

Determination of Tax Aggressiveness in the Mining Sector in Indonesia

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ABSTRACT

Purpose : The self assessment system is one of the tax collecting mechanisms in Indonesia. This collecting method gives taxpayers to calculate their own tax liability each year in compliance with current tax rules and regulations. This allows companies to calculate their taxable revenue as low as feasible, allowing them to be more aggressive in lowering the tax burden paid in order to maintain firm profitability. This research aims to substantiate the hypothesized influences on tax aggressiveness. Capital intensity, profitability, and firm size are the independent variables under consideration.

Method : The mining companies that were officially registered on the Indonesia Stock Exchange from 2017 to 2021 constitute the study population. The rationale behind the author's selection of a mining company is the suspicion that engineering practices to relocate income globally to low-tax countries and substantial costs to high-tax countries are still prevalent. The sampling procedure utilized is purposive sampling, in which samples are selected in accordance with predetermined criteria that the researchers have established. A total of 95 samples were acquired from 19 enterprises that met the specified criteria over the course of five years. In this investigation, multiple regression analysis was conducted.

Findings : Profitability was negatively correlated with tax aggressiveness. Inversely proportional to the direction of the influence of capital intensity on tax aggressiveness. However, company size has no effect on tax aggressiveness because it is contrary to the hypothesis developed, where the result is that company size has a positive impact on tax aggressiveness.

Novelty : Utilizing an agency theory framework, this study contributes to the literature on tax aggressiveness in mining companies listed on the Indonesia Stock Exchange, which is influenced by capital intensity, profitability, and company size. It was demonstrated by the study that capital intensity and profitability can influence tax aggressiveness.

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INTRODUCTION

Tax is a revenue that is expected to meet all needs related to development and state interests. The biggest source of state revenue for a country, taxes play a significant role. The taxes that have been paid by the people will then be channeled to the State Budget (APBN) and will be realized by the government in the form of infrastructure development and other facilities that will ultimately be enjoyed by the people as well. As a result, every person who is an individual or corporate taxpayer is obligated to pay taxes and deposit their tax responsibilities to the state treasury in line with the terms of tax laws and regulations. Because they are governed by the Tax Law, taxes are coercive. Financial statement data may be used to compute and determine the amount of corporate tax due.

The government keeps making taxation policies to maximize revenue for the tax sector. Similarly, the policy of reducing the income tax rate for corporate taxpayers in the form of public companies, down from 25% to 22% which will take effect in the 2022 tax year as stipulated in article 17 letter b of Law of the Republic of Indonesia Number 7 of 2021 concerning Harmonization of Tax Regulations. With this tax rate reduction policy, it is expected to increase tax revenue in accordance with the planned target and to motivate companies to be compliant and voluntary in paying taxes. However, based on the Performance Report of the Ministry of Finance of the Republic of Indonesia, Directorate General of Taxes for 2017-2021, tax revenues have not reached the set target. The percentage

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of tax received from targeted taxes, for 2017 was 89.68%, in 2018 it was 92.24%, in 2019 it was 84.48%, in 2020 it was 89.43% and in 2021 it was 103.99%. There is still tax revenue that has not reached the target, allegedly due to economic and tax factors. Tax factors, for example the lack of voluntary mandatory compliance in fulfilling their tax obligations and the tendency of taxpayers to carry out tax aggressive activities. The amount of income tax due from the Company as a Corporate Taxpayer is determined by the taxable income earned. When a corporation has a large taxable income, it will also pay a higher amount of tax. As a result, companies view taxes as a burden that will diminish profitability. Because of this circumstance, many companies are looking for methods to decrease their tax burden, and it is probable that companies may become more active in taxes (Chen et al., 2010).

