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Submission date: 28-Nov-2023 10:28AM (UTC+0700)
Submission ID: 2240409996
File name: Manuscript_Dewi_Pudji_Rahayu_1.docx (80.47K)
Word count: 7655
Character count: 45379

THE IMPACT OF CORPORATE GOVERNANCE ON TAX AGGRESSIVENESS: EVIDENCE ON CONSUMER GOODS SECTOR IN INDONESIA

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Abstract

Based on agency theory, this study aims to determine the relationship between corporate governance and tax aggressiveness. Board size, board independence, board diversity, and audit committee are some of the corporate governance variables used. Effective tax rate is used to test tax aggressiveness. The research sample and population are the consumer goods industry listed on the Indonesian stock exchange from 2017 to 2021. The purposive sample selection method resulted in 45 companies with 216 observations. To overcome the problem of heteroscedasticity, this study uses panel data with the generalized least square method. STATA statistical tools are also used. The results showed that board independence and audit committee are negatively correlated with tax aggressiveness. There is no relationship between tax aggressiveness and board size and diversity. This research will add to the literature on tax aggressiveness by showing that organizations that have independent boards and audit committees can significantly reduce tax aggressive behavior. Companies benefit from this research in several ways: it shows how effective governance is, provides investors with good investment options, and provides suggestions for further research.

Keywords: Agency theory, corporate governance, tax aggressiveness, board size, board independence, board diversity, audit committee

1. Introduction

As taxes are the country's main source of revenue, it is important to make continuous efforts to investigate and improve the system so that the country's economic growth can be enhanced (Abdelmoula et al., 2022). Taxes, according to Tandean & Winnie (2016), are the main source in Indonesia. Tax revenue until February 2023 continues to show a significant increase, with the realization of IDR 279.98 trillion or 16.3% of the 2023 state budget target, growing 40.35% (Kementrian Keuangan Republik Indonesia, 2023). However, businesses can behave in tax-aggressive ways (Whait et al., 2018). By using weaknesses in Indonesian tax law, tax avoidance aims to reduce and minimize corporate tax liabilities (Kalbuana et al., 2023). The use of various tax planning strategies to minimize tax liabilities is known as tax aggression (Wahab et al., 2017). A reduction in explicit taxes owed to the government is a major advantage for businesses that adopt a tax aggressive position. It increases the profitability of the company (Arora & Gill, 2022). They can save more money by paying less tax, which they can reinvest into the company or give to the shareholders. Management usually makes every effort to reduce tax payments, which has a significant impact on the company's earnings and balance sheet. Thus, shareholders are expected to lower the liability burden by supporting tax saving initiatives that are considered "aggressive" (Amri et al., 2023). Shareholders may consider the business less profitable or successful if it does not engage in tax avoidance.

Therefore, researchers concentrate on the motivations, barriers, and effects of tax aggression (Halioui et al., 2016). Many studies have investigated the relationship between tax aggressiveness and corporate governance (Zemzem & Ftouhi, 2013). According to Desai & Dharmapala (2005), tax avoidance measures may account for additional matters that may be evaluated differently depending on business governance. In addition, according to Halioui et al. (2016), manipulating tax numbers is more difficult than manipulating financial numbers because each is subject to various incentives and barriers depending on the governance structure of the business. According to Wahab et al. (2017), corporate tax aggressiveness can lead to agency problems because the tax risk interests of managers and shareholders can differ. Shareholders usually recognize that directors or managers will act on their behalf to maximize profits, including reducing tax liabilities. When compared to companies with no governance

or poor governance, this effect is substantial and beneficial (Nafti et al., 2020). Therefore, agency theory is essential to explain the relationship between tax aggressiveness and corporate governance.

