AAJ ACCOUNTING ANALYSIS JOURNAL

Accounting Analysis Journal

https://journal.unnes.ac.id/sju/index.php/aaj

The Effect of CSR Disclosure, Firm Size, Capital Intensity, and Inventory Intensity on Tax Aggressiveness

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ARTICLE INFO

Article History:
Received October 31st, 2021
Accepted February 17th, 2022
Available February 20th, 2022

Keywords:
CSR Disclosure; Firm Size; Capital Intensity; Inventory Intensity; Tax Aggressiveness

ABSTRACT

The purpose of this study was to analyze the effect of CSR disclosure, firm size, capital intensity, and inventory intensity on tax aggressiveness. This study uses a population of 63 companies in the basic and chemical industrial sub-sector manufacturing companies listed on the Indonesia Stock Exchange (IDX) 2015-2018. The sampling technique in this study was the purposive sampling method, resulting in a final sample of 29 companies with 89 units of analysis after deducting 27 outlier data. This research uses descriptive statistical analysis method and inferential statistical analysis, namely multiple regression analysis. The results showed that partially CSR disclosure has a positive and significant effect on tax aggressiveness. Meanwhile, firm size, capital intensity, and inventory intensity do not affect tax aggressiveness. Simultaneously, all dependent variables affect tax aggressiveness. It can be concluded that CSR disclosure can determine the level of tax aggressiveness by the company. This means that the higher the CSR disclosure made by the company, the higher the level of tax aggressiveness carried out by the company.

INTRODUCTION

Every year, the realization of tax revenues in Indonesia has not yet met the set targets, even though the government has made various efforts to optimize tax revenues. One of the factors that causes tax revenues to be not optimal is the difference in perceptions of the two parties, where taxes are a source of revenue for the state, while from the taxpayer's perspective, taxes are a burden that can reduce company profits. This is evidenced by the number of companies as corporate taxpayers that seek to implement the practice of avoiding tax payments.

This tax avoidance practice can be in the form of active or passive resistance. Currently, it is active tax resistance that dominates the company's strategy to avoid its tax obligations. Active tax resistance has two types of strategies, namely in the form of tax avoidance (legal) and tax evasion (illegal). An action that makes an income that should be taxed being non-taxable is done by manipulating the income that is owned. This has been drafted either officially or not and is referred to as tax aggressiveness (Frank et al., 2009).

The phenomenon of companies trying to minimize the tax burden has occurred in Indonesia. Manufacturing sector companies are also not spared from tax aggressiveness. The problem with PT Coca Cola Indonesia, which is considered to be practicing tax avoidance. Quoted from the site (kompas.com), PT CCI has carried out tax avoidance practices amounting to Rp. 49.24 billion. The report was obtained from a search by the Directorate General of Taxes (DGT), it was found that the cost of product advertising was not small. This has an impact on the income of PT CCI which should be subject to tax to be reduced, resulting in the tax burden being paid also decreasing.

Previous research related to various aspects that have an impact on tax aggressiveness has shown mixed results. Research conducted by Andhari & Sukartha (2017) and Andhari & Sukartha (2017) as well as Hidayat et al. (2016) prove that there is a negative effect of CSR disclosure on tax aggressiveness. Meanwhile, Lanis & Richardson (2013), Siswianti & Kiswanto (2016), as well as Rodriguez & Arias (2013) stated that CSR disclosure has a positive effect on tax aggressiveness. Whereas, Mohanadas et al. (2019) stated that there is no effect of CSR disclosure on tax aggressiveness. Luke & Zulaikha (2016) and Salaudeen (2017) confirmed the effect of firm size in a negative direction on tax aggressiveness. Meanwhile, Rohmansyah (2017), as well

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DOI 10.15294/aaj.v10i3.51446 p-ISSN 2252-6765 e-ISSN 2502-6216

as Irianto & Wafirli (2017), stated that firm size has a positive effect on tax aggressiveness. Andhari & Sukartha (2017) and Rodriguez & Arias (2013) showed that capital intensity affects tax aggressiveness, positively. However, Novitasari et al. (2016), Rohmansyah (2017), and Irianto & Wafirli (2017) proved that there is no effect of capital intensity on tax aggressiveness. Research conducted by Rodriguez & Arias (2013) proves that inventory intensity affects tax aggressiveness, with a positive effect. Contrary to research conducted by Luke & Zulaikha (2016) which shows that there is a negative effect between inventory intensity and tax aggressiveness. Meanwhile, the findings of Andhari & Sukartha (2017) and Savitri & Rahmawati (2017) show that tax aggressiveness is not affected by inventory intensity.

