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Tax Aggressiveness of Manufacturing Companies Listed on Indonesia Stock Exchange for the 2018-2020 Period

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Abstract

The present study aims to examine and determine the effect of executive compensation, executive Characteristics, and the audit committee on tax aggressiveness (Empirical Study of Manufacturing Companies Listed on the Indonesia Stock Exchange (IDX) for 2018-2020 period). The population comprises of 193 manufacturing companies listed on the Indonesia Stock Exchange for the 2018-2020 period with a sample consisting of 47 companies. The samples were selected using purposive sampling with quantitative research technique and panel data. The data were analyzed using a multiple regression technique in STATA 16 version. The measurements of tax aggressiveness include Conforming Tax Avoidance and non-Conforming Tax Avoidance. The results showed that executive Characteristics and executive compensation had a negative impact on tax aggressiveness as measured by conforming tax avoidance. Meanwhile, audit committee had no impact on tax aggressiveness as measured by Conforming Tax Avoidance. Executive compensation had a positive impact on tax aggressiveness as measured by non-conforming tax avoidance, and audit committee had a negative impact on tax aggressiveness. However, executive Characteristics had no impact on tax aggressiveness as measured by Non-Conforming Tax Avoidance.

Keywords
executive compensation; executive character; audit committee; conforming tax avoidance; non conforming tax avoidance

I. Introduction

State government revenue comes from several sources such as domestic public resources and international public resources. One of state government sources of revenue from domestic sector is taxation. The biggest contribution to the Indonesian State Budget (APBN) comes from tax payment. Based on the data from Badan Pusat Statistik (2021), taxation contributed significantly to the state government revenue. It contribution from 2019 to 2021 amounted to IDR 1,546,141.90 billion, IDR 1,404,507.50 billion, and IDR 1,444,541.60 billion, consecutively. According to Maulana et al. (2021), taxes are mandatory contributions paid to the state government.

The data from Kemenkeu.go.id (2020) indicated that the State Budget experienced a deficit of IDR 1,039.22 trillion (6.34% of GDP) where the state revenue was IDR 1,699.95 trillion while the state expenditure amounted to IDR 2,739.17 trillion. The State Budget deficit was caused by the outbreak of Covid-19 that slowed down both domestic and foreign economic activities. In response to the Covid-19 pandemic, the government has implemented policies to accelerate the handling of Covid-19 checks in effort to recover the national economy through gradually reducing the deficit by tax optimization.

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National recovery efforts in tax reform are constrained by the fact that taxpayers are increasingly aggressive in avoiding tax or known as tax aggressiveness. Tax aggressiveness is an attempt to manipulate the company's taxable income through tax planning activities. This can lead to tax avoidance which is perfectly legal and tax evasion which is illegal (Frank et al, in Wijaya, 2019). Tax aggressiveness poses a formidable challenge because it can lead to declined state revenues as tax payments tend to decrease. Revenue losses due to these behaviors are presented in Tax Justice Network that provides reports on tax evasion. Indonesia is estimated to lose up to US$4.86 billion annually or equivalent to IDR 68.1 trillion. The loss amounting to US$4.78 billion or equivalent to IDR 67.6 trillion was mostly contributed by corporate tax avoidance in the country (news.ddtc.co.id, 2020).

Tax aggressiveness is also reflected the occurence of tax avoidance. In 2019, Tax Justice Network issued a report on British American Tobacco (BAT) group that committed tax avoidance in Indonesia through PT Bentoel Internasional Investama. The report stated that BAT has shifted their revenues out of Indonesia in two ways. First, it was conducted through an intracompany loan between 2013 and 2015. The loan was sought from its subsidiary in the Netherlands, Rothmans Far East BV, to refinance bank loans and pay for machinery and equipment. However, the Dutch branch company's account reported that the loan came from another BAT group, Pathway 4 (Jersey) Limited, in the UK. The loan was actually from Jersey, but the disbursement process was initiated through its subsidiary in the Netherlands in order to eliminate tax deduction from 20% to 0%. This illicit activity made Indonesia lose state revenue of US$ 11 million per year. Second, it was made through a repayment to its subsidiary in the UK for royalty, fees and IT budget that amount to US$ 19.7 million annually. The average corporate tax on those payments is US$ 2.5 million for royalty, US$1.3 million for fees, and US$ 1.1 million for IT budget. However, as Indonesia and UK had made an agreement on tax deduction of US$ 1.5 million for the royalty, US$ 0.7 million for IT budget, and no deduction on fees, this means that Indonesia's revenue loss has amounted to US$ 2.7 million annually (Prima, 2019).

