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Tax Aggressiveness Determinant: Evidence on Consumer Non-Cyclicals Sector

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Abstract: Tax Aggressiveness can be interpreted as minimising the tax expenses paid aggressively. The primary goal of this research is to analyse and acquire proof of the influence of related party transactions, advertising expenses, and executive compensation on tax aggressiveness at companies from the consumer non-cyclical sector listed on the Indonesia Stock Exchange from 2017 until 2021. The method used for sample selection is purposive sampling, which obtained 18 samples, totalling 90 observations. The research used a quantitative approach and panel data regression analysis technique. The outcomes of this research show that related party transactions, advertising expenses, and executive compensation simultaneously influence tax aggressiveness. According to the partial test, the results showed that the related party transaction negatively influences tax aggressiveness. In contrast, advertising expenses and executive compensation do not influence tax aggressiveness.
Keywords: Tax Aggressiveness; Related Party Transaction; Advertising Expenses; Executive Compensation.

Abstrak: Agresivitas Pajak dapat diartikan sebagai tindakan meminimalkan beban pajak yang dibayarkan secara agresif. Penelitian ini memiliki tujuan utama yaitu untuk melakukan analisis dan mendapatkan bukti dari pengaruh transaksi pihak berelasi, biaya iklan, serta kompensasi eksekutif terhadap agresivitas pajak pada perusahaan yang terdaftar di Bursa Efek Indonesia periode 2017 hingga 2021 di sektor non-siklus konsumen. Metode yang digunakan dalam pemilihan sampel adalah *purposive sampling* dan diperoleh sebanyak 18 sehingga berjumlah 90 observasi. Pendekatan kuantitatif dan analisis regresi data panel digunakan sebagai teknik analisis pada penelitian ini. Penelitian ini menunjukkan hasil bahwa transaksi pihak berelasi, beban iklan, dan kompensasi eksekutif secara simultan memberikan pengaruh terhadap agresivitas pajak. Berdasarkan uji parsial diketahui bahwa variabel transaksi pihak berelasi memberikan pengaruh negatif terhadap agresivitas pajak, di sisi lain variabel biaya iklan dan kompensasi eksekutif tidak memberikan pengaruh terhadap agresivitas pajak.
Kata Kunci: Agresivitas Pajak; Transaksi Pihak Berelasi; Beban Iklan; Kompensasi Eksekutif.

INTRODUCTION

Tax revenue is one of the primary sources of national revenue. Tax revenue generated by the state is one of the important aspects of ensuring the continuity of development in state expenditure financing to cover all the community's necessities. Indonesian government always strives to maximise revenue growth by increasing compliance and enforcing the law for taxpayers. One of the crucial issues in Indonesian taxation is taxpayer compliance because it can significantly influence state tax revenues (Kurnia & Fajarwati, 2022). One of the failures in achieving tax revenue occurs because many companies do not make tax payments. Companies often consider that tax payments are an expense that will cut the company's profits (Ummah & Rohmatul, 2022).

The sector consumer non-cyclical is a part of the IDX-IC sectors that focuses on producing goods and services that consumers, such as retail food and beverage staples, agricultural products, tobacco, processed foods, household products, and personal care products, always need. This sector can make the most significant contribution to the growth rate of gross domestic product compared to other sub-sectors because the sector consumer holds support in the daily life of the Indonesian people. According to (Agustin, 2022), this sector can encourage economic growth or Gross Domestic Product (GDP), absorb labour, increase exports, and increase investment activity. In 2019, this sector experienced an increase compared to the previous year. This was due to export activities, which increased by 13.940 per cent (Dimas, 2021). As a result of the pandemic of Covid-19, the activities for the manufacturing sector, including the consumer non-cyclical sub-sector, decreased in 2020 due to an effort to deal with COVID-19, resulting in a decrease in demand and a halt in operations for several companies. This decrease in demand can encourage companies to reduce activities in purchasing capital goods at the fastest rate (Apriyanto, 2020).

The consumer non-cyclical sector is one of the mainstays in state tax revenues because this sector positively contributes to maximising tax revenues. Tax revenue in 2021 from the manufacturing or processing industry sector has grown by up to 45.100 per cent, so this sector is one of the leading sectors in tax revenue because it can contribute as much as 29 per cent (Dian, 2022). However, with an increase to a drastic decrease, as happened in 2020, it has decreased from the previous year, and an increase in 2021 can affect a large tax ratio. The tax ratio calculates state tax revenue that can be measured by the ratio of national income from the tax sector to gross domestic product (Istiqomah & Trisnaningsih, 2022). The tax ratio can show the taxes the government collects from economic activities.