There is no doubt that the use of corporate governance mechanisms to minimize tax payments is the result of good tax management, management discretion, expertise, and sincerity of purpose. The purpose of implementing these mechanisms is to maximize the wealth of the company's shareholders while avoiding tax avoidance (Ogbeide & Obaretin, 2018). Therefore, the literature has widely suggested corporate governance as a response to aggressive tax policies (Amri et al., 2023). As the relationship between corporate governance structure and tax aggressiveness remains unclear, management opportunism is directly related to shareholder gains from tax aggressiveness. According to Halioui et al. (2016) Implementing planning procedures and monitoring various actors is a very important task for company management (Boussaidi & Hamed, 2015). Because the interests of managers and shareholders may not be aligned with the risks posed by taxes, active corporate tax planning can cause agency problems (Wahab et al., 2017). Minnick & Noga (2010) state that corporate governance is critical to tax management because companies with different management structures choose different strategies to handle taxes.

Based on previous research examining corporate governance characteristics in providing tax aggressiveness decisions, namely board size (Amri et al., 2023; Halioui et al., 2016; Israel & Ebimobowei, 2021; Kalbuana et al., 2023; Onyali & Okafor, 2018; Wahab et al., 2017), board independence (Aburajab et al., 2019; Armstrong et al., 2015; Boussaidi & Hamed-Sidhom, 2021; Chan et al., 2013; Israel & Ebimobowei, 2021; Lanis & Richardson, 2011; Onyali & Okafor, 2018), board diversity (Lanis et al., 2017; Richardson et al., 2016; Sri Utaminingsih et al., 2022) and audit committee (Aronmwan & Ogbaisi, 2022; Deslandes et al., 2020; Tandean & Winnie, 2016; Zheng et al., 2019). However, the results of previous studies are different and inconsistent. Based on studies examining the impact of corporate governance on tax aggressiveness in Indonesia such as research on the manufacturing sector (Mappadang, 2021; Subaida & Pramitasari, 2021; Tandean & Winnie, 2016), non-financial companies (Kurniasih et al., 2017), service companies and banks (Sadjiarto et al., 2019) and trading companies (Kalbuana et al., 2023). However, there are still few studies in Indonesia that discuss the consumer goods sector.

This study develops from previous research that there is a research gap in exploring the effect of corporate governance on tax aggressiveness. The novelty of this study when viewed from the object of research, namely the consumer goods sector, is very rare studies that use the consumer good sector both in Indonesia and in other countries. In addition, it is very rare for previous studies to discuss the effect of corporate governance on tax aggressiveness using board size, board independence, board diversity and audit committee in one study. To examine the effect of corporate governance on tax aggressiveness based on agency theory. Therefore, this study aims to discuss the impact of corporate governance (board size, board independent, board diversity and audit committee) on tax aggressiveness in the consumer goods sector in Indonesia for the 2019-2021 period which is listed on the Indonesian stock exchange. It consisted of 5 industries in the consumer goods sector, namely cosmetics and household, food and beverage, houseware pharmaceuticals and tobacco manufacturers. We used generalized least square (GLS) panel regression to overcome heteroscedasticity using STATA statistical tool. This study is very important in providing implications for the company, considering investment decisions for investors and recommendations for further research.

2. Literature Review

2.1 Agency Theory

Jensen and Meckling (1976) developed agency theory. Specifically, agency theory focuses on agency relationships in which one party (the principal) assigns tasks to another party (the agent), who carries them out (Eisenhardt, 1989). The conflict between agents and principals drives this theory (Aronmwan & Ogbaisi, 2022). Agents have better access to information related to the company's operations, so they can use the information for their own interests, even if it conflicts with the interests of the principal. As a result, agents will be encouraged to act in ways that are not in accordance with their needs (Amri et al., 2023). Therefore, to prevent conflicts of interest between agents and principals, principals must incur special costs known as agency costs to monitor agents' decisions (Aronmwan & Ogbaisi, 2022). Agency costs arise because agents are considered to pursue interests that are not always in line with the interests of the principal (Cue, 2007). To maximize the principal's welfare, the relationship between

agents and principals should be limited by incentives and effectively regulated by mechanisms (Luan & Tang, 2007).

