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The Impact of Profitability and Earnings Management on Tax Aggressiveness with Corporate Governance as Moderating Variables (Study on Registered Energy Sector Companies on the Indonesia Stock Exchange in 2019-2021)

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Abstract

This study discusses the phenomenon of tax aggressiveness in energy sector companies in Indonesia. The research sample is companies listed on the Indonesia Stock Exchange in 2019-2021 which were selected using the purposive sampling method. Data processing uses panel data regression analysis with the help of Eviews 10 software. The results show that profitability and earnings management have a positive and significant effect on tax aggressiveness. Meanwhile, corporate governance cannot moderate the influence of independent variables on tax aggressiveness.

Keywords
Profitability; earnings management; corporate

I. Introduction

Tax revenue is the largest source of state revenue. Until the end of 2021, Indonesia's state income is 1,743.6 trillion. This income consists of tax revenues of 1,444.5 trillion, non-tax state revenues of 298.2 trillion, and the rest comes from grants.

The tax revenue managed to exceed the tax target after a long time. Based on data from the Ministry of Finance, as of December 31, 2021, the realization of tax revenues reached 1,277.5 trillion or 103.9% of the state budget's target of 1,229.6 trillion. Even though they have exceeded the tax target, the tax authorities should not be careless. This is because taxpayers will continue to look for loopholes to minimize tax payments.

As a profit-oriented entity, companies will strive to maximize profitability. This is done by increasing the income or reducing the company's expense, which includes the tax expense which is carried out through tax avoidance and tax evasion.

The act of tax avoidance and tax evasion if carried out continuously will create an aggressive behavior called tax aggressiveness. Analysis of the factors that encourage tax aggressiveness is important considering its relationship to state tax revenues.

One of the factors that affect tax aggressiveness is the company's ability to generate profits or the company's profitability. Anggraeni and Oktaviani (2021) state, the greater the profit generated by the company, the greater the income tax that must be paid by the company. Therefore, companies will tend to be aggressive in avoiding taxes.

In addition to profitability, earnings management is also one of the factors that affect tax aggressiveness. According to Pitoyo et al. (2018), there is a significant effect between earnings management and tax aggressiveness. Managers have the authority to choose several alternatives in accounting treatment, where one option is to take aggressive tax action by managing earnings.

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Another factor that also influences tax aggressiveness is corporate governance. Good corporate governance is needed as a form of monitoring the company's action and in terms of taxation to ensure tax avoidance remains within the legal scope (Salamah, 2018).

This study adds corporate governance which is proxied by independent commissioner proportion as a variable that moderates the effect of profitability and earnings management on tax aggressiveness. On this basis, the researcher took the title "Impact of Profitability and Earnings Management on Tax Aggressiveness With Corporate Governance as Moderating Variable". The object of research is the energy sector companies listed on the Indonesia Stock Exchange from 2019 to 2021.

a. Formulation of the Problem

Based on the above background, the research problem is formulated as follows:

1. Does profitability affect tax aggressiveness?
2. Does earnings management affect tax aggressiveness?
3. Does corporate governance moderate the effect of profitability on tax aggressiveness?
4. Does corporate governance moderate the effect of earnings management on tax aggressiveness?

II. Review of Literature

2.1 Theoretical Framework

a. Agency Theory (Agency Theory)

Agency Theory is introduced by Jensen and Meckling (1976) in their journal entitled Theory of The Firm: Managerial Behavior, Agency Cost, and Ownership Structure. This theory explains the relationship between two parties, the agent and the principal.

Agent in this case is the company's management, and the principal is the shareholders. Managers are in charge directly of managing the company, while the shareholders only act as observers.

Therefore, the real and overall condition of the company is sometimes only known by the managers. In contrast, shareholders only receive information based on reports from managers. This fact is known as information asymmetry which can create the possibility for company's management to take actions that are not in line with the principal's interest.

Managers as the person authorized to operate the company, seeks to maximize company profits so that they get maximum compensation as well. One of them is by minimizing the tax expense.