According to Sukmana (2020), Tax Justice Network had reported tax avoidance on the www.kompas.com page. Indonesia's annual losses are estimated to be up to 4.86 billion US dollars. The report "The State of Tax Justice 2020: Tax Justice in the Time of Covid-19" by Tax Justice Network estimates that 4.78 billion US dollars, or Rp 67.6 trillion, of this total is attributable to corporate tax avoidance in Indonesia. Approximately \$1.1 trillion, or 78.83 million US dollars, was contributed by individual taxpayers to the remaining balance. In Asia, Indonesia is ranked fourth after China, India, and Japan.

In Indonesia, the self-assessment system is the method of tax collection. Taxpayers are empowered by the collection system to ascertain the annual tax liability in adherence to the relevant tax statutes and regulations (Resmi, 2019). The self-assessment system requires taxpayers to take responsibility and calculate, deposit, collect, and report their own taxes. This provides an opportunity for companies to calculate their taxable income as low as possible, so that companies are more aggressive in minimizing the tax burden paid so as not to reduce company profits.

Tax aggressiveness, according to Firmansyah & Estutik (2021), A strategy of exhaustive tax planning that reduces the quantity of tax owed. Corporate behavior wherein it responds aggressively to government tax obligations with the intention of minimizing the amount of tax owed to the state is referred to as "tax aggressiveness." When a company makes a concerted effort to minimize its tax obligations, it is referred to as "tax aggressiveness." You are faced with the decision of whether to utilize lawful strategies, including tax avoidance, or illegal strategies, including tax evasion. While not all tax planning activities are carried out illicitly, as corporations exploit more vulnerabilities, they become more aggressive in their pursuit of tax evasion.

Tax aggressiveness is any effort to manipulate the taxable earnings of a business through legal (tax avoidance) or illegal (tax evasion) (Frank et al., 2009; Hanlon & Heitzman, 2010; Safitri et al., 2024). The practice of tax avoidance legally by taking advantage of loopholes in tax laws. This practice does not violate the content of the law (the letter of law), but does not support the purpose of the formation of the tax law (Manurung, 2020). Meanwhile, tax evasion is carried out by violating applicable tax rules and can be subject to sanctions for violations (Safitri et al., 2022). Tax aggressiveness is a strategy that companies use in reducing the tax burden (Margaretha et al., 2021). Tax aggressiveness provides benefits to management and the company, where the company earns higher profits and managers receive compensation from the owners of the company (Safitri et al., 2024). However, the existence of tax aggressiveness can cause losses for the state.

PT Adaro Energy Tbk, a coal company listed on the Indonesia Stock Exchange (IDX), experienced an alleged tax aggressiveness phenomenon. According to Syahni (2019) in www.mongabay.co.id, explained Global Witness, an international non-profit organization in the environmental sector revealed how PT Adaro Energy expanded its network of overseas companies to Singapore and Mauritius. It is the use of tax havens to store these funds and assets, according to Global Witness, that makes hundreds of millions of dollars stored by PT Adaro abroad that may never be taxable in Indonesia. According to Global Witness analysis, PT Adaro is accused of failing to pay US\$14 million in taxes every year.

According to Novriansa (2019), the Corruption Eradication Commission (KPK) also believes that this mining sector is prone to corrupt practices, including tax avoidance. The KPK has observed an annual shortfall of Rp 15.9 trillion in mining tax payments for forest areas. Furthermore, multinational companies are encouraged to minimize tax by transferring the price, particularly to affiliated entities abroad, through transfer pricing. This engineering has a tendency to relocate income globally to low-tax countries and shift large costs to high-tax countries.

The phenomenon above indicates that there are still companies in the mining sector that are suspected of tax aggressiveness to reduce their tax liabilities. The government will certainly suffer losses as a result of this aggressive tax avoidance practice. This action offers a significant opportunity to decrease state revenue from the tax sector. For this reason, it is necessary to review the factors that are supposed to be able to affect fiscal aggression in mining companies in Indonesia. The objective of this study is to investigate the prospective impact of capital intensity, profitability, and company scale on tax aggressiveness.