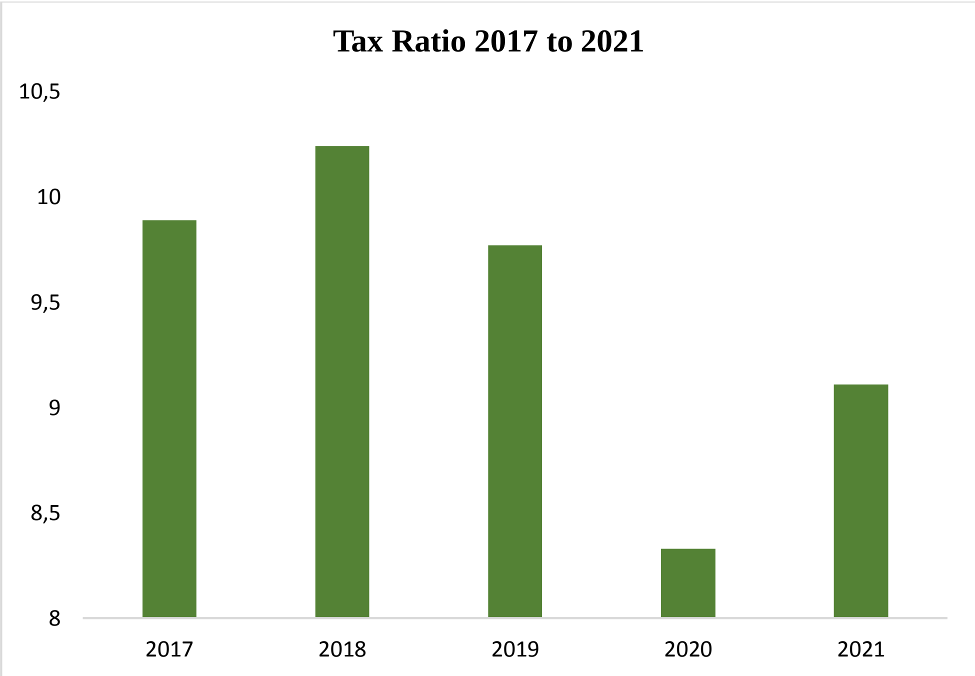

Figure 1. Tax Ratio Indonesia in the span of 2017 to 2021
Source: Katadata, 2022

Figure 1 illustrates that taxes to GDP (tax ratio) have increased and decreased along with economic activity as measured by GDP. In this case, COVID-19 is one of the factors in the low value of the contribution to GDP in the consumer non-cyclical sector, so economic dynamics occur, which can affect the value of the tax ratio. **Figure 1** reveals that in 2017, the tax ratio figure was 9.890 per cent; there was an increase in 2018, namely 10.240 per cent, then there was a decrease again in 2019, namely 9.760 per cent and 8.330 per cent in 2020. The tax ratio is believed to improve again in 2021 by 9.110 per cent because the government is trying to carry out economic recovery and reforms in taxation. A decrease in the tax ratio can lead to tax violations, including aggressively minimising the tax expenses to avoid losses to the company.

Depending on the background above, the researcher is interested in using companies from the non-cyclical consumer sector or primary consumers listed at the Indonesian Stock Exchange as research objects. This sector can provide a relatively high contribution of 30 per cent to tax revenues compared to other sub-sectors. However, the gross domestic product growth showed unstable results, which indicates that the level of tax ratio received is still not optimal. It will affect the instability of income earned by the company. This can lead to efforts to minimise the tax expenses of several companies whose goal is to avoid losses.

One strategy to lessen company profits is tax planning, which reduces tax expenses by being aggressive (Amrie & Riska, 2021). The practice of tax aggressiveness can reduce the amount of tax paid so that the company will experience savings on the costs paid. However, aggressively minimising tax expenses will reduce the government's tax revenue target.

Aggressive tax minimisation actions can be carried out by companies so that if done continuously, tax violations will occur, as in one of the consumer non-cyclical sector companies, namely the company Bantoel Internasional Investama, which committed tax violations by a tobacco company named BritishAmericanTobacco (BAT) through the company Bantoel Internasional Investama on 8 May 2019, reported by the Tax Justice Network who says that BAT had shifted some of its revenues outside Indonesia with two approaches. First, through intra-company loans from 2013 up until 2015. Second, they make royalty, fee and service payments to the UK. Therefore, these actions can impact the state, causing a loss of US$ 14 million per year (Benedicta & Herlina, 2019).

According to the phenomenon, several factors can show tax aggressiveness. Tax aggressiveness results from tax planning executed by companies to decrease tax expenses. However, if tax planning is carried out aggressively to minimise the tax expenses by companies, it can reduce state revenues. Based on previous research, factors that can show tax aggressiveness are related party transactions, advertising expenses and executive compensation.

(Santoso & Utami, 2023) claim that related party transactions positively influence tax aggressiveness. The research reveals that increasing related party transactions will increase corporate tax aggressiveness. However, this differs from the study by (Ellyani & Hudayati, 2019), who claimed no significant influence between related party transactions on tax aggressiveness. The study's outcomes stated that the greater the RPT value, the lower the level of corporate tax aggressiveness.

Research by (Diandra & Hidayat, 2020) shows a significant influence between advertising expense and tax aggressiveness. On the other hand. Research by (Rahman & Utami, 2021) shows that advertising essences do not influence tax aggressiveness because companies incur advertising costs not to reduce taxable profits but to market their products to the public.

As mentioned (Riswandari & Bagaskara, 2020), executive compensation positively influences tax aggressiveness. The research states that extreme compensation awarded to executives or management may be one of the company's ways of tax aggressiveness.

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However, this opposes the study by (Kurnia et al., 2019); (Cahyono & Saraswati, 2022), who show that executive compensation does not influence tax aggressiveness. The study states that the executive board's compensation, especially in Indonesia, is less motivating when making tax decisions for companies.