Although shareholders also want the highest benefits, there are considerations for the company's name and trustworthiness. The act of tax aggressiveness can damage a company's reputation. Agency theory seeks to address this conflict of interest.

b. Theory of Good Corporate Governance

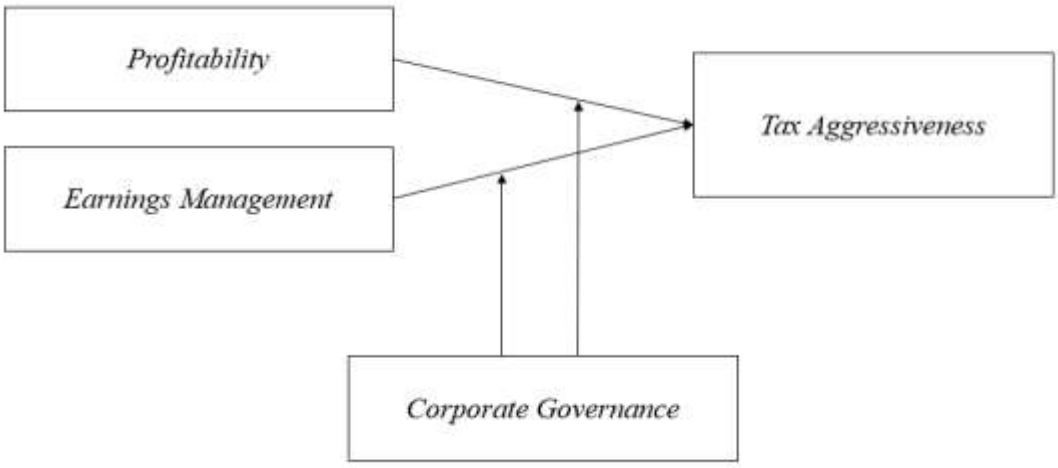
According to the Forum for Corporate Governance in Indonesia (FCGI, 2001), Good Corporate Governance or GCG is a system that regulates and controls companies. The purpose of GCG is to control the company and create value-added to shareholders.

GCG plays an important role in encouraging businessmen to carry out their activities based on the principles of fairness, transparency, accountability, responsibility and independence in order to gain the trust of stakeholders.

The Good Corporate Governance system in relation to tax aggressiveness is that there are still companies that act aggressively avoiding taxes. This fact proves that good corporate governance is still not strictly implemented by companies in Indonesia.

2.2 Conceptual Framework

Based on the literature review above, the flow of thought in this research can be visualized into a conceptual framework as follows:



The figure above shows the variables to be analyzed in this study, which consist of profitability, earnings management and corporate governance and their effect on tax aggressiveness.

2.3 Hypothesis Development

a. Effect of profitability on tax aggressiveness

Profitability provides an overview of the company's ability to generate profits over a certain period with a certain level of sales, assets and share capital. A high level of company profitability indicates the company's ability to generate high profits.

Agency Theory triggers agent to increase company profits. As profits increase, the tax expense will also increase. Therefore, the agent, in this case the company's management will try to minimize the tax expense in a way that will not reduce profits. This is done to avoid the reduction of the agent's compensation as a result of the decline in company profits caused by the tax expense.

Previous research by Windaswari and Merkusiwati (2018) stated that profitability proxied by Return on Assets (ROA) has a positive effect on tax aggressiveness. Based on the discussion, the researcher formulates the research hypothesis as follows:

Ha1: Profitability has a positive effect on tax aggressiveness

b. Effect of earnings management on tax aggressiveness

Agency theory talks about conflicts of interest between managers as agent and shareholders as principal. This conflict causes differences in decision making, including in financial reporting and accounting policies.

According to Febrilyanti (2020), earnings management is an effort by managers who intentionally manipulate financial statements, but are still within the limits allowed in accounting principles. Fadilah and Sofianty (2021) explain that earnings management has a significant impact on corporate tax aggressiveness.

These results are in line with previous research conducted by Firmansyah and Ardiansyah (2020) which showed that earnings management had a significant effect on tax aggressiveness. Based on the consideration of previous research, the researcher formulated the following hypothesis:

Ha2: Earnings management has a positive effect on tax aggressiveness

c. Effect of corporate governance in moderating profitability on tax aggressiveness

Good corporate governance is needed so that business practices can be carried out in a healthy, conducive and responsible manner. One of them is measured by the number of independent commissioners. The large proportion of independent commissioners in the company illustrates a better supervisory function, so that management will be more careful in making decisions and minimize tax aggressiveness (Rosidy and Rahadi, 2019).

Supervision carried out by independent commissioners will reduce the opportunity for managers to act opportunistically and aggressively towards the company's tax obligations. Research conducted by Yuni and Setiawan (2019) states that independent commissioners proportion have a negative effect on tax aggressiveness. On this basis, the formulation of the hypothesis in this study is:

Ha3: Corporate governance weakens the effect of profitability on tax aggressiveness

d. The effect of corporate governance in moderating earnings management on tax aggressiveness

The existence of independent commissioners has tightened the control function over the company's management. In this case, the existence of independent commissioners encourages monitoring to prevent fraud committed by the company, including earnings management actions.