The first factor said to influence aggressive taxation is profitability. According to Hutabarat (2023), profitability indicates a firm's ability to generate profits and how the firm is managed to generate profits. This ratio can also measure the level of overall operational efficiency targeting the level of return achieved on sales or investments. The potential for profit is directly proportional to the level of profitability exhibited by a company. Conversely, as the firm's profit increases, so does the quantity of tax that the corporation remits. This may encourage companies to take tax avoidance measures and encourage them to reduce their taxable income more aggressively. It has been found that profits have a positive impact on the aggressiveness of taxation according to research conducted by Pra-

tama & Suryarini (2020) and Sanjaya et al. (2023). Furthermore, the results of research conducted by Prasista & Setiawan (2016) and Leksono et al. (2019) reveal that profitability has a detrimental effect upon tax aggressiveness. However, profitability is not affected by the aggressiveness of taxes as compared to research carried out by Herlinda & Rahmawati (2021).

The size of the company is said to be the second element that determines tax aggressiveness. Toni & Anggara (2021) define the company size as a scale used to determine the size of a company based on total assets, revenue, and market capitalization. The size of a company can indicate its capacity to handle return actions and tax judgments (Leksono et al., 2019). The larger the firm, the more closely it is monitored by the government and stakeholders. This will result in one of two outcomes: either compliance with applicable rules or tax aggressiveness to maximize earnings. According to Dewi & Yasa (2020), company size has a positive effect on tax aggressiveness. While studies by Tiaras & Wijaya (2015), Harjito et al. (2017) and Leksono et al. (2019) imply that the scale of a company negatively affects its tax aggressiveness. The findings of the research undertaken by Masyitah et al. (2022), Herlinda & Rahmawati (2021), and Sanjaya et al. (2023) indicate that tax aggressiveness is not influenced by the magnitude of the organization.

Furthermore, capital intensity is regarded to be a third element that might influence tax aggressiveness. According to Sartono (2016) Capital intensity refers to the ratio of fixed assets, encompassing properties, plant equipment, and technology, to total assets. This ratio signifies the extent to which a company's total assets are comprised of immovable assets. Capital intensity is connected to tax aggressiveness since corporations with large amounts of fixed assets, pay less tax. This is due to the depreciation expenditure incurred as a result of owning these fixed assets, which will lower the company's tax burden. According to the findings of Sugeng et al., (2020), Efrinal & Chandra (2020), Capital intensity influences tax aggressiveness in a positive way. Meanwhile, Mariana et al., (2021) discovered that capital intensity had a negative impact on tax aggressiveness. Compared to the findings of Lestari et al. (2019) and Pratama & Suryarini (2020), Apriyanti & Arifin (2021) find that capital intensity has no influence on tax aggressiveness.

The study is a replication of the research of Leksono et al., (2019). The distinction between this study and earlier studies is that it adds capital intensity characteristics. Capital intensity is assumed to be capable of reducing annual tax payments owing to depreciation expenses. Capital intensity enables businesses to be tax aggressive through the acquisition of fixed assets, which are subject to depreciation costs. A substantial amount of depreciation can diminish a business's taxable income and, consequently, its tax liability. In addition, from 2017 to 2021, The research cohort consists of a publicly traded mining company on the Indonesia Stock Exchange. The aim of this research undertaking is to reassess the influence of capital intensity, profitability, and company size on tax aggressiveness. This reevaluation will consider the contextual framework, phenomena at play, and conflicting results from previous investigations.

This study's grand theory is agency theory. Agency theory describes a cooperative relationship between shareholders (principal) and management (agent) in which the principal delegated authority to the agent to operate the business and make decisions (Jensen & Meckling, 1976). Agency theory can be attributed to tax aggressiveness. Aggressive companies are reflected in the ETR value which tends to be low or can be said to be below the Corporate Income Tax rate. Shareholders (principal) will encourage management (agents) to carry out aggressive taxes with the aim of reducing the tax burden so that the net profit obtained is high so that the dividends obtained will also be high. Dayanara et al. (2019) explained the agency theory assumption, which is that everyone would act in their own best interests. Managers will operate as their own agents by acting opportunistically for their own benefit. Managers take opportunistic moves by boosting corporate profitability in order to receive the highest compensation for their leadership of the organization. These managers' activities may result in tax avoidance strategies.