The novelty and variation between this research and the previous research is that this research applies to the latest industrial sector classification, namely the IDX-IC, which updates the previous classification, namely the Jakarta Stock Industrial Classification (JASICA). Consumer cyclical companies were chosen because this sector is always needed by society. Apart from that, the non-cyclical consumer sub-sector is the sub-sector that has the most multinational companies that are used in this research variable. According to the study performed by (Santoso & Utami, 2023) there were limitations faced, namely that it did not show the value of the coefficient determinant produced on the dependent variables used, namely Good Corporate Governance, Leverage and Related Party Transactions using the CETR proxy. Therefore, based on the existing gap, the researcher added and changed the variables and proxies used as the dependent variable (tax aggressiveness), namely BTD proxy, to obtain more developed and comprehensive results.

THEORETICAL REVIEW

Agency Theory. Agency theory is an agreement involving one or more parties, namely between the agent and the principal, in carrying out an activity for them through the involvement of the delegation of some authority during the decision-making process for the agent (Jensen & Meckling 1976). An agency relationship is formed when an individual with shareholders as principals hires other individuals as agents. According to (Sugeng, 2022), The concept of agency theory highlights the distinction between owners and management of the company in maximising their interests. Agency theory relies on agency problems that arise when company control is separated from its ownership, giving rise to conflicting interests.

Agency theory is used in this study to adjust conflicting interests and maximise the principal's objectives in tax revenue. Principals want tax payments by the rules, but agents often have difficulty paying taxes because this will reduce their profits. Therefore, an agent will take an act of tax aggressiveness to maximise company profits.

Tax Aggressiveness. Tax aggressiveness represents efforts to minimise tax obligations through tax planning (Amrie & Riska 2021). The use of tax aggressiveness is shared within the corporate world, intended to minimise corporate tax obligations; this approach has drawn public criticism for failing to align with public expectations and causing harm to the government (J. Gunawan, 2017). However, tax aggressiveness can reduce the tax paid to the state because companies are too aggressive in responding to tax obligations to the government. In agency theory, tax aggressiveness is a moral hazard whereby agents aim to lower tax liabilities to enhance company profits (Sri Utaminingsih et al., 2022).

Actions of tax aggressiveness in companies have advantages and disadvantages. One is tax savings, made by making cash tax savings owned by shareholders more extraordinary (Kevin et al., 2021). Meanwhile, according to (Dewi & Oktaviani, 2022), there is a disadvantage in carrying out tax aggressiveness; the company will receive a penalty for violating tax regulations, which will impact the company's public perception the company's damaged reputation results in a decrease in its stock price and company value. The book-tax difference (BTD) serves as tax aggressiveness's proxy. A positive BTD value indicates a company's tax aggressiveness.

Related Party Transaction. Based on Statement of Financial Accounting Standards No. 7 of 2022 issued by the Indonesian Institute of Accountants (IAI), related party transactions represent the protection of services, resources, or duties between reporting entities and their parties that are related, with or without a price being charged. According to (Anggala & Basana, 2020), related party transactions are special parties who can control parties that have significant influence in the process of financial and operational decision-making; such transactions can be completed among organisations and their subsidiaries, owners, affiliates, company directors or entity owners, and corporate families.

Advertising Expenses. Advertising expenses are a company activity that incurs expenses for product promotion and marketing products or services (Diandra & Hidayat, 2020). Advertising costs incurred by companies can increase company costs, but advertising on products or services can increase the demand for the services or products provided by the company. According to (Vera et al., 2022), advertising is a method of promoting a product that is most effective when used by companies to reach customers, so there are several company objectives in carrying out promotions using advertising methods, namely to market a product or service, provide product information to the public, as well as to build a corporate image.

Executive Compensation. Executive compensation is given to the company's key management through rewards or awards for their efforts and thoughts (Tinaldi et al., 2022). Maximising the profits for the owner or shareholder is one of the executive's primary responsibilities; as a reward, the executive will receive compensation according to their performance (Fen & Riswandari, 2019). According to (Hendrianto et al., 2022), the purpose of providing compensation to executives is to motivate executive officials to increase productivity and performance of the company that is in harmony with the performance of the expected targets.

Hypothesis Development. Hypothesis development is a researcher's basic estimate of a problem to be studied. A hypothesis is proven empirically through hypothesis testing with data obtained during research (Umi et al., 2020). The variables related to party transactions, advertising expenses, and executive compensation were the independent variables in this research. The hypothesis for this research is formed as follows.

The Effect of Related Party Transaction on Tax Aggressiveness. Related party transactions are special parties that can control parties significantly influencing financial and operational decisions. Such transactions can occur among organisations and their subsidiaries, owners, affiliates, company directors or entity owners, and corporate families (Anggala & Basana, 2020). In conducting related party transactions, companies often minimise the costs involved in debt transactions, so this will generate profits for the company. Based on agency theory regarding contracts between one or several principals, it can give rights to agents regarding company activities in making a decision, one of which agents can carry out related party transactions with the company as much as possible so that the agent can control the company's finances, by taking actions to minimise expenses tax aggressively. Based on previous research by (Ann & Manurung, 2019), proxies used on related party transaction variables are related party debt transactions to the company's total assets.

H1: Related Party Transaction has a positive effect on tax aggressiveness.

The Effect of Advertising Expenses on Tax Aggressiveness. Advertising expenses are a cost incurred by companies in increasing the market share of their products by

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promoting and expanding information about products or services in a company. Large companies in Indonesia often carry out large-scale promotions so that the products they produce can be recognised by the public, reducing the profit generated and the tax expenses incurred. In this case, advertising expenses can increase the costs incurred by a company. The advertising expenses variable uses a proxy for measuring the value of advertising cost to total sales (Rahman & Utami, 2021).

