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Orginal Article

Factors influencing tax aggressiveness: liquidity, leverage, earnings management, independent commissioner, company size

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Abstract
The purpose of this research is to analyze the effect of liquidity, leverage, earnings management, the proportion of independent commissioners, and company size on the level of corporate tax aggressiveness. This study uses the population of the manufacturing industry listed on the Indonesia Stock Exchange in 2010-2011. By using a purposive sampling technique, 148 data were selected as samples. The results of multiple regression analysis show that earnings management and company size significantly influence the level of corporate tax aggressiveness. Meanwhile, liquidity, leverage, and the proportion of independent commissioners did not significantly affect the level of corporate tax aggressiveness.
Keywords: tax aggressiveness, liquidity, leverage, earnings management, independent commissioner, company size

1. Introduction

Tax is a significant source of state revenue in Indonesia. This is reflected in the composition of state tax revenues in the State Budget. State tax revenue has the most significant percentage of total state revenue. The realization of state tax revenue from 2007 to 2011 has increased continuously. State revenue in 2007 amounted to 69.37% of total state revenue, or equivalent to IDR 490,988.7 billion. In 2008 total state revenue amounted to IDR 981.609 billion, 67.10% of which was tax revenue. An increase in 2009, where 73.04% of state revenues came from tax revenues of a total of IDR 848,763.4 billion in state revenues. Likewise, in 2010 and 2011, tax revenues amounted to 72.67% and 72.19% of total state revenues.

Companies that are taxpayers consider taxes a burden that will reduce company profits. This encourages companies to look for ways to reduce the tax burden. Therefore, companies can be aggressive in taxation (Suyanto, Dwi, & Supramono, 2012). According to Frank (Suyanto, Dwi, & Supramono, 2012), corporate tax aggressiveness is an act of manipulating taxable income by companies either in a legal way (tax avoidance) or in an illegal way (tax evasion).

Earnings management is also associated with aggressive corporate tax behavior. Scott (2000), in (Suyanto, Dwi, & Supramono, 2012), stated that taxation motivation is one of the motivations for management to do earnings management. This can be explained because the tax base is the amount of taxable income the company reports, so companies tend to maintain their profits at a certain level. So it can be predicted that companies with income levels that tend to increase will make income decrease. Conversely, companies with income levels that tend to decrease are predicted to increase income to avoid tax audits because they report losses. States the opposite, that the taxation effect is not affected by earnings management activities (Swenson & Lee, 2011).

This study intends to integrate several previous studies and to re-analyze the effects of liquidity, leverage, earnings management, the proportion of independent commissioners, and company size on corporate tax aggressiveness. This research differs from previous studies because the sample used is a manufacturing company listed on the Indonesia Stock Exchange.

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Based on the background, the problems that will be discussed can be formulated in order to build hypotheses for further research, namely:

1) What is the effect of liquidity on tax aggressiveness?
2) What effect does leverage have on tax aggressiveness?
3) What is the effect of earnings management on tax aggressiveness?
4) What is the role of the independent commissioner on tax aggressiveness?
5) What is the effect of company size on tax aggressiveness?

2. Method

The sampling technique used in this study was purposive sampling. The sample selection criteria used in the research model are: (a) companies are consistently listed on the Indonesia Stock Exchange; (b) the company publishes a complete financial report where the data needed in this study can be obtained; (c) companies use the Rupiah currency and use the financial year 1 January to 31 December to increase comparability in research; (d) obtain income from operational activities to optimize measurement in research; (e) the company does not experience a loss before tax because the basis for imposing income tax is Income Before tax ; (f) the company does not experience a loss after tax, because the loss after income tax expense means that the company has an effective tax rate greater than one and this will distort the research; (g) companies do not receive income tax benefits, because income tax benefits will distort research; (h) independent commissioner data is available and can be determined in percentage.