In addition, agency theory can describe a conflict of interest between a fiscal (principal) and a company (agent). This is due to a conflict of interest where the fiscal (government) expects a high source of tax revenue, but on the other hand the company expects the highest profit. Companies are reluctant to pay taxes because they will reduce profits and try to do tax planning, to reduce the amount of tax paid to the state treasury (Safitri et al., 2022).

Profitability is a ratio that measures the overall effectiveness of management in generating profits associated with sales and investments (Fahmi, 2017). The investment referred to here can be linked to assets or equity. An indicator employed to quantify this ratio is Return On Assets (ROA), which represents the firm's rate of return on its entire portfolio of assets. As ROA increases, so does the capacity of the organization to generate profits from its assets. As the tax burden increases in direct proportion to the firm's earnings, the corporation may engage in tax planning through the reduction of the ETR value. According to Rodriguez & Arias (2012), ETR shows the comparison of tax expense with earning before income tax. ETR is the calculation of tax rates obtained from information on a company's financial statements. Companies are increasingly aggressive in decreasing their tax liabilities in order to minimize the value of this ETR, one of which is to save taxes in order to increase corporate profits. These gains can then be utilized to support future investments that will improve corporate profitability. Furthermore, according to agency theory, one of the benefits to management of being tax aggressive is that it can improve the pay received by the company's owners or shareholders. Previous studies that corroborate this idea include the findings of Prasista & Setiawan (2016), Leksono et al. (2019), and Mariana et al., (2021), which suggest that tax aggressiveness is negatively impacted by profitability. As indicated by the low ETR value, this indicates that a company will

be more proactive in reducing its tax expense as its profitability increases. Hypotheses may be formed based on the given framework and backed by various research, namely:

H₁: Profitability negatively affects tax aggressiveness

Large companies commonly possess substantial total assets in order to entice investors to make investments in the company. Additionally, it shows that the company is active and substantially more stable, which will result in a growth in the number of outstanding shares and significant earnings. There are potential signs of tax aggressiveness in the actions companies because higher earnings will also result in a higher tax burden (Herlinda & Rahmawati, 2021). Income tax is levied on the profits of companies that are affected by one of the company sizes. There is a correlation between the scale of an organization and its compliance with tax responsibilities. The ETR decreases as the scale of the organization increases. This is feasible due to the developed capacity of large corporations to allocate their resources more effectively for tax planning. Nevertheless, certain businesses are unable to engage in tax planning as a result of their limited comprehension of the relevant tax regulations and the relatively rapid rate of change in tax regulations in Indonesia. ETRs can be used to measure tax aggressiveness, this means a low ETR is indicative of tax aggressiveness inside the firm. To reduce their ETR, large corporations use excellent accounting techniques and conduct thorough tax planning (Rodriguez & Arias, 2012). Research by Tiaras & Wijaya (2015), Leksono et al. (2019) and Setyoningrum & Zulaikha (2019) demonstrating that company size negatively impacts tax aggressiveness are prior findings that support this idea. That is, as seen by its low ETR value, a company's size will encourage it to engage in tax aggressiveness strategies. Using the framework mentioned above and evidence from several investigations, the following hypotheses may be developed:

H₂: Company size negatively affects tax aggressiveness

Capital intensity is the amount of fixed assets divided by the total assets owned by the company (Lanis & Richardson, 2011; Widagdo et al., 2020). So it can be said that capital intensity describes how large the proportion of a company's fixed assets is from its total assets (Widagdo et al., 2020). When a company's fixed assets rise, it becomes more productive, resulting in more profits. Capital intensity is frequently stated as a description of a company's investment in fixed assets (Margaretha et al., 2021). Companies can engage in tax aggressiveness, classified as tax avoidance, by employing tax reduction facilities under Law Number 17 of 2021, article 6 paragraph 1b, such as depreciation of fixed assets as a deduction from company taxable income. If the firm has a lot of fixed assets, it will have a lot of depreciation charges. This depreciation expense reduces pre-tax profits, resulting in smaller taxable income. If the taxable income is lower, the income tax owing is lower as well, and the ETR value falls. Previous study findings that support this research idea include Mariana et al. (2021) and Kurniati (2021), Both indicate that tax aggressiveness is negatively correlated with capital intensity. In other words, organizations that possess substantial amounts of fixed assets and operate with a high capital intensity are inclined to adopt a proactive approach in mitigating their tax obligations through the deduction of depreciation from their taxable profit, which results in a lower ETR. Using the framework mentioned above and evidence from several investigations, the following hypotheses may be developed:

H₃: Capital intensity negatively affects tax aggressiveness

RESEARCH METHODS

This research employed a quantitative methodology. This study's populace consists of mining sector firms that were publicly traded on the Indonesia Stock Exchange between 2017 and 2021. By using the purposive sampling strategy, which involves choosing samples based on predetermined criteria, the researchers were able to gather 19 companies that satisfied the requirements throughout the course of a 5-year observation period, for a total of 95 samples (Table 1). In this research, documentation study is the technique of data collecting. Publicly traded mining companies on the Indonesia Stock Exchange provided secondary data for the development of this study. The audited financial statements of the companies published on the official website of the Indonesia Stock Exchange, www.idx.co.id, provide the data. The dependent variable of this study is tax aggressiveness. Meanwhile, the inde-

Table 1. Sample Selection Criteria

No.	Sample Selection Criteria	Total
1	Mining sector companies listed consecutively on the IDX during the 2017 research period-2021 (base year 2017)	41
2	Companies that suffered losses during the 2017-2021 period	(22)
3	Incomplete company data based on research needs	(6)
Total sample		19
Number of years of observation		5
Total samples observed		95

Table 2. Operational Definition and Measurement of Variables

Variables	Definitions	Measurement
Tax Aggressiveness	Tax aggressiveness is widespread tax planning that leads to a reduction in the amount of tax paid. In addition, tax aggressiveness is an aggressive corporate action in responding to tax obligations to the government so that the amount of tax paid to the state is getting less (Firmansyah & Estutik, 2021)	ETR = Total Expense / Earning Before Income Tax (Rodriguez & Arias, 2012)
Profitability	Profitability shows how the company's ability to generate profits and how to manage the company in making profits (Hutabarat, 2023)	ROA = Net Income After Taxes / Total Assets (Kasmir, 2017)
Company Size	Company size is a scale used to measure the size or size of a company seen based on total assets, sales and market capitalization (Toni & Anggara, 2021)	Size = Ln (Total Assets) (Masyitah <i>et al.</i> , 2022)
Capital Intensity	Capital intensity ratio is a comparison of total fixed assets to total assets owned by the company (Lanis & Richardson, 2011; Widagdo <i>et al.</i> , 2020)	CIR = Total Fixes Assets / Total Assets (Lanis & Richardson, 2011)

pendent variables are profitability, company size, and capital intensity. The following is explained the definition and measurement of variables in Table 2.