H2: Advertising Expenses have a positive effect on tax aggressiveness.

The Effect of Executive Compensation on Tax Aggressiveness. Executive compensation refers to compensation provided to the company's key management as awards or recognition for their efforts and thoughts (Tinaldi et al., 2022). Providing executive compensation can motivate executives to increase company productivity and performance because they are in accordance with the expected targets (Hendrianto et al., 2022). Executives and managers often do various ways to get significant compensation from companies, one of which is by increasing the productivity and performance of the company in order to increase company profits so that increasing a company's profits has a good impact on the company and executives. The greater the compensation awarded to executives, the higher the level of tax aggressiveness. However, if you provide low compensation to executives, executives will be driven to lower the company's tax expenses. Executive compensation can be examined through natural logarithm measurement of the total compensation gained by executives during a year (Kurnia et al., 2019).

H3: Executive compensation has a positive effect on tax aggressiveness.

The theoretical framework, as explained above, is represented in **Figure 2**.

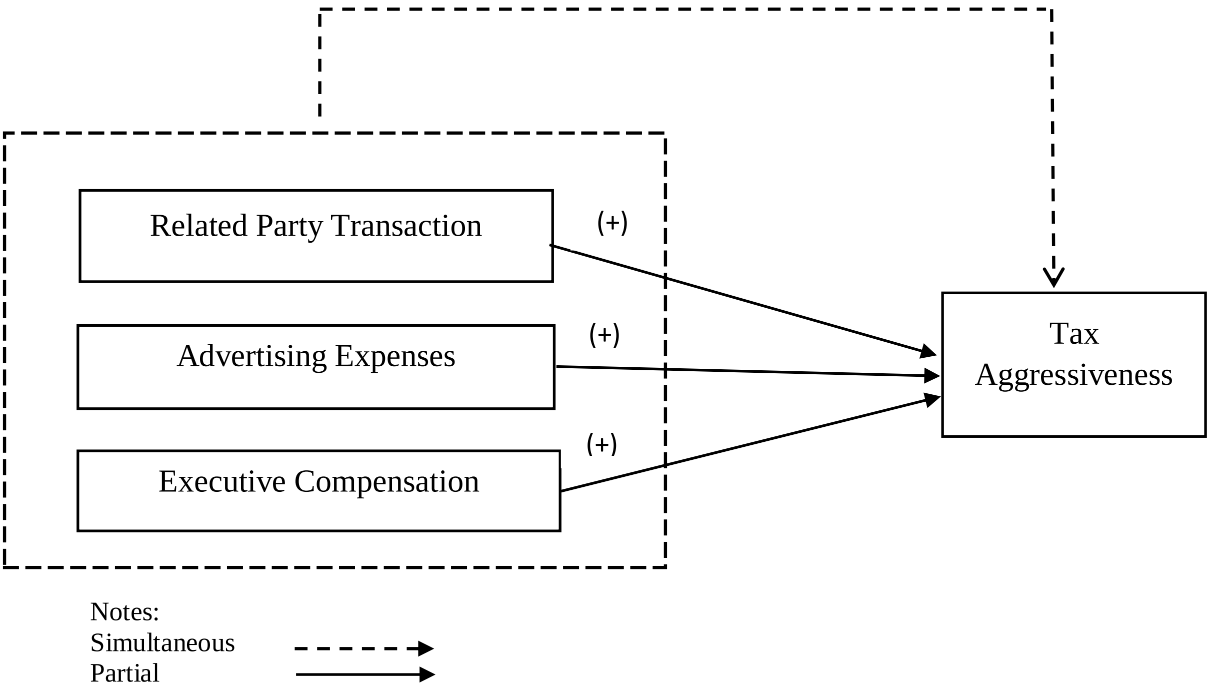

Figure 2. Theoretical Framework
Source: Processed data, 2023

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METHODS

This research relies on secondary data as its resource, and it uses quantitative methods. In (Djaali, 2020), the quantitative method is inferential, implying that it reaches conclusions derived from statistical hypothesis testing outcomes based on empirical data from measurement results. The data collected indirectly from the research object is called secondary data. Researchers get the data compiled and processed by different parties (Amruddin et al., 2022). This research gathered the secondary data through the authorised online portal of the Indonesia Stock Exchange (IDX), including company financial reports that were published from 2017 to 2021

Population and Sample. This research used companies from the consumer non-cyclical sector listed on the Indonesia Stock Exchange from 2017 until 2021 as a population. The method used for sample selection in this research is purposive sampling. According to (Made, 2020), purposive sampling is implemented to choose a sample that aligns with particular considerations or criteria.

The number of companies for the research sample is established and presented in **Table 1** after considering the characteristics of the sample selection.

Table 1. Sampling Criteria

No	Criteria	Total
1.	Companies from the Non-cyclical consumer sector are listed on the Indonesia Stock Exchange (IDX) until 2021.	98
2.	Non-multinational companies from the consumer non-cyclical sector will be listed on the Indonesia Stock Exchange (IDX) until 2021.	(54)
3.	Companies in the consumer non-cyclical sector inconsistently publish their financial reports between 2017 and 2021.	(1)
4.	Companies from the Non-cyclical consumer sector who do not have data information related to research variables	(25)
Total Samples companies		18
Total Samples 5 years		90

Source: Processed data, 2023

According to the sample research criteria, 90 samples of 18 companies from the consumer non-cyclical sector were to be studied. The search period was five years, from 2017 to 2021.