In terms of taxation, this indicates that the corporate governance structure ensures that managers do not take ineffective actions by allowing business resources to be highly taxed (Kovermann & Velte, 2019). To minimize tax payments, company managers prefer to perform tax aggressiveness (Sri Utaminingsih et al., 2019). This happens because management wants to increase compensation with higher profits, while other shareholders want to reduce tax costs with lower profits (Tandean & Winnie, 2016). Therefore, there needs to be supervision from outside parties as part of the corporate governance structure (Adela et al., 2023). Agency theory suggests a good corporate governance structure to help align the interests of managers with those of the company (Agyei et al., 2020).

2.2 Board Size

The number and structure of the board is the main focus of the proposed reform (Chaganti et al., 1985). According to Kalbuana et al. (2023), the board size of each company is different, and this is due to the needs and complexity of the business. Internal control and other corporate decisions are made by the board of directors with the authority of shareholders. According to Lanis et al. (2017) In fact, the size of the board of directors can affect the company's management strategy (Boussaidi & Hamed, 2015). However, an increase in size can significantly complicate the board to initiate strategic actions (Goodstein et al., 1994). Therefore, a smaller board may perform better oversight. However, as the firm needs advice, the board may be larger (Coles et al., 2008). But the turnover rate of directors on the board is smaller than other boards (Yermack, 1996). According to Wahab et al. (2017), it is expected that profits will increase for larger boards. No matter how big the company is, the board of directors is responsible to resource owners and other stakeholders to minimize the tax bill. Companies with larger boards of directors will be more difficult to supervise and regulate effectively, so there is a greater likelihood that companies will engage in aggressive tax practices or fraud (Zemzem & Ftouhi, 2013).

Lanis and Richardson's (2011) study of the Australian Stock Exchange found a negative and significant correlation between board size and tax aggressiveness. Onyali and Okafor (2018) showed that board size has no significant influence on the tax aggressiveness of the Nigerian manufacturing sector. In addition, Hoseini et al. (2019) found that tax aggressiveness on the Australian Stock Exchange is higher for companies with larger boards. In contrast, Alkurdi & Mardini (2020) show that board size helps reduce tax aggressiveness by increasing tax aggressiveness of businesses in the Jordanian primary market. We argue that firms will not use aggressive tax strategies if there are more board members who can consider different opinions. Consequently, we formulate the following hypothesis:
H1: Board size has a positive and significant influence on tax aggressiveness.

2.3 Board Independence

Agency theory states that board independence enables effective management control. According to Onyali and Okafor (2018) Compared to other types of boards, independent boards have a better ability to direct resources to tax management (Minnick & Noga, 2010). According to Ogbeide & Obaretin (2018), board independence is critical to overseeing and observing improvements in company performance. Inside directors are bothered by a number of dependencies due to their categorized position as part of management (Onyali & Okafor, 2018). If outside directors are not fully independent (interdependent or affiliated) with management, they may behave like inside directors, according to Luan & Tang (2007). It is expected that independent directors look after the best interests of the company, such as complying with applicable laws and regulations, such as tax laws. As they often bring expertise and different views to the board of directors, independent directors may influence tax aggressiveness. To develop a good reputation as an expert in control, independent directors are considered good controllers who act in the best interests of the company (Salhi et al., 2020).

Salhi et al. (2020) found that, in UK firms, board independence has a significant and negative impact on tax aggressiveness. In Japan, however, board independence has no significant impact on tax aggressiveness. In addition, as shown by Ogbeide and Obaretin (2018), who found that board independence is critical and has a negative impact on corporate tax aggressiveness in Nigeria. The results of Boussaidi and Hamed-Sidhom (2021) show a positive correlation between the level of independence of board members and tax aggressiveness in non-financial companies listed on the Tunisian stock exchange. In addition, Lanis and Richardson (2011) found that better governance seems

to prevent more independent boards from acting tax aggressively. We assume that independent boards can help reduce corporate tax aggressiveness because independent board members have broader interests and are not directly involved in corporate management. As a result, we formulate the following hypothesis:
H2: Board Independence has a negative and significant influence on tax aggressiveness.

