity* | -7.904707 | -2.874435 | 0.0000 | Stationary |
| *Leverage* | -9.765027 | -2.874435 | 0.0000 | Stationary |
| Size of the Board of Directors | -4.350536 | -2.874804 | 0.0005 | Stationary |
| Company Age | -4.755751 | -2.874617 | 0.0001 | Stationary |

The table above shows the results of the ADF statistical test on the first difference which shows that the null hypothesis is rejected, in other words the data on the variables of tax aggressiveness, company size, female gender, ROA, capital intensity, leverage, size of the board of directors, and age of the company after being reduced once. data becomes stationary. With the absolute value of ADF smaller than the McKinnon critical value at a 5% confidence level. This means that all variables no longer contain unit root problems and have stationary data conditions at the first difference level or degree of integration one.

## IV. Analysis Results

According to the results of this experiment, the probability value of the chow test is 0.0000, where this value is less than the significance level (alpha = 5% or 0.05) 0.0000 < 0.05. Furthermore, the hausman test was carried out and the hausman test value had a probability of 0.0005 <0.05. These results indicate that the best model used is fixed effect. Based on the results of the fixed effect test above, it can be concluded as follows: The probability value of the independent variable of company size is 0.0000.

This value shows that 0.0000 < 0.05 means that H1 is accepted and H01 is rejected, so that company size has a positive effect on tax aggressiveness. The probability value of the moderating variable of the existence of female directors is 0.4318. This value shows that 0.4318> 0.05 means that H2 is rejected and accepted, so that the existence of female directors does not weaken the size of the company in carrying out tax aggressiveness. Nilai *Adjusted R-squared* sebesar 0.762229 atau 76,2229%. Thus, it can be concluded that the variables of company size and the presence of female directors explain tax aggressiveness which is proxied by the Effective Tax Rate. ETR) Thus, it can be concluded that the variables of company size and the presence of female directors explain tax aggressiveness which is proxied by the Effective Tax Rate. The Prob (F- Statistic) value is 0.000000 < 0.05. So, it can be concluded that company size (X1), the presence of female directors (X2), profitability (X3), capital intensity (X4), leverage (X5), size. Board of directors (X6), company age (X7) simultaneously influence tax aggressiveness listed on the IDX for the 2015-2017 period.

## V. Conclusion

This study examines the effect of company size on tax aggressiveness and the presence of female directors as a moderating variable in manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the period 2015-2017. Based on the hypothesis testing, it is concluded that :

1. Company size has a positive effect on tax aggressiveness in manufacturing companies
2. The presence of female directors does not affect tax aggressiveness or cannot weaken the relationship between company size and tax aggressiveness carried out by manufacturing companies listed on the IDX for the 2015-2017 period.

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