This research focused on both dependent and independent variables as research variables. Independent variables used in this study are related party transactions, advertising expenses and executive compensation. Meanwhile, tax aggressiveness is used as the dependent variable. Presented in **Table 2** is the definition of each variable.

Table 2. Definition of Variables Operational

Variable	Operational Definition	Indicator	Scale
Tax Aggressivemess (BTD)	Tax aggressiveness represents a tax plan designed to lower the tax burden paid. Tax aggressiveness can decrease the tax paid to the country because companies are too aggressive in responding to tax obligations to the government (Amrie & Riska, 2021).	BTD = Book Income-Taxable Income /Total Asset (Jin, 2021)	Ratio
Related Party Transaction (RPT)	Related party transactions are special parties who can control parties that have significant influence in making financial and operational decisions; such transactions can be carried out among organisations and their subsidiaries, owners, affiliates, company directors or entity owners, and corporate families (Anggala & Basana, 2020)	RPT = Debt Of Related Parties/ Total Ratio (Ann & Manurung, 2019)	Ratio
Advertising Expenses (AE)	Advertising Expenses is a company activity in issuing expenses for product promotion and marketing as services or goods (Diandra & Hidayat, 2020)	Advertising Expenses = Advertising Expenses/ Sales Expenses (Rahman & Utami, 2021)	Ratio
Executive Compensation (EC)	Compensation is the whole form of reward given in the form. Visible ratio compensation includes employee benefits in return for their working relationship with the company (Santoso & Masman, 2016).	Executive Compensation Ln = Total Executive Compensation (Cahyono & Saraswati, 2022).	Ratio

Data Analysis Method. This research uses descriptive statistical analysis methods. Descriptive statistics describe data and all variables by processing the data according to the researcher's needs (Paramitta et al., 2021). This research employs an analysis of descriptive statistics with the values of average (mean), standard deviation, maximum, and minimum. The method for analysing the hypothesis is panel data regression. E-views 12 software will be used as a tool for analysing the data.

RESULTS

Ninety observation data points were gathered from 18 company samples for this research. As the observation data is processed, specific data points must be excluded from the sample because seven company data occur as outliers with a 5-year research period, so as many as 35 data are issued. Outliers refer to data with unique characteristics that deviate from other observations, often appearing as extreme values in individual or combined variables (Riyanto & Hatmawan, 2020). Outliers in this study were detected using a Blox Plot so that with the outlier data, the number of observation data became 55.

Descriptive Statistical Analysis. This research uses descriptive statistical analysis with average (mean), standard deviation, maximum, and minimum values. In this research, tax aggressiveness was identified as the dependent variable. This research has three independent variables, namely related party transactions, advertising expenses, and executive compensation, with a total of 11 companies from the consumer non-cyclical sector listed at the Indonesia Stock Exchange (IDX) from 2017 up until 2021 chosen as the sample. The results from the descriptive statistical examination are presented below:

Table 3. Descriptive Statistical Analysis

	Tax Aggressiveness	Related Party Transaction	Advertising Expenses	Executive Compensation
Maximum	0.034	0.128	0.136	25.365
Minimum	-0.074	0.001	0.008	20.080
Mean	-0.001	0.023	0.046	24.089
St.Dev	0.020	0.031	0.041	1.432
Observations	55	55	55	55

Source: Output Eviews, 2023

Table 3 provides an overview of the descriptive statistics for this research. The dependent variable tax aggressiveness as measured with the Book Tax Difference (BTD) proxy for companies from consumer non-cyclical that are listed on the Indonesia Stock Exchange (IDX) from 2017 until 2021 the data reveals a maximum value of 0.034, which comes from the company Nippon Indosari Corpindo Tbk (ROTI) in 2020. The minimum -0.074 was observed in Multi Bintang Indonesia Tbk (MLBI) in 2020. An average value (mean) of -0.001 is observed, lower than the standard deviation of 0.020. This indicates that tax aggressiveness data for non-cyclical consumer companies for 2017 to 2021 varied or is not grouped.

The first independent variable, namely related party transactions of companies from the consumer non-cyclical sector that are listed on the Indonesia Stock Exchange (IDX) from 2017 to 2021, shows the most significant (maximum) value of 0.128, which belongs to Multi Bintang Indonesia Tbk (MLBI) at the year of 2017, while company Bisi International Tbk (BISI) in 2017 holds the minimum value of 0.001. The mean value recorded for this variable is 0.023, which does not exceed the standard deviation value of 0.031, implying that the data on the related party transaction variable is varied or not grouped.

The second variable's value, namely advertising expenses, shows that the largest (maximum) value for companies from consumer non-cyclical sector that are listed on the Indonesia Stock Exchange (IDX) from 2017 until 2021 is 0.136 belongs to Nippon Indosari Corpindo Tbk (ROTI) in 2020, while the lowest (minimum) value of advertising expenses is held by Tunas Baru Lampung Tbk (TBLA) at the year 2021 of 0.008. The average value (mean) of 0.046 is higher than the standard deviation value of 0.041; this indicates that the data for the advertising expenses variable are consistent or segmented into groups.