2.4 Board Diversity

Choosing candidates for the board of directors and the board of commissioners, one of the business aspects to be considered is the need to ensure that women and men have diverse representation (Sri Utaminingsih et al., 2022). The composition and gender diversity of board members is still a matter of debate in terms of corporate governance (Lanis et al., 2017). In terms of gender diversity, the same is true, which impacts almost all aspects of the organization. According to Elouaer et al., 2022 In terms of tax issues, the presence of women is critical to determining compliance with the law. This can help businesses choose more conservative and less aggressive tax strategies and ensure that tax decisions are made taking into account a range of relevant factors. This will be achieved through better monitoring of management performance (Jarboui et al., 2020; Richardson et al., 2016). Both men and women should be more tax aggressive, according to Zemzem & Ftouhi (2013). This can help better spot tax opportunities and risks and encourage businesses to avoid unethical or irresponsible tax actions.

According to a study conducted by Jarboui et al. (2020), an increase in the number of women on corporate boards in the UK increases tax aggressiveness. According to Adela et al. (2023), there is evidence that women on corporate boards can increase tax aggressiveness in non-financial companies in Ghana. In addition, Sri Utaminingsih et al. (2022) found that gender diversity on the board has a negative and significant impact on tax aggressiveness in companies listed on the Indonesia Stock Exchange, including property, real estate and construction companies. As shown by Richardson et al. (2016), there is a negative and statistically significant correlation between female representation on the board of directors and tax aggressiveness in US companies. In the same way that independent directors do, it is expected that a greater proportion of women on boards will reduce tax violence. Consequently, we formulate the following hypothesis:
H3: Board diversity has a negative and significant influence on tax aggressiveness.

2.5 Audit Committee

The Audit Committee is formed by the board of commissioners and is responsible for the implementation of the functions and responsibilities of the Board of Commissioners (Tandean & Winnie, 2016). This committee represents all board members and communicates personally with the board, financial executives, operational executives, external auditors, and internal auditors (Fama & Jensen, 1983). The audit committee is essential to ensure the reliability and quality of the company's financial data, including tax reports. Supervising company management properly by the audit committee can reduce tax tendencies (Sri Utaminingsih et al., 2022). According to Jizi et al. (2014), the effectiveness of the audit team can depend on their number and capabilities. Fahad & Rahman (2020) state that the size of the audit committee is very important for its effectiveness because a larger audit committee consists of more effective and experienced members. The audit committee must also have a minimum of members to fulfill its duties (Deslandes et al., 2020). In situations like this, the presence of a strong audit committee can help reduce aggressive tax tendencies.

Tanden and Winnie (2016) investigated the relationship between tax aggressiveness in manufacturing companies in Indonesia and good corporate governance and found that the relationship is significant and favorable. In addition, Deslandes et al. (2020) found that there is a negative correlation between Canadian firms' tax aggressiveness and the level of audit committee expertise and diligence. Zheng et al. (2019) investigated the impact of audit committees on tax aggressiveness and found that there is a negative correlation between the two. Therefore, this study shows that audit committees have a significant influence on the tendency to engage in aggressive taxation:
H4: Audit Committee has a negative and significant influence on tax aggressiveness.

3. Methodology

3.1 Sample selection and data

This study uses a quantitative approach using panel data, collecting data from the annual reports of companies listed on the Indonesia Stock Exchange from 2017 to 2021. The population of this study consists of 85 consumer goods sectors (Cosmetics and household, food and beverage, houseware pharmaceuticals and tobacco manufacturers companies) as of December 31, 2021. This study filtered the data in a manner similar to that of previous studies (Chan et al., 2013; Derashid & Zhang, 2003; Halioui et al., 2016; Sri Utaminingsih et al., 2022). Thus, our final sample consists of 216 firm-year observations. The specifics of the sample selection procedure are shown in Table 1. The information for the study was obtained from the official website of the Indonesia Stock Exchange (https://www.idx.co.id).