The objective of this study is to examine the effect of CSR disclosure, firm size, capital intensity, and inventory intensity on the level of tax aggressiveness. The originality in this study lies in the use of independent variables together in one research model, namely CSR disclosure, firm size, capital intensity, and inventory intensity. The use of research objects that are different from previous research is presented in this research, where the researchers specifically take one of the sectors in manufacturing companies, namely basic and chemical industries. The reason for choosing the object is that the industry is one of the high profile industries that has visibility from stakeholders since its operating activities are in direct contact with broad interests and have a significant contribution to environmental problems.

This research is based on three theories, namely stakeholder theory, agency theory, and positive accounting theory. The first theory is stakeholder theory which defines that a company is an entity that moves not only to fulfill its own interests but can also be useful for its stakeholders, namely individuals or groups who have interests that can be influenced or affect the achievement of goals of a company (Freeman, 1984). This theory can affect companies to present their annual reports more broadly and more transparently for the sake of their business continuity (going concern). The survival of the company depends on the actions taken to get the support of its stakeholders. An action that can be taken by companies to get support from their stakeholders is by disclosing social responsibility.

Second, agency theory is put forward to explain the relationship between agents held by management and principals as shareholders (Jensen & Meckling, 1976). Agents (managers) tend to take opportunistic actions to achieve their own goals, namely obtaining good performance appraisals and large bonuses. The performance of a manager is assessed based on the performance of profit after tax, therefore company managers must be able to take steps and policies related to taxes that can save company expenses. This condition is one of the reasons that companies use to carry out tax aggressiveness, which is in order to be able to optimize company profits.

Third, positive accounting theory is a theory used to provide predictions related to accounting policies that companies want to determine at certain conditions and times (Watts & Zimmerman, 1986). This positive accounting theory discusses how a company chooses the accounting method used by considering the objectives to be achieved. This theory has 3 hypotheses that can be used to predict management's motivation in managing earnings, namely the bonus plan hypothesis, debt contracts, and political costs.

CSR is the main support in terms of maintaining the image and loyalty of the company in the eyes of its stakeholders. The company's performance should not only get optimal profit in order to meet the interests of shareholders but also need to pay attention to the interests of stakeholders to ensure business continuity (going concern) in the future. An explanation related to CSR carried out by a company is considered to have a positive impact on the good name and reputation of the company, while tax aggressiveness is considered negatively by the public because it reflects behavior that does not have social responsibility (Hidayat et al., 2016). Law No. 36 of 2008 concerning Income Tax contains regulations related to the tax treatment of costs and expenses in CSR activities. Company expenses related to CSR activities can be used as a deduction for the amount of tax payable. Therefore, companies that disclose CSR tend to take advantage of their CSR burden so that their taxable income is reduced. Studies conducted by Lanis & Richardson (2013), and Siswianti & Kiswanto (2016) show the significant effect of CSR disclosure on tax aggressiveness, with a positive direction.

H_1: CSR disclosure has a significant positive effect on tax aggressiveness

Firm size is used to indicate the size of the wealth (assets) owned by a company (Kuriah & Asyik, 2016). The number of assets owned by a company can affect its operating activities and the profits generated. In general, the bigger a company is, the greater its efforts to attract people's attention will be. The company's efforts to attract public attention can be in the form of increasing the company's profit performance. One of the practices to maximize the company's profit performance is through the implementation of tax aggressiveness. The greater the assets owned by the company, the level of productivity would also increase. Thus, the company's profits will increase and will affect the level of tax payments. Large companies will tend to have a broad scope to carry out proper tax planning and apply effective accounting practices to reduce ETR (Rodriguez & Arias, 2013).

Research by Kuriah & Asyik (2016) which examines the relationship between firm size and tax aggressiveness shows a significant effect of firm size on tax aggressiveness, in a positive direction. The research result of Rego & Wilson (2012) also shows similar results, namely, there is a significant positive effect between firm size and ETR.