Tax aggressiveness behavior can also be seen in one of manufacturing companies listed on the Indonesia Stock Exchange, PT Aneka Gas Industri Tbk (AGII). AGII is an industrial gases company established in 1916 in Indonesia. From the data presented in the company's financial statement (available on www.idx.co.id), AGII experienced an increase in tax aggressiveness from 2019 to 2020. Tax aggressiveness can be measured using Current ETR. In AGII case, the measurement of Current ETR in 2019 indicated that its effective tax rate has amounted to 0.141287273 or equivalent to 14%. In 2020, AGII's effective tax rate has decreased by 0.023705799 or 2%. When the current ETR was below its actual corporate tax effective rate, the company is allegedly doing tax evasion because of its reduced corporate tax rate from 25% in 2019 to 22% in 2020. Therefore, AGII is allegedly evaded tax liability as indicated by the measurement mentioned earlier in which AGII reduced its Current ETR, which means that its tax evasion or tax aggressiveness tends to increase.

Tax aggressiveness may increase with the use of tax avoidance strategy. Company decision to avoid or not to avoid tax liabilities is certaintly made through the company's executive board. Development is a systematic and continuous effort made to realize something that is aspired. Development is a change towards improvement. Changes towards improvement require the mobilization of all human resources and reason to realize what is aspired. In addition, development is also very dependent on the availability of natural resource wealth. The availability of natural resources is one of the keys to economic growth in an area. (Shah, M. et al. 2020). Executive is a person with the highest position and responsibility for overall operations in a business organization. In a decision-making process, executives as the operational leadership would surely decide on a course of action that would benefit them. Executives will feel benefited from getting high compensation; therefore the company will try to provide them with high compensation to improve their performance. The compensation given to executives is intended to appreciate the efforts they have made, including reducing corporate tax payments and improving corporate performance through efficient tax payments. This means that higher compensation given to executives can lead them to aggressively seek higher tax evasion. This is in line with studies by Fatimah et al (2017), Mayangsari (2015) and Meilia & Adnan (2017). However, this runs contrary to a study by Kurniawan & Trisnawati (2019) stating that executive compensation had no impact on tax evasion.

In a decision making process, executives are not only motivated by compensation, but also affected by their own characteristics. Executives' characteristics in a decision making can be divided into two: risk taker and risk averse. Executives with risk aversion characteristic are those who tend to avoid high risks, this means that they are less determined to make risky business decisions (Prastiwi & Ratnasari, 2019). Executives with risk-taker characteristic are those who are willing to make high-risk decisions. They are more confident in making any decision intended to gain higher profit and, therefore, the companies that hire them will become more confident in avoiding tax liability (Prawati & Hutagalung, 2020). However, the statement is in contrast to that in Abdillah & Nurhasanah (2020) and Darma et al., (2018) arguing that when executives have risk taker characteristics, tax aversion tend to decrease.

The executives work under the supervision of the board of commissioners to make sure that they manage the business effectively. The board of commissioners have the formidable task of supervising the board of directors in carrying out their duties. Therefore, the board of commissioners is assisted by the audit committee in carrying out the supervision (Andal & Riswandari, 2021). An audit committee is a sub-group of a company's board of directors consisting of at least 3 members established by the board of commissioners to oversee the overall company performance (Putri & Hanif, 2020). The number of committee members determine the supervisory function they serve. The more the number of audit committee members in a company, the better the supervisory function they serve (Nugroho & Firmansyah, 2017). If the supervisory function is carried out properly, it will reduce unwanted actions, such as aggressive minimization of tax expenditures. While this is in line with a study by Putri and Hanif (2020), another study by Kamul and Riswandi (2021) come up with different results by arguing that the number of audit committee members did not have any impact on tax aggressiveness.