The last variable is executive compensation as measured by the natural logarithm of the compensation awarded by executives of companies from the consumer non-cyclical sector that are listed on the Indonesia Stock Exchange (IDX) in 2017 up until 2021, presenting the maximum value of 25.365 belongs to Unilever Indonesia (UNVR) in 2020, while the minimum value of 20.080 holds by Delta Djakarta Tbk (DLTA) in 2017. The average value (mean) was 24.089, surpassing the standard deviation value of 1.432; this implies that data on executive compensation does vary or is not grouped.

Classic Assumption Test. The classic assumption tests conducted include the multicollinearity test and the heteroscedasticity test. As the data in this research is mainly derived from cross-section sources, it is consistent with the panel data regression model employed (C. Gunawan, 2020).

Multicollinearity Test. The multicollinearity test is performed if the correlation coefficient value surpasses 0.900. In cases where the correlation coefficient value is lower than 0.900, no multicollinearity is detected.

Table 4. Multicollinearity Test

	RPT	**AE**	**EC**
RPT	1.000	0.142	0.191
AE	0.142	1.000	-0.193
EC	0.191	-0.193	1.000

Source: Output E-views, 2023

Table 4 illustrates the results of the multicollinearity test; the correlation value for related party transaction (RPT) intensity, advertising expenses (AE), and executive compensation (EC) shows the resulting correlation value below 0.900. In conclusion, this study shows no correlation between the variables, and multicollinearity is not a factor in this research.

Heteroscedasticity Test. The heteroscedasticity test examines the variance differences of residuals across observations in the regression model. The proper regression model is one where heteroscedasticity is absent, namely, sig above 0.050.

Table 5. Heteroscedasticity Test

Heteroskedasticity Test: Breusch-Pagan-Godfrey			
F-Statistic	2.579	Prob.F (3.510)	0.063
Obs*R-square	7.245	Prob. Chi-Square (3)	0.064
Scaled explained SS	5.410	Prob. Chi-Square (3)	0.144

Source: Output E-views, 2023

Table 5 presents the results of the Breusch pagan heteroscedasticity test, indicating that the chi-square probability value of obs*r-squared is 0.064, exceeding 0.050. So, this research does not occur heteroscedasticity.

Panel data model selection. The analysis requires three estimation models: a common effect model, a fixed effect model, and a random effect model. Various tests, including the Chow, Hausman, and Lagrange tests, are performed to decide on the test model applied in panel data analysis.

Chow Test. The Chow test served to identify the most suitable model, either a common effect model or a fixed effect model. When deciding on the Chow test, when the probability value (Cross-section Chi-Square) exceeds 0.050, H_0 is accepted, implying the

Jurnal Akuntansi
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use of the standard effect model. In cases where the probability value is lower than 0.050, H_0 is rejected, confirming the use of the fixed effect model. Below are the outcomes from the chow test.

Table 6. Chow Test

Effects Test	Statistic	d.f.	Prob
Cross-section F	1.892	(10.410)	0.074
Cross-section Chi-square	20.874	10	0.022

Source: Output Eviews, 2023

The Chow test results in **Table 6** reveal that the cross-section's probability value (Chi-square) is 0.022, lower than 0.050 as the significance level, making the common effect model the better choice for panel data regression. The next step involves conducting the Lagrange Multiplier test, which helps determine whether the common or random effect models are more suitable.

Lagrange Multiplier Test. The Lagrange multiplier test determines the most suitable model, comparing the common and random effect models. When the probability of both is less than 0.050, it implies that the random effect model is suitable, but when the probability is greater than 0.050, it implies that the common effect will be used.

Table 7. Lagrange Multiplier Test

	Test Hypothesis		
	Cross-section	**Time**	**Both**
Breusch-Pagan	1.256 (0.262)	0.030 (0.861)	1.287 (0.256)

Source: Output Eviews,2023

Table 7 shows the multiplier Lagrange test outcomes. The Breusch Pagan probability value is 0.262, greater than the significance level of 0.050. So, from these results, the panel data regression that was selected and well-used in this study is the common effect model.

Panel Data Regression Equation. Drawing from panel data regression testing outcomes, the common effect model is the most suitable approach for this study to analyse the impact of related party transactions, advertising expenses, and executive compensation on tax aggressiveness. The results from the statistical significance test using the common effect model are presented below.

Table 8. Common Effect Model Test Result

Variable	Coefficient	Std. Error	t-Statistic	Prob
C	0.001	0.043	0.043	0.965
RPT	-0.364	0.080	-4.547	0.000
AE	-0.035	0.060	-0.579	0.564
EC	0.000	0.001	0.162	0.871
Cross-section fixed (dummy variables)				
R-squared	0.312	Mean dependent var		-0.001
Adjusted R-squared	0.272	S.D. dependent var		0.020
S.E. of regression	0.017	Akaike info criterion		-5.142
Sum squared resid	0.016	Schwarz criterion		-4.996
Log-likelihood	145.412	Hannan-Quinn criteria		-5.085
F-statistic	7.726	Durbin-Wats on stat		1.867
Prob(F-statistic)	0.000			

Source: Output E-views, 2023

Table 8 shows the common effect model test results; the equation for the panel data regression is presented below:

BTD = 0.001 - 0.364 RPT - 0.035 AE + 0.000 EC + ε…………….…......................... (1)

According to the regression equation, BTD symbolised the dependent variable in this study, representing tax aggressiveness. The value 0.001 represents a constant value. The coefficient value for the first independent variable is 0.364, namely related party transaction (RPT); the second independent has a coefficient of 0.035, namely advertising expenses (AE); the third independent variable has a coefficient value of 0.000, namely executive compensation (EC). At the same time, ε represents an error value.