H_2: Firm size has a significant positive effect on tax aggressiveness

Capital intensity is a form of investment carried out by the company in the form of fixed asset investment. According to Andhari & Sukartha (2017), capital intensity describes the amount of company wealth invested in the form of fixed assets that can be used by the company for production activities and generate profits. The company's investment in the form of fixed assets can result in depreciation expense. The high intensity of fixed assets in the company will result in high depreciation costs. Companies that have a high depreciation expense will benefit from the taxation side because the depreciation expense on fixed assets is included in the deductible expense in taxable income. The amount of depreciation expense for the fixed asset in tax regulations in Indonesia depends on the classification of fixed assets itself. The positive accounting theory has provided an option to take advantage of existing accounting policies to increase the amount of profit, while investing in fixed assets, companies are allowed to use depreciation methods that are in accordance with preferences and can support the achievement of management interest fulfillment. A study conducted by Andhari & Sukartha (2017) which examines the relationship between capital intensity and tax aggressiveness shows that companies that have high capital intensity will result in a higher level of tax aggressiveness. The research result of Rodriguez & Arias (2013) also shows the same result, namely, there is a significant effect of capital intensity on tax aggressiveness, in a positive direction.

H_3: Capital intensity has a significant positive effect on tax aggressiveness

Inventory intensity is part of the capital intensity, which describes the activities carried out by the company, especially related to inventory investment. Inventory intensity can show management performance in managing inventory efficiently. With the higher inventory intensity, the company will be more effective and efficient in managing inventory, and conversely. If the inventory turnover is too slow, there can be too long hoarding in the inventory warehouse. This can result in an increase in the company's operational costs, such as the cost of maintaining and storing inventory. Companies that choose to invest in inventory will result in storage and maintenance costs of inventory, which can cause the company's expenses to increase so that it can reduce profits (Savitri & Rahmawati, 2017). The company's high inventory intensity will make its tax obligations more aggressive. The company will strive for cost efficiency so that it is expected that the company's profit will increase in the next period. Positive accounting theory can provide options for companies to invest in inventory in the hope of getting benefits and increasing profits in the next period. Studies conducted by Luke & Zulaikha (2016) and Rodriguez & Arias (2013) which examine the relationship between inventory intensity and tax aggressiveness show that there is a significant effect of inventory intensity on tax aggressiveness.

H_4: Inventory intensity has a significant positive effect on tax aggressiveness

Positive accounting theory explains management behavior in a company related to the use of accounting policies in the preparation of corporate financial statements. Positive accounting theory presents accounting policy options and uses accounting policies to increase profits. The application of accounting policies can depend on the relative cost and usefulness of the procedures to be used to optimize company performance. This causes management to tend to determine which accounting policies can provide benefits for the company.

CSR disclosure can affect the high low of the tax aggressiveness level of a company. CSR disclosures can be used by companies to cover up the bad image of companies that carry out tax aggressiveness. Likewise, the size of the company can affect the size of the company's tax burden. In general, a large company will have large assets so that the company's productivity can increase and will affect the amount of tax payable. Large companies will generally use existing resources and adopt effective accounting practices to reduce their tax burden. Inventory intensity can also affect the level of corporate tax aggressiveness. The high intensity of inventory will cause additional costs of inventory storage and reduce the profit of a company so that the total tax burden borne will decrease. Likewise, the intensity of capital seen based on the size of the company's fixed assets will cause depreciation costs and can be used as a deduction for taxable income. So that the higher the fixed assets owned by the company, the higher the depreciation expense, the lower the tax burden.

H_5: CSR disclosure, firm size, capital intensity, and inventory intensity have a significant effect on tax aggressiveness

RESEARCH METHODS

Quantitative research methods by utilizing secondary data were used in this research. Basic and chemical industry companies listed on the Indonesia Stock Exchange in 2015-2018 were the population in this study. The purposive sampling technique was applied in the selection of samples so that 29 companies were obtained with 89 analysis units. The criteria used in sampling are listed in Table 1.

CSR disclosure, firm size, capital intensity, and inventory intensity were the independent variables used in this study. Meanwhile, the tax aggressiveness variable was used as the dependent variable. The operational definition of each variable is presented in Table 2.