From the earlier studies we can see that they come with different results concerning the impact of executive compensation, executive characteristics, and audit commitee on tax aggressiveness. Therefore, we are interested in re-examining the effect of these variables on tax aggressiveness using different measurements; conforming tax avoidance and non conforming tax avoidance. The purpose of this study is to determine the effect of executive compensation, executive characteristics and audit committee on tax aggressiveness. This research is expected to be a new reference for future research that aims to study tax aggressiveness.

II. Review of Literature

2.1 Tax Aggressiveness

According to Frank et al., (2009), tax aggressiveness is the downward manipulation of taxable income through tax planning activities. There are two ways that can be done to minimize obligations, namely legal tax avoidance through tax provisions (Tax Avoidance) and illegal tax avoidance (Tax Evasion). Tax planning has several benefits, one of which is to save on cash outlays allocated for tax payments which is a deductible expense. Tax planning is intended to reduce the tax payable, to increase after-tax profit margin, to minimize the risk of tax shock if the tax authorities conduct tax audits, and to fulfill tax obligations in accordance with applicable regulations (Pohan, 2016, p. 21).

2.2 Executive Compensation

According to Maulana et al., (2021), executive compensation constitutes special financial benefits received by executives from their employing firm in return for their service. Executives are members of the board of directors typically include the chief director commissioners, managers and their assistants.

By compensation we mean both financial and non-financial rewards granted to the executives for achieving company goals. Compensation should be based on performance in order to eliminate agency problems between managers and shareholders. In such a situation, managers and shareholders have similar interest in earning higher profit and, therefore, both have the potential for reducing tax payments through tax avoidance. However, conflicts arise when companies were doing tax avoidance to earn more profits, while the tax authorities want increased tax revenue.

2.3 Executive Characteristics

Corporate decisions are largely made through the strategies adopted by the company leaders. Company leaders can be either risk-taker or risk-averse people. In doing their tasks as company leaders, risk-taking executives will make courageous business decisions and strongly motivated to gain higher income, position, welfare, and authority (Budiman & Setiyono, 2012).

Executive characteristics can lead to agency conflict. A risk-taking executive will have more courage to do risky efforts associated with tax avoidance. Their courage in taking such risks can lead to a conflict with the tax authorities. The management as an agent will certainly minimize business expenses, including tax expenses. On the other hand, the tax authorities want higher tax payment as state revenues for government spending.

2.4 Audit Committee

Audite committee is established to oversee the preparation of the company's financial statements to avoid fraud committed by the management (Diantari & Ulupui, 2016). According to Wicaksana (2017), the audit committee in a company comprises of at least three members, including the chairman of the audit committee. There should be only 1 member of audit committee that is an independent commissioner in a company to serve as the audit committee chairman. Other members of the audit committee are independent outside directors.

III. Research Method

We use secondary data from financial and annual reports of manufacturing companies listed on the Indonesia Stock Exchange for the 2018-2020 period. The data is available on the official website of Indonesia Stock Exchange (www.idx.go.id) and official websites of related companies. Sample selection was conducted using a purposive sampling technique by the following criteria: (1) Companies that were not being delisted from Stock Exchange during the research period, (2) Companies that have issued a complete financial report or annual report and made successive profits during the research period, (3) Companies that have complete information on the related variables.

3.1 Methadology

This research is secondary quantitative research that uses multiple linear regression technique to analyze panel data. It aims to assess the impact of executive compensation, executive Characteristics, and audit committee on tax aggressiveness.

The panel data was analyzed by multiple linear regresion technique using STATA v.16 statistical software. The tests conducted include descriptive statistical analysis, classical assumption test, panel data estimation, F-test, adjusted R2 and partial tests. The regression medel is presented below:

$$\mathbf{CONFORMTAX_{it} = \alpha + \beta_1 Kompeks_{it} + \beta_2 Kareks_{it} + \beta_3 Ka_{it} + \varepsilon_{it}}$$
$$\mathbf{CuETR_{it} = \alpha + \beta_1 Kompeks_{it} + \beta_2 Kareks_{it} + \beta_3 Ka_{it} + \varepsilon_{it}} \quad (3)$$

Where:

CONFORMTAX	: Conforming Tax Avoidance
CuETR	: Current Effective Tax Rate
α	: Constant
$\beta_1\beta_2\beta_3$	: Regression coefficient of variable
Kompeks	: Executive compensation
Kareks	: Executive characteristics
Ka	: Audit committee
it	: Company i in the t year

IV. Result and Discussion

4.1 Tax Aggressiveness

Tax aggressiveness can be measured by an increase in tax avoidance, where the company will be more aggressive in reducing expected tax liabilities. There are two measurements to determine tax aggressiveness: Conforming Tax Avoidance and Non-Conforming Tax Avoidance.