In this panel data regression, the constant value (C) of 0.001 reflects that all independent variables, including related party transactions¸advertising expenses, and executive compensation, are zero. As a result, the value of 0.001 belongs to tax aggressiveness disclosure.

The related party transaction coefficient value of -0.364 shows a negative direction, indicating that the related party transaction variable rises by 1 unit, assuming all other variables are held constant at 0; this implies that the amount of tax aggressiveness decreases by 0.364. When the BTD value shows a negative direction, it can reduce the disclosure of tax aggressiveness by 0.364.

The advertising expenses coefficient value of -0.035 reflects a negative direction. This implies that the advertising expenses variable grows by 1 unit and that the other variables are assumed to be 0. Then, the level of tax aggressiveness decreases by 0.035. When the BTD value shows a negative direction, it can reduce the disclosure of tax aggressiveness by 0.035.

The coefficient for executive compensation is valued at 0.000. It shows a positive direction, meaning that the executive compensation variable rises by 1 unit and assumes that the remaining variables remain at zero. Following that, the level of tax aggressiveness increases by 0.000. When the BTD value shows a positive direction, it can increase the disclosure of tax aggressiveness by 0.000.

Coefficient Of Determination (R^2). Referring to the analysis of the panel data regression table, the Adjusted R-squared value, as shown by the coefficient of determination test, is 0.272 or 27.202 per cent so that it implies that the independent variables related to party transactions, advertising expenses, and executive compensation are capable of explaining the dependent variable, namely tax aggressiveness assessed using the book-tax difference is 27.202 per cent. At the same time, The remaining 72.794 per cent might be explained by variables that were not part of this research.

Simultaneous Test (F Test). The F statistical test is employed to demonstrate the magnitude of how all independent variables affect the dependent variable. The significance value used is 0.050. When the significance value of F is under 0.050, it indicates that the independent variables have a simultaneous effect on the dependent variable.

Table 9. Simultaneous Test Result

	Coefficient		Prob
R-squared	0.312	Mean dependent var	-0.001
Adjusted R-squared	0.272	S.D. dependent var	0.020
S.E. of regression	0.017	Akaike info criterion	-5.142
Sum squared resid	0.016	Schwarz criterion	-4.996
Log-likelihood	145.412	Hannan-Quinn criteria	-5.085
F-statistic	7.726	Durbin-Wats on stat	1.867
Prob(F-statistic)	0.000		

Source: Output E-views (2023)

Table 9 presents the simultaneous test results (F test). It reveals that the probability value (F-statistic) falls below the significance level, 0.000 less 0.050. So, the independent variables in this study, related party transactions, advertising expenses, and executive compensation, simultaneously affect the dependent variable, tax aggressiveness.

Partial test (t-Test). Partial statistical testing (t-test) is designed to evaluate the effect of independent variables (related party transactions, advertising expenses, executive compensation) partially on the dependent variable (tax aggressiveness).

Table 10. Partial Test Result

Variable	Coefficient	Std. Error	t-Statistic	Prob
C	0.001	0.043	0.043	0.965
RPT	-0.364	0.080	-4.547	0.000
AE	-0.035	0.060	-0.579	0.564
EC	0.000	0.001	0.162	0.871

Source: Output E-views (2023)

Table 10 shows that the related party transaction variable has a coefficient of -0.364, and its probability value is 0.000. According to decision-making, this value is lower than the significance level, 0.000 below 0.050. With the acceptance of H_a and rejection of H_0, it can be concluded that related party transactions negatively affect tax aggressiveness.

Advertising expenses' effect on tax aggressiveness is reflected by a probability value above the significance level, specifically 0.564 above 0.050, with the rejection of H_a and the acceptance of H_0, meaning that the advertising expenses variable does not partially influence tax aggressiveness.

The probability value related to the effect of executive compensation on tax aggressiveness surpasses the significance level; the value is 0.871, which is above 0.050.

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This implies the rejection of H_a and the acceptance of H_0, meaning that the executive compensation variable does not partially influence the tax aggressiveness of companies from the consumer non-cyclical sector from 2017 to 2021.

DISCUSSION

Related Party Transactions and Tax Aggressiveness. This research found that related party transactions have a negative effect on tax aggressiveness in companies from the consumer non-cyclical sector that were listed on the Indonesia Stock Exchange from 2017 to 2021.

Related party transactions involve the resource exchange between the reporting entity and its related parties, regardless of any changes in the transaction price. The value of related party transactions in the results of this research shows that the greater the RPT value, the smaller the tax aggressiveness value. That is because when a company has high levels of related party debt, the interest expense will increase, causing the company's profit to decrease. As a result, the company is not able to indicate tax aggressiveness. This is supported by the findings of observational data on 18 non-cyclical consumer companies, showing that 56 per cent of companies have an increase in interest value, affecting the company's profit value. Thus, the related party transaction variable has a negative influence, so it cannot show tax aggressiveness in non-cyclical consumer companies. Other evidence of these results is strengthened by the outcomes from testing descriptive statistical data on related-party transaction variables with tax aggressiveness, which shows that related-party transaction values below the average are dominated by BTD values above the average.