3. Discussion

Based on relevant theoretical studies and previous research, the discussion of this literature review article in the Taxation concentration is:

The Effect of Liquidity on Tax Aggressiveness

Defines liquidity as a company's ability to meet its short-term obligations, which are conventionally considered 'short-term' for up to one year even though it is associated with the company's standard operating cycle. Thus liquidity is essential for a company (Subramanyam & Wild, 2009).

Liquidity can be used to calculate the impact of a company's inability to meet its short-term obligations. In relation to taxes, (Suyanto, Dwi, & Supramono, 2012). it is stated that a company's liquidity is predicted to affect its tax aggressiveness. Companies with high liquidity illustrate good cash flow so that the company is not reluctant to pay all of its obligations, including paying taxes according to applicable regulations. In line with this, Bradley and Siahaan (Suyanto & Supramono, 2010) found that companies with low cash flows will be tax disobedient to maintain the company's cash flow rather than paying taxes. H_1: Liquidity has a significant effect on the level of corporate tax aggressiveness

The Effect of Leverage on Tax Aggressiveness

Leverage measures the percentage of a company's assets obtained from creditors (Kieso, Weygandt, & Warfield, 2011). Leverage reflects the complexity of the company's financial transactions. So companies with high levels of leverage have more ability to avoid taxes through financial transactions. Graham and Tucker (in Dunbar, 2011) state that companies with higher leverage levels do not need a tax shield that does not come from debt, thereby reducing aggressive tax behavior. H_2: Leverage has a significant effect on the level of corporate tax aggressiveness

Effect of Earnings Management on Tax Aggressiveness

Basically, the operational definition of earnings management is the potential use of accrual management with the aim of obtaining personal gain (Belkoui, 2007, p. 201). Schipper (in

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(Swenson & Lee, 2011)) defines earnings management as ". . . . purposeful intervention in the external financial reporting process, with the intent of obtaining some form of private gain".

This definition illustrates that earnings management is an effort made by a company to obtain the amount of profit or income following the company's wishes and goals. According to the quotations above, earnings management can be carried out through actual company activities or by utilizing the company's accrual account. H_3: Earnings management significantly affects the level of corporate tax aggressiveness.

The Influence of Independent Commissioners on Tax Aggressiveness

Regarding the proportion of independent commissioners, the Decree of the Board of Directors of the Jakarta Stock Exchange Number Kep-305/BEJ/07-2004 requires listed companies to have independent commissioners of at least 30% of the members of the Board of Commissioners. The presence of an independent commissioner is also predicted to influence corporate tax aggressiveness. According to Fama & Jensen (in (Suyanto, Dwi, & Supramono, 2012)) the more independent commissioners there are, the more effective monitoring of manager performance is considered. Strict supervision from an independent commissioner will reduce managers' opportunity to act aggressively on corporate taxes. Managers carry out corporate tax aggressiveness because of their interest in increasing company profits by reducing the company's burden, including the tax burden. H_4: The proportion of independent commissioners has a significant effect on the level of corporate tax aggressiveness

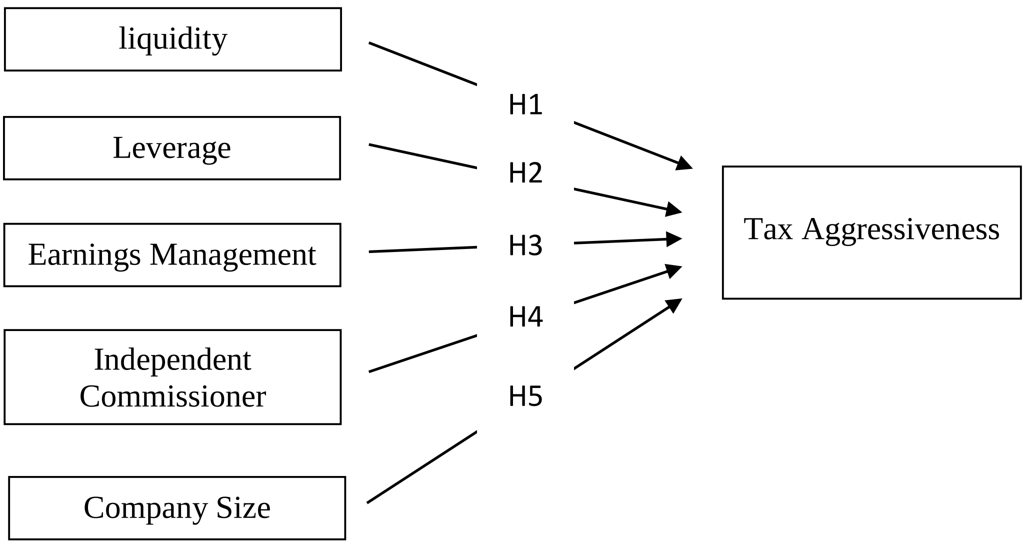
Effect of Company Size on Tax Aggressiveness

