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Effect of Female Board of Commissioners, Managerial Ownership and Debt Policy on Tax Aggressiveness

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ABSTRACT

The purpose of this article is to analyze the influence of female commissioners, managerial ownership and debt policy on tax aggressiveness. This article is based on agency theory, namely to understand the relationship between variables. The object of this article is a mining sector company, the Coal subsector on the Indonesian Stock Exchange (BEI) is used as a research object. The sample used was 15 companies during 2016-2018. The method used in sampling is purposive sampling. Data analysis uses classical assumption tests and hypothesis testing using the multiple linear regression method. The results of the research show that Women's Board of Commissioners, Managerial Ownership and Debt Policy have no influence on Tax Aggressiveness. The control variable measurement of leverage has a significant relationship to tax aggressiveness and measurements of company age, company size and probability do not have a significant relationship to Tax Aggressiveness.

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1. INTRODUCTION

The larger the economy in a country will provide opportunities for companies to develop their business by opening up the latest innovations. In general, companies that aim to make a profit will have the motivation to increase profits and reduce costs to keep them low. The way to reduce company costs is to develop a plan that aims to reduce company tax costs or possibly eliminate these tax costs. The main income in a country comes from various sectors, one of which is the tax sector. Taxes play an important role in helping state finances to implement state programs. Problems in taxes are a problem for the country and every society has to deal with taxes. The meaning of tax is a contribution that must be made by society or institutions that is given to the state for the state's own needs and is used for the welfare of society.

Many tax cases in the form of tax evasion are discovered by the authorities in handling tax cases in various business and economic sectors. One sector that has the opportunity to carry out tax avoidance is the mining sector. In 2014, the Corruption Eradication Commission (KPK) found that of the 12,000 mining companies in Indonesia, 4,000 did not have a Taxpayer Identification Number (NPWP). This factor indicates that 33% of mining companies are trying to avoid taxes. Quoted from the Indonesian Mining Association in 2009 in a news report written by Dwiarto (2014), there was a case that occurred with the Bakrie Group company trying to avoid paying taxes to the state. Another example is that quite large mining companies such as BUMI Resources, Kaltim Prima Coal (KPC) and Arutmin Indonesia were found to have committed tax evasion in the amount of IDR 2.176 trillion. This case shows that tax avoidance can be detrimental to the state, because government tax revenues will decrease. However, tax avoidance will be a positive thing for the company, if the company can manage more profits and that causes the company to be able to avoid tax obligations

The greater the profits earned by the company, the greater the tax burden that will be paid (Hidayat & Fitria, 2018). This situation causes companies to take action to reduce the tax burden, because for companies tax is one of the burdens that will reduce the amount of profit generated by the company. The higher the tax burden paid, the smaller the profit earned. Companies will look for ways to reduce the tax burden so that they can pay a smaller amount of tax than the amount of tax that should be paid to the state. The right way to do this is to use measures of tax aggressiveness (tax avoidance).

In this research, tax aggressiveness is influenced by the Female Board of Commissioners, Managerial Ownership, and Debt Policy. According to FCGI (Form of Corporate Governance in Indonesia), the board of commissioners has an important role in the company, especially in implementing Corporate Governance (CG). According to UUPT No. 40 of 2007, it is defined that the board of commissioners is an organization whose task is to supervise in general and specifically in accordance with the articles of association and provide advice to the board of directors. The board of commissioners is a representative of shareholders, so it is hoped that the board of commissioners can increase profits by reducing the company's tax burden. The role of the board of commissioners is also very necessary in managing the company. The greater the number of commissioners in a company, the greater the aggressive tax actions taken by the company (Hanim & Fatahurrazak, 2018). This is due to the complexity of coordination between board members and this prevents the monitoring process which would be the responsibility of the board of commissioners. After that, aggressive tax action will be taken by management.

Managerial ownership is a condition where managers have two roles as managers of a company and with shareholders as owners of the company, which means that a manager owns shares in the company (Lubis, Suryani, & Anggraeni, 2018). As managers and shareholders, managers do not want the company to go bankrupt due to financial difficulties or business bankruptcy which will be detrimental to them as managers or as shareholders. A shareholder is someone who legally owns one or more shares in a company.

Debt is a sacrifice of future economic benefits that would arise from a policy of transferring assets to another entity as a result of past transactions or events (Atari, 2016). This means a policy that will determine how much funding is required by a company financed with debt. Debt is funds obtained from outside parties that can be used at any time. Debt policy is a policy carried out by a company regarding how much the company uses debt funding. With debt, the higher the proportion of debt, the higher the company's share price (Mardiyati, Ahmad, & Putri, 2012).