3.2 Variable measures

3.2.1 Dependent variable

Tax aggressiveness is the dependent variable in this study. Effective tax rate (ETR) is used to calculate tax aggressiveness. As an interesting and useful tool for the public and policymakers, ETR helps in determining the level of neutrality of the tax system and determining the characteristics of businesses that have a relatively higher or lower tax burden (Harris & Feeny, 2003). Stamatopoulos et al. (2019) state that ETR shows the impact of corporate taxation more accurately because it combines the statutory tax rate and the tax base on which income tax is imposed in one measure. In addition, Mascagni & Mengistu (2019) argue that businesses can reduce their tax burden by using various legal provisions and practices. Flagmeier et al. (2023) state that low ETR disclosure may attract the attention of tax auditors and the public, which in turn leads to disclosure costs. In addition, there is a significant difference between taxable and financial accounting profit if the company has a lower ETR (below the statutory tax rate) (Wahab et al., 2017). Therefore, ETR is considered an acceptable measure to evaluate tax avoidance behavior.

Table 1. Selection of the sample

Sample selection	
Cosmetics and household, food and beverage, houseware pharmaceuticals and tobacco manufacturers companies listed on the Indonesia Stock Exchange (IDX) for the 2017 – 2021 period	85
Cosmetics and household, food and beverage, houseware pharmaceuticals and tobacco manufacturers companies that do not have research variable data for 2017–2021	(35)
Companies that are the research sample	50
Observation year	5
Less observations with ETR < 0	(34)
total years observations	216

The ETR measurement model in this study follows the Fernández-Rodríguez & Martínez-Arias (2012), Halioui et al. (2016) and Jarboui et al. (2020) model, ETR is defined as the ratio of total tax expense to pre-tax income for a given firm:

$$\mathbf{ETR}_{it} = \frac{\textbf{Total current income tax expense}_{it}}{\textbf{pre- tax book income}_{it}}$$

3.2.2 Independent variable

The independent variables in this study use board size, board independence, board diversity and audit committee. Board size (BSIZE) is defined as the number of board members (Amri et al., 2023; Goodstein et al., 1994; Hoseini et al., 2019). We follow Boussaidi & Hamed-Sidhom (2021) study, and we measure independent board (IND) by using the number of independent board members/total number of board members. In accordance with studies Kalbuana et al. (2023), Khaoula & Moez (2019) and Boussaidi & Hamed-Sidhom (2021), board diversity (DIV) is the proportion of female board members to total board members. Consistent with studies Sri Utaminingsih et al. (2022) and Zheng et al. (2019), audit committee (AC) is the number of audit committee members.

3.2.3 Control variable

This study included various control variables that were based on pertinent literature. The study's control variables are leverage, return on assets, and firm size. The natural logarithm of total assets is known as the firm size (SIZE) (Chijoke-Mgbame et al., 2020; Jarboui et al., 2020). The corporation can influence tax aggression due to its size. According to Lanis et al. (2017), larger businesses tend to be more tax-aggressive than smaller businesses since they have more economic and political clout. According to Richardson et al. (2016), leverage (LEV) is calculated as long-term debt scaled by total assets. According to Chan et al. (2013), businesses with significant financial leverage will have lower ETR since their interest payments are tax deductible. Net income to total assets is used to calculate return on asset (ROA) (Abdelmoula et al., 2022). Greater incentives exist for more profitable businesses (ROA) to lower their tax obligations (Deslandes et al., 2020). Tax aggresive is a strategy used by businesses to increase performance (Jarboui et al., 2020).

3.3 Research model

The purpose of this study is to examine the effect of corporate governance on tax aggressiveness in consumer goods sector companies listed on the Indonesia stock exchange, a panel generalized least squares (GLS) method is used to estimate the regression model because OLS has problems, namely heteroscedasticity problems. Similarly, a study conducted by Halioui et al. (2016), Musallam (2020), Sarpong-Danquah et al. (2022), Aslam et al. (2019), and Jbir et al. (2021). The panel GLS estimation equation was analyzed using the Stata 17 statistical program. Our model is as follows:

$$ETR_{it} = \beta 0 + \beta_1 BSIZE_{it} + \beta_2 IND_{it} + \beta_3 DIV_{it} + \beta_4 AC_{it} + \beta_5 SIZE_{it} + \beta_6 ROA_{it} + \beta_7 LEV_{it} + \varepsilon_{it}$$

Where: ETR is tax aggressiveness; BSIZE is board size; IND is board independence; DIV is board diversity; AC is audit committee; SIZE is Firm Size; ROA is return on asset; LEV is Leverage; i is firm; t is time period; ε is error term.