Pitoyo et al. (2018) states, independent commissioners proportion can moderate the effect of earnings management on tax aggressiveness. This study also shows that the greater the proportion of independent commissioners, the more effective the supervision will be so as to reduce earnings management actions and weaken tax aggressiveness behavior. On this basis, the formulation of the hypothesis in this study is:

Ha4: Corporate governance weakens the effect of earnings management on tax aggressiveness

2.4 Variable Operational Definition

a. Tax Aggressivess

Tax aggressiveness which is the dependent variable in this study is defined as the company's effort to reduce the tax expense through tax planning in such a way as to maximize the value of the company (Febrilyanti, 2020). This variable is measured using the Effective Tax Rate (ETR) ratio, which is the comparison between the company's real tax payments and profits before tax through the following calculations:

$$ETR = \frac{Income\ Tax\ Expense}{Profit\ before\ tax}$$

The results of the ETR will be inversely proportional to tax. A high ETR indicates a low level of tax aggressiveness. Meanwhile, a low ETR indicates a high level of tax aggressiveness.

b. Profitability

One way to assess the efficiency of the company’s financial performance is to use profitability analysis. Profitability describes a company's ability to generate profits during a certain period. The ratio that is generally used to measure profitability is Return on Assets (ROA). Fauzan et al. (2019) states, ROA is able to provide an adequate measurement of profitability. ROA is a proxy for the profitability variable which is measured in the following way:

$$ROA = \frac{Net\ profit}{Total\ Asset}$$

c. Earnings Management

Earnings management is the act of managers manipulating the company's financial statements within the limits permitted by accounting principles. Roychowdhury (2006) argues that managers are more likely to perform real earnings management than accrual earnings management. Real earnings management is proxied through Abnormal Operating Cash Flow (Abnormal CFO), Abnormal Production Cost (Abnormal PROD), and Abnormal Discretionary Expense (Abnormal DISC).

This study uses real earnings management as proxied by Abnormal CFO (Arizoni et al. 2020) based on the following calculations:

$$\frac{CFOt}{At-1} = \alpha 0 + \alpha 1 \left(\frac{1}{At-1}\right) + \alpha 2 \left(\frac{St}{At-1}\right) + \alpha 3 \left(\frac{\Delta St}{At-1}\right) + \varepsilon t$$

Information:
CFOt: operating cash flow of company i in year t
At-1: total assets of company i in year t-1
S t: total sales of firm i in year t-1

d. Corporate Governance

Corporate governance in this study is measured by looking at the proportion of company's independent commissioners. Based on the regulation issued by the Indonesia Stock Exchange, the percentage of a good and proportionate independent commissioners is at least 30% of the total commissioners. According to Pitoyo et al. (2018) independent commissioner proportion are measured with the following calculation:

$$Proporsi\ Komisaris\ Independen = \frac{Komisaris\ Independen}{Total\ Komisaris}$$

2.5 Data Collection Procedure

The data that will be used in this study are secondary data. Population in this research includes companies registered in the energy sector which are listed on the Indonesia Stock Exchange in 2019 – 2021. The sampling technique uses the purposive sampling method. The sample selection is based on the following criteria:

1. Energy sector companies listed on the Indonesia Stock Exchange during 2019 – 2021
2. Companies that consistently publish financial statement on the Indonesia Stock Exchange website during the observed period 2019 – 2021
3. The company did not experience loss during 2019 – 2021

III. Result and Discussion

3.1 Description of Data/Research Object

This study uses a sample of energy sector companies listed on the Indonesia Stock Exchange in 2019-2021. Sample selection was done by purposive sampling method. The following are the criteria for selecting the sample in this study:

Criteria	Amount
Energy sector companies listed on the Indonesia Stock Exchange in 2019-2021	74
Incomplete company financial statements in 2019-2021	(23)
Companies that experience losses in 2019-2021	(14)
Outliers	(11)
Sample used	26
Research year	3
Total sample	78

a. Analysis of Descriptive Statistical Results

Descriptive statistical analysis aims to provide an overview of the characteristics of the research sample data that can be viewed from the minimum (lowest), maximum (highest), mean (average), and standard deviation values of each variable. The following is the output of descriptive statistics presented in table after going through the stages of data processing using the Eviews 10 software:

	ETR(Y)	ROA (X1)	AbnCFO (X2)	IC(Z)
Mean	0.227835	0.093954	0.176191	0.312079
Median	0.228271	0.054615	0.137841	0.333333
Maximum	0.723081	0.520175	0.557959	0.600000
Minimum	0.001708	0.003417	0.005651	0.000000
Std. Dev.	0.148968	0.103333	0.117531	0.121789