Based on previous research from Hartadinata and Tjaraka (2013), Atari (2016), Richardson et al. (2016), Hanim and Fatahurrazak (2018). However, there are still inaccuracies in the research results so that research on the topic of tax aggressiveness is still interesting for further study and is still relevant for research. For this reason, research was conducted on companies in Indonesia in the mining sector. The aim of this research is to empirically prove the impact of a female board of commissioners, managerial ownership and debt policy on tax aggressiveness.

The board of commissioners is the supervisor who will represent the existence of investors. If a management policy is considered risky, then the management policy must be approved by the board of commissioners. When a policy is deemed very risky, the board of commissioners will hold a meeting with shareholders to discuss approval of the policy. The presence of women in the structural board of commissioners as supervisors will make it possible to increase effectiveness. Women can be considered to have independence and transparency which can carry out better supervision, so that the female board of commissioners can carry out good supervision, especially regarding tax aggressiveness.

H1: Female Commissioners Influence Tax Aggressiveness

Managerial ownership is the proportion of shareholders who are active management and participate in company decision making (directors and commissioners) (Zahirah, 2017). The higher the proportion of shareholders held by managers, the greater influence they will have in determining company policy. Companies increase managerial ownership to balance the position of managers with shareholders so that they can act in accordance with the wishes of shareholders (Hartadinata & Tjaraka, 2013). Managerial ownership can be measured using the ratio between the number of shares owned by managers or directors to the total shares outstanding (Kalbuana, Purwanti, & Agustin, 2017).
H2: Managerial ownership has a negative influence on Tax Aggressiveness.

Modigliani and Miller's theory states that the higher the proportion of debt in the company, the higher the value of the company, but the weakness of this theory is that if at a certain point the amount of debt increases, it will reduce the value of the company, because the benefits obtained by the company from debt users are greater. smaller than the costs it incurs (Modigliani & Miller, 1958). Companies that have quite high debt will experience quite high financial risk as well, therefore managers will cut share ownership. On the other hand, companies that have low debt will also experience low financial risk and managers will increase share ownership. Debt policy can be obtained by dividing the total debt owned by the company, both current liability and long term liability, and divided by the total assets owned by the company (Dewi, 2008).
H3: Debt policy has a positive influence on Tax Aggressiveness.

2. RESEARCH METHOD

The object of this research is publicly traded companies in Indonesia which operate in the mining sector with the coal mining subsector. The population of coal mining companies from 2016-2018 and 15 companies were used as samples. This research uses secondary data sourced from annual reports, financial reports and performance summary reports of companies listed on the Indonesia Stock Exchange (BEI) website and other electronic media sources. The research variables used consist of three types of variables, namely dependent, independent and control variables. The dependent variable is measured by ETR while the independent variable, female board of commissioners is measured by GDDIR = WDIR/SUMDIR. Managerial ownership is measured by KM = Total Manager Shares/Total Outstanding Shares. Debt policy is measured by DER = total debt/total assets. The research model used is the Multiple Linear Regression model and the mathematical formula which can be seen below:

$$PP = \alpha + b1DKW + b2KM + b3KH + b4UPM + b5UP + b6LEV + b7Prob + \varepsilon$$

The analysis begins with a statistical description using the average, minimum, maximum and standard deviation analysis tools (Gujarati, 1995). Before testing the hypothesis, the research model must be free from classical assumption tests, namely Normality, Autocorrelation, Multicollinearity and Heteroscedasticity. The test hypothesis uses a significance value where the significance value has a limit value of 5%. However, before interpreting the statistical t value, you need to look at the R2 value and the F statistical value.

3. RESULTS AND DISCUSSIONS

Table 1 provides descriptive statistics of the research variables, namely tax aggressiveness, female board of commissioners, managerial ownership, debt policy and company age, company size, leverage, and probability as four control variables described in table 1

Table 1. Descriptive statistics of research variables

verb	min	max	mean	std.deviation
UMP (tahun)	5	45	23.06666667	9,87053
UP (Rp. M)	957514	106763370	15902678.78	24777096,00886
LEV (indeks)	0.14	1.9	0.566888889	0,45556
ROA (%)	-30.76	39.41	9.091333333	13,74534
DKW (%)	0	0.333333333	0.046878307	0,10030

KM (%)	0.226726855	0.969998315	0.662206755	0,21478
KH (indeks)	-2.38	11.91	1.496	2,88944
AP (indeks)	0.006093588	13.81492966	0.622313966	2,04838

Source: Data processing results (2023)

Based on table 1, it shows that tax aggressiveness has a minimum value of 0.006093588, a maximum value of 13.81492966, and an average value of 0.622313966. The average value of 0.622313966 indicates that mining companies have good tax aggressiveness. The female board of commissioners variable has an average value of 0.046878307 or 4.68%, which means that the female board of commissioners does not have a very important role in the company. The managerial ownership variable is worth 0.662206755 or 66.2%. This condition shows that the managerial staff are also shareholders in the company. For the Leverage variable, the maximum value of 1.9 is obtained from the performance summary of a sample of mining companies. Company age has a minimum value of 5, a maximum value of 45, and an average value of 23.06666667.