The current investigation utilized multiple regression analysis in order to assess the influence of the independent and dependent variables. Ghozali (2017) Regression analysis is a technique utilized to quantify the strength of the relationship between two or more variables and ascertain the direction of the relationship between the dependent and independent variables. The regression equation model employed in this investigation is shown by equation 1. Descriptive statistical tests, assessments of data normality, determination coefficient tests, and classical assumption tests are conducted prior to hypothesis testing. H_a is accepted in place of H_o if the significance value (P value) is less than 0.05. If the significance value (P value) is greater than 0.05, H_a is rejected in favor of H_o .

$$Y = \alpha + \beta_1 ROA + \beta_2 Size + \beta_3 CI + \epsilon \dots\dots\dots 1$$

RESULTS AND DISCUSSIONS

Descriptive statistics, described by Ghozali (2018), The mean, standard deviation, variance, maximum, minimum, total, range, kurtosis, and skewness should be utilized to summarize the data. Descriptive statistics are employed in this research endeavor to characterize variables, encompassing both independent and dependent variables. Version 25 of SPSS was utilized for this study. The data in Table 3 indicates that tax aggressiveness encompasses a range of values between 0.00 and 0.72, with an average value of 0.2762 and a standard deviation of 0.13828. The variability of the profitability variable is observed to be between 0.00 and 0.52, with an average value of 0.1225 and a standard deviation of 0.12047. The organization exhibits variability in length, spanning from 13.21 to 18.55, with a mean of 15.8736 and a standard deviation of 1.22367. The mean capital intensity is 0.3373 and the standard deviation is 0.19991; it ranges from 0.07% to 0.869%. Based on the findings of the descriptive statistical test, it can be concluded that the mean of the data is larger than its standard deviation, implying a reduced degree of variability. This is corroborated by the observation that the standard deviation is diminishing in magnitude relative to the mean, indicating that the mean value is more exact. As a result, it will signify reasonably favorable outcomes.

The classical assumption test is the initial procedure that precedes multiple linear regression analysis, as stated by Ghozali (2018). By ensuring that the test has successfully addressed issues such as data normality, multicollinearity, autocorrelation, and heteroscedasticity, the classical assumption test grants permission to proceed with linear regression analysis. According to Ghozali (2018), The purpose of the normality test is to determine whether the residuals or confounding variables in a regression model adhere to the characteristics of a normal distribution. The Kolmogorov-Smirnov test was utilized in this inquiry to assess the normality of the collected data. When a variable does not follow a normal distribution, the outcome of the test will be weakened. Once the significance value exceeds 0.05, it is stated that the data follows a normal distribution. Conversely, the data are considered torsion-

Table 3. Results of Descriptive Statistical Test

	N	Minimum	Maximum	Mean	Std. Deviation
Tax Aggressiveness	87	0	0.72	0.2762	0.13828
Profitability	87	0	0.52	0.1225	0.12047
Company Size	87	13.21	18.55	15.8736	1.22367
Capital Intensity	87	0.07	0.86	0.3373	0.19991
Valid N (listwise)					

Table 4. T-Test Results

	B	Std.Error	Beta	t	Sig.
(Constant)	0.009	0.200		0.047	0.963
Profitability	-0.505	0.121	-0.440	-4.177	0.000
Company Size	0.026	0.012	0.227	2.211	0.030
Capital Intensity	-0.232	0.079	-0.336	-2.940	0.004

deviant if the significance value is less than 0.05. In this study, the significance value of 0.200 is greater than 0.05, which indicates that the data follows a normal distribution.

Furthermore, Ghozali (2018) The multicollinearity test examines whether or not the regression model identified a relationship among the independent variables. Identification of multicollinearity symptoms is accomplished with a tolerance value exceeding 0.1 and a VIF score below 10. The independent variables in this study have tolerance values exceeding 0.010 and a VIF value falling below 10. The profitability variable has a tolerance value of 0.793 and a VIF value of 1.262. The VIF value for the firm size variable is 1,198, while the tolerance value is 0.835. The capital intensity variable has a tolerance value of 0.675 and a VIF value of 1.482. Consequently, it is feasible to deduce the absence of multicollinearity.