1. Conforming Tax Avoidance refers to a study by Badertscher et al., (2018). This measurement can capture corporate tax aggressiveness through a decrease in two profits: fiscal profit and commercial profit. Measurement results that are close to 0 or minus (-) indicate that a company is more aggressive in tax avoidance. On the other hand, the results that are close to the applicable tax rate indicate that a company is less aggressive in tax avoidance (Badertscher et al., 2018). The formula is presented below:

$$\mathbf{CurrentTax\_To\_Asset_{it} = \beta_0 + \beta_1 BTD_{it} + \beta_2 NEG_{it} + \beta_3 BTD_{it} \times NEG + \beta_4 NOL_{it} + \beta_5 \Delta NOL_{it} + \varepsilon_{it}}$$

(1)

Where

β_0 : Constant

$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5$: Regression coefficient

ε_{it} : error

$CurrentTax\_To\_Asset_{it}$: Current Tax / Total Asset

BTD : Book-tax difference

NEG : BTD with dummy variable that either takes value 0 or 1

NOL : Net Operating Loss, 1 for companies that experience losses at the beginning of the year, and (0) for otherwise

ΔNOL : Changes to NOL / Total Aset

2. Non-conforming Tax Avoidance is a measure that captures tax avoidance practices of a company through one-sided profit reduction strategy, which is only on the fiscal profit, rather than on the commercial profit (Badertscher et al., 2018). The measure of Non Conforming Tax Avoidance used in this study is Non Conforming Tax Avoidance. The measure serves as the basis of assessment because it illustrates the difference between book profit and fiscal profit, and it also identifies tax defferal (Hasmawati et al., 2019; Maulana, 2021). The measurement results illustrate the tax aggressiveness: if the results deviate from the applicable corporate tax rate, the company will be more aggressive; conversely, if the results are close to the applicable tax rate, the company will be more compliant (Dunbar et al., 2000). The formula is presented below:

$$\textbf{Current ETR}_t = \textbf{Current Tax Expense}_t \,/\, \textbf{Pre – Tax Income}_t \quad (2)$$

Where

Current ETR_t : Effective tax rate in t year

Current Tax $Expense_t$: Current tax expense in t year

Pre Tax $Income_t$: Pre-tax income in t year

4.2 Executive Compensation

Executive compensation is measured by the natural logarithm of total remuneration of the executives during the current period. The measurement refers to studies by Fatimah et al. (2017) and Maulana et al. (2021). If the results of the measurement are of high value, then the level of compensation will also high, otherwise if the results are of low value then the compensation given will also low.

4.3 Executive Characteristics

Executive characteristics are reflected in the company's risk by a measure of standard deviation of earnings to illustrate deviations from the earnings. If the results indicate a high standard deviation, a company is considered a high-risk business with their risk-taker executives. As for the formula, we use Standard Deviation from Earning before Interest Tax Depreciation and Amortisation divided by Total Asset.

4.4 Audit Committee

Audit committee in this study is measured by the number of audit committees in a company. Dewi & Jati (2014) argue that audit committee is measured by the number of audit committee established by a company to assist the board of commissioners to properly write financial statements. The measures can illustrate the number of audit committees in a company and the impact they had on the supervision.