The data collection technique applied in this research was a documentation study. Descriptive statistical analysis, classical assumption test, and multiple linear regression were data analysis techniques applied in this study. The data were processed using the IBM SPSS 21 application. The 5% significance level was used as the basis for decision-making. The regression model is formulated in equation 1.

$$CETR = \alpha + CSRI + SIZE + CI + INV + \varepsilon \quad ......(1)$$

RESULTS AND DISCUSSION

The result of the descriptive statistical analysis of tax aggressiveness, CSR disclosure, firm size, capital in-

Table 1. Sampling Criteria

No	Company Identification	Beyond Criteria	Included Criteria
1	Basic and chemical industrial manufacturing companies listed on the Indonesia Stock Exchange in 2015-2018		69
2	Companies that did not disclose annual reports during 2015-2018	(6)	63
3	Companies that suffered losses between 2015-2018	(24)	39
4	Companies that did not have complete data related to research variables	(10)	29
	Companies selected as samples		29
	Observation year		4
	Number of research analysis units		116
	Outlier Data		(27)
	The final number of research analysis units		89

Source: Secondary data processed, 2020.

tensity, and inventory intensity are in Table 3. The result of the descriptive statistical test in table 3 shows that the standard deviation values of the CSR disclosure, firm size, capital intensity, and inventory intensity are smaller than the mean values, which indicates that the data on these variables are less varied or there is no large gap from the highest and lowest value. This indicates that the data on the CSR disclosure, firm size, capital intensity, and inventory intensity are said to be quite good because they have small data heterogeneity (diversity), or homogeneous data, which indicates that the sample is in the area of the average calculation and has a low level of deviation. The value of the standard deviation of the tax aggressiveness variable is greater than the mean value, which shows that the data distribution on the tax aggressiveness variable has a fairly large data heterogeneity (diversity) so that the data on this variable can be said to be less good.

The feasibility of the regression model in the study can be determined through the classical assumption test. The Kolmogorov-Smirnov (K-S) normality test produces a value of 0.906, which is greater than alpha 0.05, so it is concluded that the data distribution in this study is normal. The multicollinearity test in this study shows that the data is free from multicollinearity symptoms because all independent variables have a VIF number < 10

Table 2. Operational Definition of Variables

No	Variable	Operational Definition of Variable	Indicators
1	Tax Aggressiveness (CETR)	CETR can explain corporate tax avoidance activities because through CETR can be seen how much tax is paid by the company through cash flow statements. Source: Dyreng, *et al* (2010)	$CETR = \frac{\text{Income Tax Payment}}{\text{Profit Before Tax}} \times -1$ Note: The CETR value in this study is multiplied (-1) to ease in presenting the result. Novitasari *et al.,* (2016), Rego & Wilson, (2012)
2	CSR Disclosure (CSRI)	CSR disclosure is the overall economic, social, and environmental activities carried out by the company, then compared with the number of items proposed by GRI-4 as many as 91 items (Andhari & Sukartha, 2017).	$CSRI = \frac{\text{Number of items disclosed}}{\text{91 disclosure items}}$ (Andhari & Sukartha, 2017)
3	Firm Size (SIZE)	Firm size is a scale that is used to classify the large-small size of a company and can also be seen from the total assets of the company (Rohmansyah, 2017).	*Size* = Ln (Total Asset) (Rohmansyah, 2017)
4	Capital Intensity (CI)	Capital intensity is an investment activity owned by a company related to investment in the form of fixed assets (Novitasari *et al.,* 2016)	$CI = \frac{\text{Total Fixed Asset}}{\text{Total Asset}}$ (Novitasari *et al.,* 2016)
5	Inventory Intensity (INV)	Inventory intensity is an investment activity carried out by the company in the form of inventory (Savitri & Rahmawati, 2017).	$INV = \frac{\text{Total Inventory}}{\text{Total Assets}}$ (Andhari & Sukartha, 2017)

Source: Various Processed Sources, 2020

and a tolerance number > 0.10. The result of the heteroscedasticity test shows no symptoms of heteroscedasticity in the research model since the result of the white test shows that the c2 count value is 13,795 and smaller than the c2 table of 110,898. The autocorrelation test shows the Durbin-Watson (DW) value of 2,018. This value is greater than the value of dU and less than 4-dU (1.7501 < 2.018 < 2.2499), so it can be concluded that this study escapes from the symptoms of autocorrelation.

The research result shows that the data have passed the normality test and also the classical assumption test, then continued with hypothesis testing. Multiple linear regression is used to test the research hypothesis. The result of the multiple linear regression test is concluded in equation 2 and the result of hypothesis testing is summarized in table 4.