3.2 Research Results Analysis

a. Analysis of Panel Data Regression Estimation Model Results

1. Common Effect Model (CEM)

Common Effect Model is a model that combines time series and cross section data as a single unit without looking at the differences in time and entities. The approach used is the Ordinary Least Square (OLS) method. The calculation results are presented in the table:

Dependent Variable: Y
Method: Least Squares Panel
Date: 06/26/22 Time: 22:30
Sample: 2019 2021
Periods included: 3
Cross-sections included: 26
Total panel (balanced) observations: 78

Variable	Coefficient	Std. Error	t-Statistics	Prob.
C	0.014489	0.040687	0.356104	0.7228
X1	-0.398742	0.175756	-2.268734	0.0262
X2	0.313892	0.158110	1.985269	0.0508
Z	0.626460	0.118210	5.299541	0.0000

R-squared	0.348806	Mean dependent var	0.227835
Adjusted R-squared	0.322406	SD dependent var	0.148968
SE of regression	0.122624	Akaike info criterion	-1.309463
Sum squared resid	1.112717	Schwarz criterion	-1.188606
Likelihood logs	55.06906	Hannan-Quinn Criter.	-1.261082
F-statistics	13.21245	Durbin-Watson stat	1.251069
Prob(F-statistic)	0.00001		

2. Fixed Effect Model (FEM)

The Fixed Effect Model uses a dummy variable technique to capture the intercept differences between firms. The calculation results are presented in the table below:

Dependent Variable: Y
Method: Least Squares Panel
Date: 06/26/22 Time: 22:30
Sample: 2019 2021
Periods included: 3
Cross-sections included: 26
Total panel (balanced) observations: 78

Variable	Coefficient	Std. Error	t-Statistics	Prob.
C	0.374314	0.108430	3.452132	0.0012
X1	-0.487533	0.163738	-2.977520	0.0045
X2	0.562198	0.202389	2.777809	0.0077
Z	-0.639992	0.328773	-1.946608	0.0573

Effects Specification

Cross-section fixed (dummy variables)

R-squared	0.819102	Mean dependent var	0.227835
Adjusted R-squared	0.715731	SD dependent var	0.148968
SE of regression	0.079425	Akaike info criterion	-1.949311
Sum squared resid	0.309107	Schwarz criterion	-1.073098
Likelihood logs	105.0231	Hannan-Quinn Criter.	-1.598547
F-statistics	7.923944	Durbin-Watson stat	3.260438
Prob(F-statistic)	0.000000		

b. Random Effect Model (REM)

Random Effect Model is a method that estimates panel data in which the residual may be related to each other over time and between entities. The calculation results are presented in the table below:

Dependent Variable: Y
Method: Panel EGLS (Cross-section random effects)
Date: 06/26/22 Time: 22:32
Sample: 2019 2021
Periods included: 3
Cross-sections included: 26
Total panel (balanced) observations: 78
Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistics	Prob.
C	0.066408	0.053533	1.240513	0.2187
X1	-0.461685	0.148137	-3.116601	0.0026
X2	0.477208	0.157708	3.025889	0.0034
Z	0.386839	0.152489	2.536826	0.0133

Effects Specification

	SD	Rho
Random cross-section	0.091060	0.5679
Idiosyncratic random	0.079425	0.4321

Weighted Statistics			
R-squared	0.195777	Mean dependent var	0.102473
Adjusted R-squared	0.163173	SD dependent var	0.093035
SE of regression	0.085107	Sum squared resid	0.535997
F-statistics	6.004763	Durbin-Watson stat	2.332438
Prob(F-statistic)	0.001018		

Unweighted Statistics			
R-squared	0.309093	Mean dependent var	0.227835
Sum squared resid	1.180575	Durbin-Watson stat	1.058960

3.3 Panel Data Regression Model Selection Test Results

Based on the three panel data regression estimation models above, the most appropriate model will be chosen to estimate the desired regression equation model using the Chow Test, Hausman Test, and Lagrange Multiplier Test as follows:

a. Chow test

Chow test is a test used to select the best approach between the Common Effect Model (CEM) and Fixed Effect Model (FEM) approaches in estimating panel data. The Chow test uses the following hypothesis:

H0: using the Common Effect Model

H1: using Fixed Effect Model

If the probability value for cross section F > the probability value is 0.05, then H0 is accepted. On the other hand, if the probability value for cross section F < 0.05 significant value, then H0 is rejected and H1 is accepted. The following is the output of the Chow Test using the Eviews 10 software:

Redundant Fixed Effects Tests
Equation: Untitled
Test cross-section fixed effects

Effects Test	Statistics	df	Prob.
Cross-section F	5.095572	(25.49)	0.0000
Cross-section Chi-square	99.908108	25	0.0000