4. Emperical results and discussions

4.1 Descriptive analysis

Table 2 shows that some businesses still practice tax aggressiveness, with an average tax aggressiveness (ETR) of 0.273539. This is lower than research conducted in Vietnam (Dang & Nguyen, 2022). Medium size commission, according to the average BSIZE of 8.583333. According to Zaid et al. (2019), boards can consist of a minimum of five members and up to a maximum of fifteen members (Alkurdi & Mardini, 2020). With an average board independence (IND) of 0.139681, many companies still do not appoint board independence to the board of directors. The average board diversity (DIV) of 0.294088, suggests that many firms are not encouraged to hire more women on boards, consistent with research in Tunisia by Boussaidi & Hamed-Sidhom (2021). With an average (AC) of 3.009259, the average audit committee is small. As stated by Sri Utaminingsih et al. (2022), the average minimum audit committee is 3.

In terms of control variables, we find that firm size (SIZE) has an average of 28.44118, a minimum value of 25.05734, and a maximum value of 32.82039. The average return on assets (ROA) is 0.273539, the minimum value is -0.20817, and the maximum value is 0.920997. The average leverage (LEV) is 0.273539, the minimum value is 0.065126, and the maximum value is 0.905639. Table 3 shows the correlation results of board independence (IND). The control variable, leverage (LEV), has a positive correlation with tax aggressiveness, but the correlation is weak. The audit committee (AC) also has a negative correlation with tax aggressiveness, but the correlation is weak. In addition, there is no correlation between tax aggressiveness and board size (BSIZE) and board diversity (DIV). This is also true for firm size and return on assets (ROA).

Table 2. Descriptive statistical analysis

Variable	Obs	Mean	Std. dev.	Min	Max
ETR	216	0.273539	0.335255	0	4.292773
BSIZE	216	4.675926	2.351956	1	12
IND	216	0.139681	0.172434	0	0.666667
DIV	216	0.278109	0.26409	0	1
AC	216	3.009259	0.27264	2	5

SIZE	216	28.44118	1.747683	25.05734	32.82039
ROA	216	0.085897	0.112488	-0.20817	0.920997
LEV	216	0.397707	0.182834	0.065126	0.905639

4.2 Regression result and discussion

Table 4 shows whether the independent variables and control variables studied have multicollinearity problems. To determine the presence or absence of multicollinearity, the variance inflation factor (VIF) value is used. In this study, the average VIF value is below 10. There is no linearity problem, according to Salehi et al. (2020), because the model estimation coefficient is less than 10. Table 5 displays the results of the OLS and GLS regression models. The OLS regression results show that the Wooldridge test does not indicate the presence of autocorrelation with a prob> F value of 0.2524. In contrast, the OLS regression results show that the Breusch-Pagan test indicates a heteroscedasticity problem with a prob > chi2 of 0.000. As a result, there is a problem with the OLS regression model, and to overcome it, the GLS regression model is used.

Table 3. Correlation Matrix

Variable	**ETR**	**BSIZE**	**IND**	**DIV**	**AC**
ETR	1				
BSIZE	-0.0203	1			
IND	-0.146*	-0.379***	1		
DIV	-0.0304	-0.0784	0.105	1	
AC	-0.150*	0.143*	-0.0606	0.0287	1
SIZE	0.0466	0.674***	-0.269***	-0.228***	0.134*
ROA	-0.0881	0.202**	-0.106	-0.0527	0.048
LEV	0.169*	0.019	-0.212**	-0.00095	0.00796
Variable	**SIZE**	**ROA**	**LEV**		
ETR					
BSIZE					
IND					
DIV					
DUAL					
AC					
SIZE	1				
ROA	0.307***	1			
LEV	-0.0217	-0.0538	1		