CETR = -0.207 + 1.170 CSRI – 0.025 SIZE – 0.047 CI + 0.362 INV ....(2)

Table 3. Descriptive Statistics

	N	Min	Max	Mean	Std Deviation
AP	89	-.79	-.04	-.2918	.14879
CSRI	89	.08	.32	.1967	.04709
Size	89	11.80	18.44	14.6559	1.58410
CI	89	.17	.82	.4611	.17204
INV	89	.02	.41	.1952	.10339
Valid N (listwise)	89				

Source: Processed Data, 2020

The Effect of CSR Disclosure on Tax Aggressiveness

The first hypothesis, which states that there is a significant positive effect of CSR disclosure on tax aggressiveness, is accepted. CSR disclosures made by the companies tend to provide an opportunity for management to do tax aggressiveness. The higher the CSR disclosure in a company, the higher the aggressiveness done by the company. CSR and tax aggressiveness are contradictory concepts. CSR is defined as a socially responsible activity, while tax aggressiveness is an activity that does not have social responsibility. Companies that carry out high CSR disclosure are considered to have a high concern for the welfare of the community. Therefore, the companies that carry out CSR disclosures also tend to do greater tax aggressiveness since CSR disclosure is used as a diversion so that the companies carry out wider CSR disclosures to obtain a positive image from stakeholders.

This research also provides empirical evidence that there is a positive relationship between CSR disclosure and tax aggressiveness, supporting the agency theory which states that between shareholders (principals) and management (agents) there is a relationship caused by the existence of a single contract that can efficiently affect various matters relating to the performance of a company, one of which is regarding the company's tax rules. The relationship between CSR disclosure and tax aggressiveness is found in the company's main achievement, which is to continue to generate profit as maximum as possible without compromising its social and environmental responsibility (Siswianti & Kiswanto, 2016). Management considers tax burden as a deduction of corporate profits and can reduce performance assessment in the eyes of shareholders and investors, therefore management will take various actions to minimize the corporate tax burden. CSR disclosure carried out by the company is intended to cover up the company's bad image so that it looks as if the company looks good because it has fulfilled its social responsibility obligations and to get support from stakeholders in order to maintain the company's survival (going concern).

The result of this research is supported by research conducted by Lanis & Richardson (2013), which in their study revealed a significant relationship between CSR disclosure and tax aggressiveness positively. This research is also supported by the research result of Siswianti & Kiswanto (2016), where this research reveals that with the increasing number of CSR disclosures carried out by the company, the company will be more aggressive towards its tax obligations.

The Effect of Firm Size on Tax Aggressiveness

The second hypothesis, which states that firm size has a significant positive effect on tax aggressiveness, is rejected. The result of the study indicates that firm size affects tax aggressiveness, with a negative effect direction. The larger the size of a company, the greater the effort that must be made to attract public attention so that it is seen as a good company. One of the efforts that

Table 4. Summary of Hypothesis Testing

No	Hypothesis	β	Sig	Result
1	CSR disclosure has a significant positive effect on tax aggressiveness	2.957	0.004	Accepted
2	Firm size has a significant negative effect on tax aggressiveness	-2.053	0.043	Rejected
3	Capital intensity has a significant positive effect on tax aggressiveness	-0.441	0.682	Rejected
4	Inventory intensity has a significant negative effect on tax aggressiveness	1.981	0.051	Rejected
5	CSR disclosure, firm size, capital intensity, and inventory intensity have a significant effect on tax aggressiveness		0.009	Accepted

Source: Processed Data, 2020

can be implemented by the company to attract the attention of the public is to improve its good name and avoid various things that can make the company's good name worse. The bigger the company, the company certainly does not only think about profits but also thinks about the sustainability of its business (going concern).

One effort that can be made by the company to maintain its good name is by minimizing tax aggressiveness since tax aggressiveness is a disgraceful behavior in the eyes of stakeholders and can reduce the company's good name. In addition, large companies that generate large earnings and always experience an increase in earnings will get greater attention from the government and also the tax authorities to be taxed in accordance with applicable regulations. This happens due to the large resources owned by the company will also increase the amount of the company's tax burden.

The result of this research is in line with the research of Luke and Zulaikha (2016) which reveals that the larger the size of a company, the lower the tax aggressiveness. This result indicates that large companies tend to choose to maintain the good name of the company by minimizing tax aggressiveness for the sake of the company's business continuity.