Cross-section fixed effects test equation:
Dependent Variable: Y
Method: Least Squares Panel
Date: 06/28/22 Time: 21:44
Sample: 2019 2021
Periods included: 3
Cross-sections included: 26
Total panel (balanced) observations: 78

Variable	Coefficient	Std. Error	t-Statistics	Prob.
C	0.014489	0.040687	0.356104	0.7228
X1	-0.398742	0.175756	-2.268734	0.0262
X2	0.313892	0.158110	1.985269	0.0508
Z	0.626460	0.118210	5.299541	0.0000

R-squared	0.348806	Mean dependent var	0.227835
Adjusted R-squared	0.322406	SD dependent var	0.148968

SE of regression	0.122624	Akaike info criterion	-1.309463
Sum squared resid	1.112717	Schwarz criterion	-1.188606
Likelihood logs	55.06906	Hannan-Quinn Criter.	-1.261082
F-statistics	13.21245	Durbin-Watson stat	1.251069
Prob(F-statistic)	0.00001		

The results of the Chow test show that the probability value of the cross-section F is 0.0000 < 0.05, meaning that H0 is rejected. Thus, the most appropriate model in estimating the regression equation is the Fixed Effect Model (FEM).

b. Hausman test

Hausman test is a test used to select the best approach between the Random Effect Model (REM) and Fixed Effect Model (FEM) approaches in estimating panel data. The hypotheses used in the Hausman test are:

H0: using the Random Effect Model

H1: using Fixed Effect Model

If the probability value for the cross section F > the probability value is 0.5, then H0 is accepted. On the other hand, if the probability value for cross section F < 0.05 significant value, then H0 is rejected and H1 is accepted. The following is the output of the Hausman Test using the Eviews 10 software:

Correlated Random Effects - Hausman Test
Equation: REM
Test cross-section random effects

Test Summary	Chi-Sq. Statistics	Chi-Sq. df	Prob.
Random cross-section	13.967009	3	0.0030

Cross-section random effects test comparisons:

Variable	Fixed	Random	Var (Diff.)	Prob.
X1	-0.487533	-0.461685	0.004865	0.7110
X2	0.562198	0.477208	0.016089	0.5028
Z	-0.639992	0.386839	0.084838	0.0004

Cross-section random effects test equation:
Dependent Variable: Y
Method: Least Squares Panel
Date: 06/26/22 Time: 22:32
Sample: 2019 2021
Periods included: 3
Cross-sections included: 26
Total panel (balanced) observations: 78

Variable	Coefficient	Std. Error	t-Statistics	Prob.
C	0.374314	0.108430	3.452132	0.0012
X1	-0.487533	0.163738	-2.977520	0.0045
X2	0.562198	0.202389	2.777809	0.0077
Z	-0.639992	0.328773	-1.946608	0.0573

Effects Specification

Cross-section fixed (dummy variables)			
R-squared	0.819102	Mean dependent var	0.227835
Adjusted R-squared	0.715731	SD dependent var	0.148968
SE of regression	0.079425	Akaike info criterion	-1.949311
Sum squared resid	0.309107	Schwarz criterion	-1.073098
Likelihood logs	105.0231	Hannan-Quinn Criter.	-1.598547
F-statistics	7.923944	Durbin-Watson stat	3.260438
Prob(F-statistic)	0.000000		

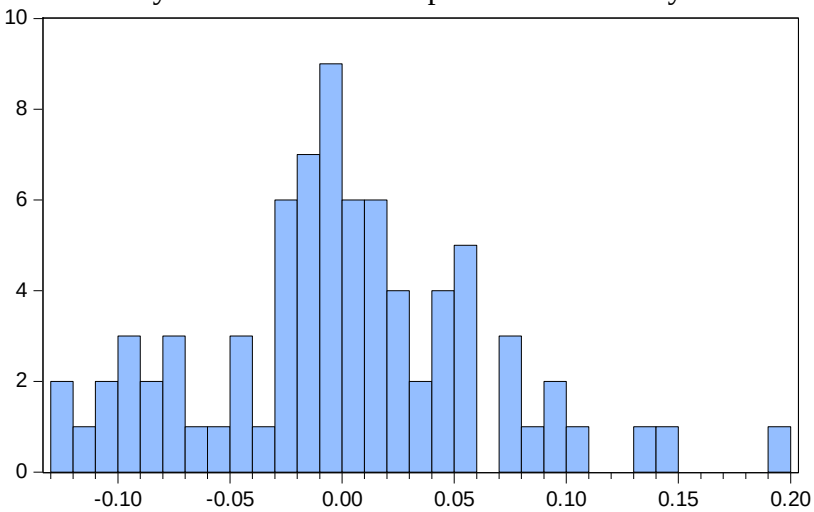
The results of the Hausman test show that the probability value of the cross section F is 0.0030 < 0.05, meaning that H0 is rejected. Thus, the most appropriate model in estimating the regression equation is the Fixed Effect Model (FEM).