4.5 Discussion

Table 1. Results of T-test for Conforming Tax Avoidance

Conform	Coef.	Std. Err.	z	P>z
Kompeks	0.0047123	0.0013357	3.53	0.000
Kareks	0.2062542	0.0538118	3.83	0.000
KA	-0.0014455	0.006098	-0.24	0.813
_cons	-0.00883	0.0028053	-3.15	0.002

Source: Output of STATA v.16, our calculation (2021)

Table 2. Results of T-test for Non Conforming Tax Avoidance

Non Conform	Coef.	Std. Err.	z	P>z
Kompeks	-0.0375747	0.0141988	-2.65	0.008
Kareks	-0.333932	0.5720505	-0.58	0.559
KA	0.1633269	0.0648257	2.52	0.0012
_cons	0.2745508	0.0298214	9.21	0.000

Source: Output of STATA v.16, our calculation (2021)

Tax Aggressiveness is measured by Conforming Tax Avoidance and Non Conforming Tax Avoidance. A decrease in the measurement results indicate higher tax aggressiveness. On the other hand, an increase in the measurement results indicate lower tax aggressiveness. The tests that we have conducted using STATA v.16 can be represented in the following equations:

Regression Model 1

$$\mathbf{CONFORMTAX_{it} = -0.00883+0.0047123Kompeks_{it}+0.2062542Kareks_{it}-0.0014455Ka_{it}+ \varepsilon_{it}}$$

Regression Model 2

$$\mathbf{NONCONFORM_{it} = 0.2745508-0.0375747Kompeks_{it}-0.333932Kareks_{it}+0.1633269Ka_{it}+\varepsilon_{it}} \quad (4)$$

Tax Aggressiveness is measured by Conforming Tax Avoidance and Non-Conforming Tax Avoidance. When the measure of Conforming Tax Avoidance and Non-Conforming Tax Avoidance decreased, tax aggressiveness will increase. Conversely, if the measure of Conforming Tax Avoidance and Non-Conforming Tax Avoidance increased, tax aggressiveness behavior will decrease.

4.6 The Effect of Executive Compensation on Tax Aggressivenss

H1. Executive compensation has an impact on tax aggressiveness.

From the tests we have conducted, it can be concluded that H1 is supported if Non-Conforming Tax Avoidance is used as a proxy. The results support the hypothesis of this study concerning agency theory which is a principle that is used to explain and resolve issues in the relationship between business principals and their agents where the former has an interest in getting big profits, while the latter wants rewards for their work. The rewards for the executives for their performance include compensation. Compensation allocated by a company for their agents is referred to as agency cost. Agency costs include expenses allocated by the principal to minimize agency conflict (C. Jensen & Meckling, 1976).

Principal has an interest in increasing company profits, so the amount of compensation allocated reflects a great responsibility to shareholders for that purpose. To increase profits, companies need to improve their efficiency in tax payment through tax aggressiveness (Hanafi & Harto, 2014). Therefore, the increased amount of executive compensation is associated with the the increased level of tax aggressiveness. However, the theory is applicable only to the proxies for Non-Conforming Tax Avoidance, because when using the proxy for Conforming Tax Avoidance, executive compensation tends to decrease the level of tax aggressiveness behavior.

The decrease in tax aggressiveness, as measured by a proxy for Conforming Tax Avoidance, occured when the principal intended to increase profit by improving the business operational performance. This could happen because the executives didn't want any additional costs associated with fines and sanctions when tax aggressiveness behaviors were detected by financial authority (Desai & Dharmapala, 2006). Fines and sanctions due to tax aggressive behavior can reduce the company's operational efficiency. This is because executive compensation is given to encourage them to perform their duties well, thereby to reduce tax aggressiveness (Kurniawan & Trisnawati, 2019).

The results of this study, using Non Conforming Tax Avoidance, confirmed the findings of previous studies (Fatimah et al., 2017; Hanafi & Harto, 2014; Mayangsari, 2015; Meilia & Adnan, 2017; Ohnuma, 2014) that executive compensation had a significant positive impact on tax aggressiveness. However, when using Conforming Tax Avoidance, the results of this study run counter to the findings of previous studies.

4.7 The Impact of Executive Characteristics on Tax Aggressiveness

H2. Executive Characteristics have a positive impact on tax aggressiveness.

The hypothesis testing shows that H2 is refuted both for Non-Conforming Tax Avoidance and Non-Conforming Tax Avoidance proxies. According to agency theory there is a difference between the interests of the government as the principal to increase tax revenue and that of the agent to increase company profits. The agent has the interest to increase business profitability by minimizing tax burden, and thus by tax aggressiveness behavior. It is the executive who decides whether the company will carry out tax aggressiveness or not.