Note: * p<0.05, **p<0.01, ***p<0.001

Table 4. Multicolinierity Test

Variable	**VIF**	**1/VIF**
BSIZE	2.03	0.493423
IND	1.24	0.806764
DIV	1.08	0.928428
AC	1.03	0.973988
SIZE	2.07	0.483853
ROA	1.11	0.901644
LEV	1.06	0.94474
Mean VIF	1.37	

4.2.1 The relationship between board size and tax aggressiveness

H1 is rejected because board size (BSIZE) has no relationship with tax aggressiveness, as shown in table 5. In addition, the descriptive statistical results show that the average board size is medium, which

indicates that management with a medium board size is ineffective and may pose a higher risk of tax aggressiveness. The larger the board of directors, the more difficult it is to reach agreement and coordination in decision-making, including tax policy. Diverse opinions and disagreements between board members can hinder the decision-making process. This can lead to delays or even inconsistencies in tax practices. Research by Kalbuana et al. (2023) on Indonesian companies indexed by LQ 45 shows that lower board size can lead to lower levels of tax aggressiveness; a logical assumption that a larger board of directors will be more likely to increase corporate tax aggressiveness (Lanis & Richardson, 2011). Thus, board size has no impact on tax aggressiveness, as shown by research conducted by Onyali & Okafor (2018) and Amri et al. (2023).

4.2.2 The relationship between board independence and tax aggressiveness
H2 is supported as Table 5 shows that board independence (BIND) has a negative and significant relationship with tax aggressiveness. This result suggests that, although the average independent board of directors is only 17%, the level of board independence has an important role in controlling tax aggressiveness. This finding supports Lanis & Richardson's (2011) idea that better governance seems to prevent more independent boards of directors from deterring tax aggressiveness. Agency theory emphasizes that shareholders and company management should be distant from each other. In the context of tax aggressiveness, board independence can help reduce potential conflicts of interest between shareholders who may want better tax compliance and management who may tend to take high tax risks for personal gain. Armstrong et al. (2015) state that a more independent board can reduce excessive and excessive investment in tax avoidance. According to research conducted by Ogbeide & Obaretin (2018), Zheng et al. (2019), and Salhi et al. (2020), board independence has a negative relationship with tax aggressiveness. However, findings conducted by Alkurdi & Mardini (2020) and Aburajab et al. (2019) show a positive relationship.

4.2.3 The relationship between board diversity and tax aggressiveness
H3 is rejected because table 5 board diversity (DIV) shows that there is no relationship with tax aggressiveness. The results show that the presence of women on the board of directors has no significant impact on the company's tax decision-making process; in other words, the presence of women on the board of directors has no direct impact on the company's tax decisions. There may be fewer women on the board of directors than men. This fact is shown by the results of research (Sri Utaminingsih et al., 2022) which shows that the gender difference of board members has a negative impact on tax aggressiveness. They believe that companies take advantage of this situation to increase taxes because the number of female directors on the board is still small. Lanis et al. (2017) argue that the level of tax aggressiveness will be negatively correlated with the proportion of women on the board. Therefore, they have the ability to set and maintain ethical standards that facilitate effective oversight and communication and aid greater scrutiny of financial and tax strategies, arrangements, and transactions (Richardson et al., 2016). Men, on the other hand, have more agent attributes, such as dominance (Jarboui et al., 2020). The results of this study are inconsistent with research conducted by Kalbuana et al. (2023) and Jarboui et al. (2020), which found that board diversity has a negative impact on tax aggressiveness

4.2.4 The relationship between audit committee and tax aggressiveness
According to table 5, the audit committee has a negative and significant impact on tax aggressiveness, so H4 is accepted. The average smallness of the audit committee is 3.009259, according to the descriptive statistics. This finding, however, suggests that smaller audit committees may negatively impact corporate tax aggressiveness. Audit committee with fewer members may help reduce corporate tax aggressiveness. In addition, audit committee with fewer members can have a more efficient decision-making process. These results support the opinion of Sri Utaminingsih et al. (2022) that shareholders should strive for the formation of sufficient audit committees to track the activities of company managers more effectively and prevent regulatory violations. The audit committee serves as a controller of conflicts of interest between agents and shareholders of the company. In accordance with agency theory, the audit committee is an important control mechanism that ensures management pays attention to the interests of shareholders and reduces the risk of agents acting against the interests of the principal. Audit committee help reduce corporate tax aggressiveness by supervising, increasing

transparency, and improving audit quality. Therefore, as shown by Zheng et al. (2019) and Dang & Nguyen (2022) that the audit committee has a negative and significant relationship with tax aggressiveness.