3.4 Classic Assumption Test Results

After determining the right model to be used in the panel data regression equation, in this study, the Fixed Effect Model (FEM), it is necessary to test the classical assumption. Classical assumption test consists of normality test, multicollinearity test, and heteroscedasticity test as follows:

a. Normality Test Results

The normality test aims to test whether in the regression model, the confounding or residual variables have a normal distribution. For this reason, the Jarque-Bera (JB) test was carried out. The basis is if the Jarque-Bera (JB) > 0.05, then the data is normally distributed. On the other hand, if the Jarque-Bera (JB) < 0.05, it can be said that the data is not normally distributed. The output of the normality test can be seen in the table below:



Series: Standardized Residuals
Sample 2019 2021
Observations 78

Mean	3.73e-18
Median	-0.001592
Maximum	0.193530
Minimum	-0.124616
Std. Dev.	0.063359
Skewness	0.290898
Kurtosis	3.402892
Jarque-Bera	1.627627
Probability	0.443165

Based on the table, it can be seen that the probability value is 0.443165 which means it is greater than 0.05 so that it can be concluded that the research data is normally distributed.

b. Multicollinearity Test Results

The multicollinearity test aims to test whether there is a high or perfect correlation between the independent variables in the regression model. Multicollinearity test between variables can be identified by using the correlation value between independent variables. According to Ghozali (2018), if the correlation value is > 0.80 then there is a

multicollinearity problem. On the other hand, if the correlation value is < 0.80, there is no multicollinearity problem. The following is the output of the multicollinearity test which is presented in the table below:

	ROA (X1)	AbnCFO (X2)	IC(Z)
ROA (X1)	1.0000000	0.634942	0.074757
AbnCFO (X2)	0.634942	1.0000000	0.224009
IC(Z)	0.074757	0.224009	1.0000000

Based on the table, it can be seen that the correlation value of the independent variable, X1 with X2, is 0.634942 and the moderating variable Z is 0.074757. Furthermore, the correlation value between X2 and Z variable is 0.224009. It can be concluded that there is no multicollinearity problem between variables.

c. Heteroscedasticity Test Results

Heteroscedasticity test is used to test whether there is an inequality of variance from the residuals of one observation to another observation. The heteroscedasticity test in this study used the White Test. The following are the results of the heteroscedasticity test output:

Heteroskedasticity Test: White

F-statistics	1.362774	Prob. F(9.68)	0.2224
Obs*R-squared	11.91887	Prob. Chi-Square(9)	0.2179
Scaled explained SS	17.56172	Prob. Chi-Square(9)	0.0406

Based on the table, it can be seen that the value of Chi Square on Obs*R-squared is 0.2179. This value exceeds the probability value of 0.05, it can be concluded that there is no heteroscedasticity problem in this study.

3.5 Hypothesis Test Results

The hypothesis test consists of the Adjusted R-Squared coefficient of determination, the simultaneous test (F test), and the partial test (t test). The following are the test results of each test using the Fixed Effect Model (FEM) as follows:

a. Coefficient of Determination Test Results Adjusted R2

The coefficient of determination test is indicated by the adjusted R-Squared value of the regression model. This test aims to measure how far the model's ability to explain the variation of the dependent variable. The results of the coefficient of determination test are presented in the table below:

R-squared	0.819102	Mean dependent var	0.227835
Adjusted R-squared	0.715731	SD dependent var	0.148968
SE of regression	0.079425	Akaike info criterion	-1.949311
Sum squared resid	0.309107	Schwarz criterion	-1.073098
Likelihood logs	105.0231	Hannan-Quinn Criter.	-1.598547
F-statistics	7.923944	Durbin-Watson stat	3.260438
Prob(F-statistic)	0.000000		

The results obtained from the coefficient of determination test with an adjusted R-Sqared value of 0.715737 which means that the Tax Aggressiveness variable which is influenced by Profitability, Earnings Management and Corporate Governance is 72% and the remaining 28% is influenced by other factors not examined in the study.

b. Simultaneous Significance Test Results (Test F)