The subsequent test is the heteroscedasticity test, which determines whether the residuals of different observations in the regression model have unequal variances.(Ghozali, 2018). Histogram heteroscedasticity is absent from the regression model if the significance level exceeds 0.05. Heteroscedasticity is not observed in the regression model when the significance value exceeds 0.05. The significance values for business size (0.688), capital intensity (0.112), and profitability (0.070) indicate that heteroscedasticity is not an issue in this study as all independent variables possess significance values exceeding 0.05.

In order to ascertain whether confounding errors in period t and confounding errors in period t-1 were correlated in the regression model, the autocorrelation test was utilized as the final analysis (Ghozali, 2018). The Durbin-Watson value is 1.357. Since the Durbin-Watson value is between -2 and 2 ($-2 < 1.357 < 2$), it is possible to conclude that autocorrelation does not exist. After the data is free of testing classic assumptions, multiple regression analysis is performed. According to Ghozali (2018), regression analysis shows the direction of the link between the dependent variable and the independent variable in addition to quantifying the strength of the association between two or more variables. Testing this research hypothesis uses the partial t-test shown in Table 4.

Furthermore, the adjusted R² test, which evaluates the coefficient of determination, provides a quantitative assessment of the model's ability to explain the observed variability in the dependent variable across a range of values from zero to one. The value of the adjusted R² is 0.244. Capital intensity, profitability, and company size collectively account for 24.4% of the variance in tax aggressiveness; the remaining 75.6% is attributable to other variables that were not identified in the present investigation.

Profitability Negatively Affects Tax Aggressiveness

The profitability regression coefficient of -0.505 and the Sig. value of 0.000 are both below the conventional threshold of 0.05, as shown in Table 8. These results support the first hypothesis. This demonstrates an inverse relationship between tax aggressiveness and profitability. Return on assets utilized (ROA) serves as a metric to quantify the degree to which an organization can generate profits from internal assets. This ratio serves as a benchmark for evaluating how well management manages its investments. Table 2 shows that the average profitability descriptive statistical result is 0.1225 or 12.2%, indicating that the ROA value is generally pretty good. A high ROA number denotes a company that is doing well. The corporation will pay significant taxes as a result of having a high ROA value. This enables companies to carefully plan their taxes and be very aggressive in reducing the taxes they pay. The findings of Mariana et al. (2021), which demonstrate that profitability has a negative impact on tax aggressive behavior, are consistent with the findings of this study. Since the profitability variable has a negative impact, the ETR decreases as profitability increases. This implies that corporate taxes are more aggressive the higher the profits.

The findings of this study are also consistent with those of Prasista & Setiawan (2016) and Leksono *et al.* (2019) studies, which demonstrate the negative impact of profitability on tax aggressiveness. According to Ann & Manurung's (2019) research, tax aggressiveness is negatively impacted by profitability. The company will want to pay a smaller tax burden if it wants to increase earnings and efficiency. One probable explanation is that a profitable company successfully takes advantage of tax incentives and other tax benefits. Furthermore, Noor et al. (2010) explain the negative link between ROA and ETR, demonstrating that it is particularly advantageous companies to suffer a reduced income tax burden because they employ tax incentives and other taxation laws to minimize their taxable income, resulting in a lower ETR. According to Chen et al. (2010), companies with high profitability have the chance to position themselves in tax planning to lower their overall tax liability. Kurniati (2021) According to her research, businesses with a high ROA are more likely to engage in tax aggressiveness. Corporations have the opportunity to mitigate their tax liability through the application of paragraph 3 of article 4 of the income tax law, which pertains to non-income tax objects or income that is exempt from taxation. The results of this research further

support the theory of agency, which posits that governments (principals) and corporations (agents) have competing interests. The objective of businesses is to maximize profits while minimizing tax liability, whereas the objective of the government is to maximize corporate tax collection in order to increase state revenue.