The findings of this research do not align with the hypothesis claiming that related party transactions positively affect tax aggressiveness. In contrast, this research's outcomes reveal that related party transactions have a negative effect on tax aggressiveness. This study's findings are supported by the research of (Ellyani & Hudayati, 2019), who claim that related party transactions negatively affect tax aggressiveness. The research outcomes state that the bigger the RPT value, the lower the level of corporate tax aggressiveness will be.

Advertising Expenses and Tax Aggressiveness. Advertising Expenses do not affect Tax Aggressiveness in companies from the non-cyclical consumer sector listed on the Indonesia Stock Exchange from 2017 until 2021.

Advertising expenses are expenditures the company has to cover, aiming to increase sales by conducting promotions and advertisements for products and services. The result value on the advertising expenses variable proves that an increase in the value of advertising expenses issued by the company increases the tax aggressiveness. However, the advertising expenses incurred by consumer non-cyclical companies for the 2017 to 2021 period did not encourage management to take tax-aggressive actions because companies often incur advertising expenses to introduce their products to be better known to the public. Thus, the advertising expenses value in the BTD calculation produced by this research shows that the advertising expenses value is used by management to carry out branding so that the company's products and brands can be attractive and stick in the minds of consumers by carrying out various attractive promotional and advertising methods. So, the company's name will be well-known because of the promotion carried out, and the government will give good value to the company because it will not conduct tax aggressiveness.

The outcomes of this research contradict the hypothesis that advertising expenses have a positive effect on tax aggressiveness. Even so, the findings of this study align with research done by (Rahman & Utami, 2021), who claim that advertising expenses do not affect tax aggressiveness.

Executive Compensation and Tax Aggressiveness. Executive compensation shows no influence on tax aggressiveness in companies from the consumer non-cyclical sector listed on the Indonesia Stock Exchange in the year 2017 up until 2021.

Executive compensation is a reward the board of commissioners and directors receives as a monetary payment, such as salaries, allowances, or bonuses for the work done. The results on the executive compensation variable show that it has no influence on tax aggressiveness, supported by descriptive statistical tests, namely that the executive compensation value is dominated by BTD values above the average. Thus, executive compensation does not indicate tax aggressiveness in non-cyclical consumer companies from 2017 to 2021. Because executives receive compensation in the form of salaries and allowances, part of which is still provided by the company, as well as bonuses given by the company according to the performance of the executives. Therefore, the bonuses, allowances or welfare facilities provided will motivate executives to improve their performance by not taking tax-aggressive measures. To ensure that the company is perceived positively by the government and public.

The outcomes of this research differ from the hypothesis stating that executive compensation positively affects tax aggressiveness. However, the outcomes of this research confirm the findings obtained in the research conducted by (Kurnia et al., 2019), which shows that executive compensation does not influence tax aggressiveness.

CONCLUSION

This research examined factors that can affect tax aggressiveness simultaneously and partially in companies from the sector of non-cyclical consumers listed on the Indonesia Stock Exchange from 2017 until 2021. These factors include related party transactions, advertising expenses, and executive compensation. The outcomes from the analysis concluded that related party transactions, advertising expenses, and executive compensation simultaneously affect tax aggressiveness. Based on partial tests, related party transactions have a negative effect on tax aggressiveness because companies tend to have high related party debt, and there is an increase in interest expense so that company profits will be lower.

This shows that the company cannot indicate tax aggressiveness. Meanwhile, advertising expenses do not affect tax aggressiveness because advertising expenses incurred by consumer non-cyclical companies in the 2017 to 2021 period are used to introduce their products to make them better known to the public. Executive compensation does not affect tax aggressiveness because managers provide bonuses to executives to motivate them to improve their performance by not making tax aggressiveness efforts.

Advantages. The advantage of this research is that it can show the latest issues on tax aggressiveness by using the research year before and during the pandemic because, during the pandemic, all companies will maintain their profits by reducing taxes. In addition, this study makes novelty to the object of research by using the latest sub-sector on IDX IC, namely the consumer non-cyclical sector, which has the most multinational companies, which means that the company has a special relationship with related parties so that it can show the results on the related party transaction variable that companies that have special relationships have a negative effect on tax aggressiveness.

Limitation. The author realises that the outcomes of this research have limitations. This research uses samples from the consumer non-cyclical sector with only a five-year observation period. Therefore, this research can still be further developed, considering that many factors affect tax aggressiveness. Moreover, the international journal references in this research have not been widely used.

Suggestion. According to the research's limitations mentioned above, the upcoming research is expected to extend the period of observation in order to ensure that the observational data can develop. A suggestion for academics is to grow the number of references and citations from international journals so that academics can receive a deeper understanding and further details as novel insights about acts of tax aggressiveness. To the benefit of the consumer, non-cyclical sector companies, namely, this research can be used as a consideration in formulating a policy that affects factors of tax aggressiveness such as related party transactions, advertising expenses, and executive compensation. For investors, this research can be weighed as a factor in making investment decisions to be more careful in choosing companies to invest in, especially companies with good financial conditions, because it is not sure that the company has fulfilled its tax obligations in accordance with the rules.

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