The company's size and tax aggressiveness level has attracted researchers' attention. This can be seen from the many studies conducted related to the interaction between these two variables, such as Zimmerman (1983), Lanis and Richardson (2007), Liu and Cao (2007), and (Hsieh, 2012). Regarding the relationship between firm size and the level of tax aggressiveness, there are inconsistent research results. H_5: Company size has a significant effect on the level of corporate tax aggressiveness

Conceptual framework

Based on the formulation of the problem, theoretical studies, relevant previous research and discussion of the influence between variables, the framework for thinking about this article is processed as follows.

Figure 1
Conceptual framework



The conceptual framework picture above includes liquidity, leverage, earnings management, independent commissioners, and company size effect on tax aggressiveness.

4. Conclusion

Based on the theory, relevant articles, and discussion, hypotheses can be formulated for further research. Based on the discussion that has been done, several research conclusions are obtained:

1) The first conclusion is that company liquidity does not significantly affect tax aggressiveness. Thus H_1 is rejected. The results of this study are consistent with research conducted by (Suyanto, Dwi, & Supramono, 2012). In contrast to research conducted by (Stanfield, 2011)which found that liquidity significantly affects the level of tax aggressiveness.
2) The second conclusion is that company leverage does not significantly affect tax aggressiveness. Thus H2 is rejected. The results of this study are consistent with research conducted by Richardson & Lanis (2007). The results of this study are inconsistent with research conducted by (Suyanto, Dwi, & Supramono, 2012).
3) The third conclusion is that earnings management significantly affects tax aggressiveness. Thus H_3 is accepted. The results of this study do not support research by (Swenson & Lee, 2011)which states that the effect of taxation is not significantly affected by income smoothing, especially in Asian countries. Nonetheless, this study's results align with the finding (Suyanto, Dwi, & Supramono, 2012) that earnings management significantly affects the level of corporate tax aggressiveness.
4) The fourth conclusion is that the proportion of independent commissioners does not significantly influence the level of tax aggressiveness. Thus H4 is rejected. These results are consistent with research conducted by (Annisa & Kurniasih, 2012)which found that the increase in the percentage of the proportion of independent commissioners to the total number of commissioners as a whole did not significantly affect tax avoidance policy. The results of different studies in research conducted by (Suyanto, Dwi, & Supramono, 2012) show that the more significant the proportion of independent commissioners, the more aggressive behavior toward taxation by management will be significantly reduced.
5) The fifth conclusion is that company size significantly affects corporate tax aggressiveness. Thus H_5 is accepted. This is consistent with the study's results (Hsieh, 2012) that company size negatively and significantly affects the company's Effective Tax Rate. In contrast to Xing Liu and Shujun Cao (2007) findings, Firm Size does not significantly impact corporate tax aggressiveness as measured by the Effective Tax Rate.

Suggestions from research results for tax officers regarding corporate tax aggressiveness are indications that manufacturing companies that have high leverage and are suspected of carrying out earnings management have a high level of tax aggressiveness so that the government can seek preventive measures such as providing a limit on the number of tax incentives on debt and encouraging companies to act transparent in reporting its finances.

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