The F test is used to determine whether all independent variables simultaneously affect the dependent variable. The F test also uses a probability value of 0.05. According to Ghozali (2018), if the probability value is < 0.05, then the independent variables simultaneously affect the dependent variable. On the other hand, if the probability value is > 0.05, then the independent variables do not simultaneously affect the dependent variable. F test results for all variables can be seen in the following table:

R-squared	0.819102	Mean dependent var	0.227835
Adjusted R-squared	0.715731	SD dependent var	0.148968
SE of regression	0.079425	Akaike info criterion	-1.949311
Sum squared resid	0.309107	Schwarz criterion	-1.073098
Likelihood logs	105.0231	Hannan-Quinn Criter.	-1.598547
F-statistics	7.923944	Durbin-Watson stat	3.260438
Prob(F-statistic)	0.000000		

The results obtained from the F test show that the F-statistic value is 7.923944 with a probability value of 0.000000 which is smaller than the probability value of 0.05. It can be concluded that all independent variables, namely Profitability and Earnings Management and the moderating variable of Corporate Governance simultaneously have a significant influence on the dependent variable, Tax Aggressiveness.

c. Partial Significance Test Results (t Test)

The t-test was used to determine the effect of the independent variable on the dependent variable individually (partially). The t test uses a probability value of 0.05. According to Ghozali (2018), if the probability value is < 0.05, then the independent variable partially affects the dependent variable. On the other hand, if the probability value is > 0.05, then the independent variable does not partially affect the dependent variable. The results of the t-test of each variable can be seen in the following tables:

Variable	Coefficient	Std. Error	t-Statistics	Prob.
C	0.374314	0.108430	3.452132	0.0012
X1	-0.487533	0.163738	-2.977520	0.0045
X2	0.562198	0.202389	2.777809	0.0077
Z	-0.639992	0.328773	-1.946608	0.0573

1. The ROA variable (X1) has a t-statistic value of -2.977520 with a probability value of 0.0045 < 0.05, then H0 is rejected and Ha1 is accepted. With the Beta Coefficient (B) is negative -0.487533, it can be concluded that the Profitability variable has a significant negative effect on the Effective Tax Rate (ETR). This means that the higher the company's ROA, the lower the ETR, which means the higher the level of corporate tax

aggressiveness.

2. The Abn CFO variable (X2) has a t-statistic value of 2.777809 with a probability value of 0.0077 < 0.05, then H0 is rejected and Ha2 is accepted. With a positive coefficient of Beta (B) 0.562198, it can be concluded that Abnormal Cashflow from Operation (CFO) has a significant positive effect on the Effective Tax Rate (ETR). This means that the higher the Abnormal CFO, the higher the ETR.
   High Abnormal CFO is inversely proportional to Earnings Management, and high ETR is inversely proportional to Tax Aggressiveness. Therefore, it can be concluded that the higher the real earnings management of the company, the higher the level of corporate tax aggressiveness.

d. Moderated Regression Analysis Test (MRA Test)

Dependent Variable: Y
Method: Least Squares Panel
Date: 06/26/22 Time: 22:38
Sample: 2019 2021
Periods included: 3
Cross-sections included: 26
Total panel (balanced) observations: 78

Variable	Coefficient	Std. Error	t-Statistics	Prob.
C	0.481500	0.121789	3.953573	0.0002
X1	-0.636910	0.897497	-0.709652	0.4813
Z	-0.736108	0.381053	-1.931772	0.0592
X1Z	1.186743	2.628395	0.451508	0.6536

Effects Specification

Cross-section fixed (dummy variables)

R-squared	0.791482	Mean dependent var	0.227835
Adjusted R-squared	0.672330	SD dependent var	0.148968
SE of regression	0.085273	Akaike info criterion	-1.807222
Sum squared resid	0.356301	Schwarz criterion	-0.931010
Likelihood logs	99.48167	Hannan-Quinn Criter.	-1.456459
F-statistics	6.642578	Durbin-Watson stat	3.376101
Prob(F-statistic)	0.000000		

1. The ROA (X1) and IC (Z) variables have a t-statistic value of 0.451508 with a probability value of 0.6536 > 0.05, so Ha3 is rejected. In other words, the proportion of independent commissioners is not able to moderate the relationship between profitability and tax aggressiveness. This is because the existence of independent commissioners in the company is only limited to supervising the company's performance so that there are no violations.

Dependent Variable: Y
Method: Least Squares Panel
Date: 06/26/22 Time: 22:39
Sample: 2019 2021
Periods included: 3
Cross-sections included: 26
Total panel (balanced) observations: 78

Variable	Coefficient	Std. Error	t-Statistics	Prob.