The Effect of Capital Intensity on Tax Aggressiveness

The third hypothesis in the research, which states that capital intensity has a significant positive effect on tax aggressiveness, is rejected. This is evidenced by the result, which indicates that tax aggressiveness is not influenced by capital intensity. Fixed assets belonging to the sample companies studied may be identified as not being used for tax aggressiveness. This condition can also be interpreted that the presence or absence of the company's fixed assets does not have an impact on the company to continue to do tax aggressiveness.

The cause of the ineffectiveness of the capital intensity variable is presumably because the sample companies have an investment in fixed assets, which tend to be low so the depreciation expense contained in the company's fixed assets is not able to help the company in doing tax aggressiveness. Another reason is that many of the fixed assets belonging to the sample companies are allegedly used for the company's operational activities and are not the only way that can help the company in making tax savings.

The result of this study is contrary to positive accounting theory, which offers various choices of accounting policies to increase profits through investment in fixed assets, by utilizing depreciation expense to minimize tax burden so that the company obtains maximum profit. The researchers suspect that the company's fixed assets are not able to affect the company's tendency to do tax aggressiveness since companies that have a high level of investment in fixed assets are basically used for company operations that can increase company profits, not intentionally to reduce the company's tax burden by utilizing depreciation expense that appears on the fixed assets.

Previous research that shows a similar result that capital intensity also does not affect tax aggressiveness is research conducted by Savitri and Rahmawati (2017) who use agency theory in their research shows that there is no significant effect between capital intensity and tax aggressiveness. The result of the research shows that companies with a high level of fixed asset intensity use their fixed assets only for the company's operational purposes, not to avoid taxes.

The Effect of Inventory Intensity on Tax Aggressiveness

The fourth hypothesis in this research, which is inventory intensity has a significant negative effect on tax aggressiveness, is rejected. This is evidenced by the result, which explains that tax aggressiveness is not affected by inventory intensity. The company's investment activities in inventory in the sample companies studied may be identified as not being used to carry out tax aggressiveness. This condition can also be interpreted that the presence or absence of inventory investment belonging to a company does not have an impact on the company to continue to take tax aggressiveness actions.

The cause of the ineffectiveness of the inventory intensity variable is presumably because the sample companies on average have moderate inventory investments so that the storage and maintenance expenses that arise due to inventory investment are not able to affect the company in carrying out tax aggressiveness. The result of this research is also not in line with the positive accounting theory of the political cost hypothesis. This is due to the finding of this research does not indicate that companies tend to reduce current profits in order to increase profits in the next period by utilizing expenses arising from investment activities in inventories. The researchers assume that the inventory owned by the company cannot affect the company to carry out tax aggressiveness because companies with high inventory levels are used for sale in their operational activities to increase company profits not to do tax aggressiveness actions.

The finding of previous research that is in line with the result of this research is research conducted by Andhari & Sukartha (2017). The result shows that there is no significant effect between inventory intensity and tax aggressiveness. The inventory intensity done by the company is part of investment activities and is not the appropriate way to do tax aggressiveness actions.

The Effect of CSR Disclosure, Firm Size, Capital Intensity, and Inventory Intensity on Tax Aggressiveness

The fifth hypothesis in this study is that CSR disclosure, firm size, capital intensity, and inventory intensity have a significant effect on the aggressiveness of the tax received. This fact is evidenced by the result showing that CSR disclosure, firm size, capital intensity, and inventory intensity simultaneously affect tax aggressiveness. The research finding proves that companies can utilize these variables together to do tax aggressiveness actions. A company has succeeded in utilizing the gaps in tax regulations through CSR disclosure, firm size, capital intensity, and inventory intensity so that the tax burden paid by the company to the government is getting smaller.

CONCLUSIONS

The tax aggressiveness of basic and chemical industry companies will increase when companies have high CSR disclosures. However, companies with relatively large sizes will have less possibility of tax aggressiveness, and the smaller the size of the company, the greater the possibility of tax aggressiveness.

Suggestions for further research can use other alternative proxies to measure the variables of capital intensity and inventory intensity because these two variables do not support the hypothesis test in this study. The second suggestion is that the variables of capital intensity and inventory intensity with the same proxy in this study can be used to re-examine their effect on tax aggressiveness with different research samples because these two variables are less able to describe the intensity of the sample companies.

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