Table 2. Normality Test Results

variable	asym.sig	Information	asym.sig stl transformasi			Information	skw/se	Information
			Ln	Sqrt	Sq			
UMP	0,870	Normal	-	-	-	-	-	-
UP	0,000	Abnormal	0,945	-	-	Normal	-	-
LEV	0,038	Abnormal	0,775	-	-	Normal	-	-
ROA	0,661	Normal	-	-	-	-	-	-
DKW	0,000	Abnormal	0,374	-	-	Normal	-	-
KM	0,518	Normal	-	-	-	-	-	-
KH	0,001	Abnormal	0,163	-	-	Normal	-	-
AP	0,000	Abnormal	0,005	0,001	0,000	Abnormal	1,821	Normal

Source: data processing results (2023)

Normality test results can be seen in table 2 above. By using the Kolmogorov-Smirnov test tool, transformations were carried out for the variables company size, leverage, female board of commissioners, debt policy and tax aggressiveness and the results were normal except tax aggressiveness was not normal. Finally, a normality test was carried out using skw/Se and the results were declared normal because the skw/Se value was small than 2.59 (Manning & Munro, 2004).

Table 3. Multiple Linear Regression Test Results (ROA)

Verb	Koefisien	Se	t.start	Vif	sig	Information
Konstanta	-0,0871718	1,80347	-0,04834		0,9619	
UMP	0,0471884	0,0315216	1,497	1,187	0,1486	Not Significant
UP	-3,16256e-08	1,67338e-08	-1,890	1,563	0,0720 *	Significant
LEV	3,39677	0,841284	4,038	1,327	0,0006 ***	Significant
ROA	0,00121139	0,0283145	0,04278	1,248	0,9663	Not Significant
DKW	8,55045	3,71989	2,299	1,391	0,0314 **	Decline
KM	-2,88056	1,70668	-1,688	1,969	0,1056	Decline
KH	-0,145557	0,111891	-1,301	1,158	0,2068	Decline
F Statistik		0,005766				Decent model
F Signifikan		3,077282				Decent model
R square		0,624543				Moderate
Durbin-Watson		2,432543				Not autocorrelation
White-Test		0,143208				Not heteroskedastisity

Cat. *, **, dan *** menunjukan signifikan pada 10%, 5% dan 1%, From the ROA model (see table 3), there is no problem with autocorrelation because the Durbin-Watson value is between -2 and +2 (Suliyanto, 2011). For the multicollinearity test, it is also not a problem because all independent variables have a Vif value of less than 10 (Gujarati, 1995). Next, test heteroscedasticity using the white test tool (White, 1980).From the results of the White test, it is indicated that the model does not have heteroscedasticity problems. The three hypotheses show that the results are rejected, namely female board of commissioners, managerial ownership, and debt policy have no influence on tax aggressiveness as measured by the index. The control variable leverage has a significant relationship with tax aggressiveness.

4. CONCLUSION

Based on the research results that have been discussed, it can be concluded that three variables are rejected as proven by DKW 0.0314 < 0.05, KM 0.1056 > 0.05, and KH 0.2068 > 0.05, namely (i) First hypothesis rejected, where the research results show that female commissioners have no effect on tax aggressiveness, (ii) The second hypothesis is rejected, where the research results show that managerial ownership has no effect on tax aggressiveness, and (iii) The third hypothesis is rejected, where the research results show that debt policy has no effect against tax aggressiveness. For the four control variables, only 1 has a significant influence, as evidenced by the value 0.0006 < 0.05, and three control variables do not have a significant influence as indicated by the UMP value 0.1486 > 0.05, UP 0.0720 > 0.05, ROA 0.9663 > 0.05. In practice, these results can be used by investors and the government to see which companies have high tax performance. The weakness of this research is that the sample size is not large and only focuses on the variables used. Suggestions for future researchers to expand samples, variables and research objects to other sectors or industries.

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