C	0.578283	0.161405	3.582812	0.0008
X2	-1.254053	0.902563	-1.389435	0.1710
Z	-1.234761	0.495763	-2.490626	0.0162
X2Z	4.399733	2.622139	1.677917	0.0997

Effects Specification

Cross-section fixed (dummy variables)

R-squared	0.797979	Mean dependent var	0.227835
Adjusted R-squared	0.682539	SD dependent var	0.148968
SE of regression	0.083934	Akaike info criterion	-1.838875
Sum squared resid	0.345200	Schwarz criterion	-0.962662
Likelihood logs	100.7161	Hannan-Quinn Criter.	-1.488111
F-statistics	6.912471	Durbin-Watson stat	3.149383
Prob(F-statistic)	0.000000		

2. AbnCFO and IC variables have a t-statistic of 1.677917 with a probability value of 0.0997 > 0.05, so Ha4 is rejected. In other words, the proportion of independent commissioners is not able to moderate the relationship between Earnings Management and tax aggressiveness.

Based on the tables above, the panel data regression equation is obtained as follows:

$$\mathbf{Y = 0.37 – 0.49X1 + 0.56X2 – 0.63Z + 1.19X1Z + 4.4X2Z}$$

3.6 Discussion of Research Results

a. Profitability positive effect on Tax Aggressiveness

Based on the output of the first hypothesis testing (Ha1), it was found that Return on Assets (ROA) had a significant negative effect on the Effective Tax Rate (ETR). In the sense that the higher the company's ability to generate profits, the lower the ETR which indicates the higher the level of corporate tax aggressiveness.

The company's ability to generate profits directly affects the company's effective rate of tax payments. When the company's profitability is high, the company tends to be aggressive in taxation so that the tax does not reduce the high profits that have been obtained by the company. Anggraeni and Oktaviani (2021) also find that companies with high levels of profitability will be more flexible to take advantage of loopholes in managing their tax expense.

b. Earnings Management positive effect on Tax Aggressiveness

Based on the output of the second hypothesis testing (Ha2) that has been carried out in this study, it was found that Abnormal Cashflow From Operation has a positive influence on the Effective Tax Rate (ETR), it can be concluded that Earnings Management has a significant positive effect on Tax Aggressiveness.

These findings are in line with the research of Arizoni et al. (2020) and Pitoyo et al. (2018) which states that real earnings management will also be followed by an increase in a company's tax aggressiveness.

c. Corporate Governance Cannot Moderate the Effect of Profitability on Tax Aggressiveness

The third hypothesis test (Ha3) shows that Corporate Governance as proxied by the Independent Commissioner Proportion cannot moderate the effect of profitability on Tax Aggressiveness. This is supported by research from Wardani et al. (2022) which also states

that the Independent Commissioner cannot act as a moderator between profitability and tax aggressiveness.

d. Corporate Governance Cannot Moderate the Effect of Earnings Management on Tax Aggressiveness

The fourth hypothesis test (Ha4) shows that Corporate Governance as proxied by the Independent Commissioner Proportion cannot moderate the effect of Earnings Management on Tax Aggressiveness. This evidence is also supported by Nugroho and Firmansyah (2017).

IV. Conclusion

Based on the results of the study, the conclusions of this study are as follows:

1. Profitability positive effect on Tax Aggressiveness
   When the company is able to generate high profits, the company tends to be aggressive in its taxation. Referring to agency theory, high profits will trigger agents to manage the company's tax expense so as not to reduce the compensation received by the agent's performance.
   The results of this study are in line with studies conducted by Anggraeni and Oktaviani (2021) and Purba and Kuncahyo (2020) that companies with large profits tend to avoid their taxes in order to reduce the tax expense.
2. Earnings Management positive effect on Tax Aggressiveness
   These results support the research of Arizoni et al. (2020) and Pitoyo et al. (2018) which states that real earnings management will encourage corporate tax aggressiveness. Most companies use real earnings management through sales manipulation to provide double benefits, which on the one hand increase accounting profit and on the other hand decrease taxable profit.
3. Corporate Governance Cannot Moderate the Effect of Profitability on Tax Aggressiveness
   This result is in line with the research conducted by Wardani et al. (2022) and Azzam and Subekti (2019) that the Independent Commissioner cannot act as a moderator between profitability and tax aggressiveness. This is because the existence of an independent commissioners in the company is only as supervisors and only monitors the company's performance so that there are no violations.
4. Corporate Governance Cannot Moderate the Effect of Earnings Management on Tax Aggressiveness
   The result of the study is in line with the research of Nugroho and Firmansyah (2017). This is possible due to the lack of a supervisory function such as the infrequency of independent commissioners in attending meetings. It can also be caused by the reason of independent commissioners's placement to just fulfill formal requirements.

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