Table 5. Regression analyzes results for ETR using OLS and GLS

Variable	**OLS**	**GLS**
BSIZE	-0.0207	-0.0207
	(-1.5388)	(-1.5681)
IND	-0.2906**	-0.2906**
	(-2.0284)	(-2.0670)
DIV	0.0131	0.0131
	-0.1483	-0.1511
AC	-0.1927**	-0.1927**
	(-2.3362)	(-2.3807)
SIZE	0.0315*	0.0315*
	-1.7241	-1.7569
ROA	-0.3264	-0.3264
	(-1.5713)	(-1.6012)
LEV	0.2543**	0.2543**
	-2.0368	-2.0756
Const	0.0188	0.0188
	-0.0352	-0.0358
Obs.	216	216
F-Statistic.	2.8916	
p-Value (*F*)	0.0066	
Wald chi2		21.02
Prob > *F*		0.0037
Log Likelihood		-59.90145
Breusch–Pagan Test	668.22	
Prob > *F*	(0.0000)	
Wooldridge Test	1.408	
Prob > chi2	(0.2423)	

Note: * p<0.05, **p<0.01, ***p<0.001

5. Conclusions

This study contributes to the field of corporate governance studies in the practice of tax aggressiveness in Indonesia in the consumer goods sector. Corporate governance plays an important role in controlling and minimizing tax aggressiveness. Companies can increase transparency, improve supervision, reduce the risk of aggressive tax practices, and comply with applicable tax regulations. Agency theory explains the relationship that exists between shareholders and company managers; managers have personal interests that may differ from the interests of shareholders. In the context of tax aggressiveness, agency theory can explain how corporate governance can influence the actions of managers in terms of tax practices.

The results show that board independence and audit committee reduce tax propensity. With an independent board of directors and audit committee, board members are more likely to prioritize shareholder interests and ensure compliance with tax regulations rather than seeking personal gain through improper tax avoidance. The audit committee oversees and evaluates the company's tax practices, ensures compliance with tax regulations, and discovers and avoids tax risks. In addition, the study found that there is no relationship between board size and board gender diversity with tax aggressiveness. Therefore, it can be concluded that board size and board gender diversity are not effective in influencing the level of corporate tax aggressiveness. To reduce tax aggressiveness,

appropriate board size and board gender diversity should be considered. The effect on corporate tax aggressiveness remains unclear as gender diversity on the board is considered important for more diverse decision making.

Companies should consider good business governance practices, such as tax risk management. Having clear policies and procedures in place to ensure tax compliance can help reduce the risk of tax aggressiveness that could harm the company. Companies should have an appropriate board, independent board members, good gender diversity, and a strong audit committee. As part of their investment decision-making process, investors may consider information on corporate governance relating to taxation. Companies that have large boards of directors, independent and gender-diverse boards of directors, and strong audit committees can be trusted to handle the risk of tax aggressiveness. For academics, further research is needed to gain a better understanding of the relationship between corporate management elements such as board size, board independence, gender diversity, and audit committee with tax aggressiveness. To find more precise relationships and underlying mechanisms, more in-depth empirical analysis is needed.

This study has limitations. First, this study only uses public companies listed on the Indonesian stock exchange, so it cannot represent all people working in the consumer goods sector. In addition, since private companies are not publicly available due to confidentiality issues, the sample used in this study cannot cover the entire population of the consumer goods sector. Second, this study only looks at corporate management factors that affect tax aggressiveness. Other factors, such as company characteristics, political connections, ownership structure, and CSR, may affect tax aggressiveness. Third, future research can compare the influence of corporate management between state-owned companies and private companies, or can compare tax aggressiveness in various countries. Therefore, further research is needed to gain a better understanding of how these variables relate to each other in various taxation contexts.

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