Company Size Negatively Affects Tax Aggressiveness

The second hypothesis is denied in light of Table 8, as the regression coefficient for company size (0.026) and the significance value (0.030) are both below the threshold of 0.05. This finding suggests that the scale of a corporation positively impacts its propensity for tax aggressiveness. The greater the ETR value and the greater the company size, the less stringent the corporate tax environment. Large companies show that they are more stable and able to generate higher profits than small-scale companies. The larger the size of the company, the more it becomes the center of attention of the government and will cause a tendency to be compliant and not too aggressive towards its taxes. If you do tax avoidance, companies tend to choose in a legal way. This research is supported by Dewi & Yasa (2020) who discovered a correlation between tax aggressiveness and the scale of the company. Nevertheless, this contradicts the results reported by Tiaras and Wijaya (2015), Harjito et al. (2017), Leksono et al. (2019) and Setyoningrum & Zulaikha (2019) who found the negative impact of company size and tax aggressiveness, shows the impact of company size on tax aggressiveness is attributable to substantial assets accompanied by enough tax management capabilities to achieve optimal tax savings. The tremendous resources of a major corporation can be utilised to attain these objectives. Large assets may also improve business productivity, which has an effect on raising earnings for the company. The aggressive attitude of management toward its tax expense will be influenced by profit, which is directly proportional to the tax expense.

Capital Intensity Negatively Affects Tax Aggressiveness

The capital intensity regression coefficient of -0.232 and the Sig. value of 0.004 are both below the threshold of 0.05, as shown in Table 8. This indicates that the third hypothesis is validated. This demonstrates that tax aggressiveness is adversely affected by capital intensity. The inclusion of yearly depreciation charges in the company's financial statements enables it to reduce its tax liabilities. Capital intensity enables businesses to be tax aggressive through the acquisition of depreciation-cost fixed assets that constitute corporate capital. Significant depreciation expenses may be deducted from the corporation's tax liability. Therefore, a lesser ETR value signifies greater capital intensity, signifying that the organization is more proactive in its efforts to decrease its tax rate. The findings of Mariana et al. (2021) substantiate the findings of this research, which demonstrate an inverse correlation between the level of capital intensity and the ETR. The ETR decreases as capital intensity increases, due to the negative correlation between capital intensity and ETR. This indicates that a company's tax aggressiveness increases with its capital intensity. According to Noor et al. (2010), a negative correlation exists between capital intensity ratio and ETR. This is the result of tax preferences associated with fixed asset investments. Depreciation of property, plant, and equipment is permitted in accordance with the policy's estimated useful life. However, with regard to taxation preference, the useful life of fixed assets is generally lesser than what the organization had initially anticipated. An elongated useful life for fixed assets will inevitably lead to a diminished ETR for the organization (Kurniati, 2021).

CONCLUSIONS

The aim of this research undertaking is to conduct an empirical analysis and determine the relationship between profitability, capital intensity, and company size to tax aggressiveness. It was discovered that profitability was negatively correlated with tax aggressiveness. Capital intensity has an inversely proportional effect to tax aggressiveness. This second hypothesis, however, is refuted on account of the positive correlation between firm size and tax aggressiveness, which contradicts the established hypothesis. The empirical evidence presented herein substantiates the agency theory. This study makes a scholarly contribution to the field of taxation by investigating the correlation between capital intensity, profitability, and company size with regard to tax aggressiveness within the Indonesian mining industry. The limitations of this research focus on the financial scope and research objects only on the mining sector on the Indonesia Stock Exchange. Furthermore, this study solely examined the direct impact on tax aggressiveness for discussion. Given these limitations, it is suggested researchers can further investigate other variables thought to affect tax aggressiveness such as corporate social responsibility or deferred taxes. Researchers can consider non-financial factors in determining the causes of tax aggressiveness. Future researchers can use other variables as mediation or moderation variables. Furthermore, the tax aggressiveness variable in this study uses ETR proxies, researchers can then use other proxies such as Book Tax Difference (BTD), Residual Tax Difference (RTC), Cash Effective Tax Rate (CETR), and others.

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