In making decisions, executives can be identified by 2 Characteristics: risk taker and risk averse. Executives with risk averse Characteristic are those who have no courage to make risky business decision. In contrast to risk averse executives, those with risk-taking characteristic have the courage to make risky business decision. The results show that risk aversion is the characteristic with a potential to increase tax aggressiveness. This can happen because risk averse executives tend to avoid risks by presenting less transparent financial statement which gives more opportunities for tax aggressiveness behaviors to occur. On the contrary, risk taker executives have more courage to present transparent financial statement, so that loopholes to fraud can be minimized by reducing tax aggressiveness behavior (Abdillah & Nurhasanah, 2020).

Transparent financial reporting is intended to prevent company from tax aggressiveness behavior that can erode a company's positive image due to tax fraud that usually started with tax evasion (Darma et al., 2018). However, the theory applied only to the proxy for Conforming Tax Avoidance. As to the proxy for Non-Conforming Tax Avoidance, the results indicate that executives with both risk taker and risk averse characteristics have no significant impact on tax aggressiveness. This is because of good internal control as indicated in a properly supervised company operation. The fact that executive characteristics have no impact on tax aggressiveness could be because the business owner plays a more significant role than the executives in making decision, including the decision of doing or not doing the tax aggressiveness. As the business owner has a great influence on the decision making, the executives tend to be more accommodative to the former's interest, therefore the executive characteristics had no impact on tax aggressiveness (Fitria, 2018).

The results of this study, when using the proxy for Conforming Tax Avoidance, confirmed the findings of previous studies (Abdillah & Nurhasanah, 2020; Darma et al., 2018; Novita, 2016) that the executive characteristics have a significant negative impact on tax aggressivenes. On the other hand, when using the proxy for Non-Conforming Tax Avoidance, the results confirmed the findings of previous studies (Chasbiandani et al., 2020; Fitria, 2018; Rizki, 2021) that executive Characteristics have no significant impact on tax aggressiveness.

4.8 The Impact of Audit Committee on Tax Aggressiveness

H3. Audit committee has a negative impact on tax aggressivenees.

The hypothesis testing shows that, when using the proxy for Non-Conforming Tax Avoidance, H3 is supported. The results support the hyphothesis in agency theory that the agent has the authority to make decision that accommodate the principal's interest. However, agent gets more complete set of information than the one obtained by the principal. The difference in the amount of information sources available to the agent and the principal is called information asymmetry (C. Jensen & Meckling, 1976). This information asymetry make it highly likely that the agent can make decisions unbeknown to the principal. Therefore, to minimize information asymetry, a company needs audit committees to help supervise the business operation and to provide advices to management and the board of commissioners regarding current policies (Dalfian Alnasvi, 2018).

The purpose of audit committee is to minimize inappropriate accounting disclosures that can lead to fraudulent or illegal practices by top management. The number of audit committee in a company determines how the management is supervised. Thus, the larger the number of audit committees, the better they will be in reducing fraudulent activities, including tax aggressiveness, committed by the management. The company that establishes audit committee bears the responsibility of its financial reporting, because the audit committee is authorized to oversee the company operation (Diantari & Ulupui, 2016).

Increased number of audit committees will improve supervision. This will lead a company to conduct a tighter supervision of the management and, therefore, to minimize tax aggressiveness behavior. However, the theory is applicable only to the proxy for Non-Conforming Tax Avoidance because when we use the proxy for Conforming Tax Avoidance, the number of audit committees had no impact on tax aggressiveness. The audit committees had no impact on tax aggressiveness when we use the proxy for Conforming Tax Avoidance. This is because the audit committees had no significant others in a company to assist them with the supervisory tasks. In Conforming Tax Avoidance, the audit committee serves only to assist with the supervision conducted by the independent board of commissioners to make sure that the financial statement is presented in compliance with applicable rules. Therefore, a company's decision to conduct tax aggressiveness is made by the business owner, rather than the audit committee.

When we use proxy for Non-Conforming Tax Avoidance, the results of the study confirmed the findings of previous studies (Diantari & Ulupui, 2016; Fauzan et al., 2019; Ratnawati et al., 2019; Zheng et al., 2019) that audit committees have a negative significant impact on tax aggressiveness. On the other hand, when we use proxy for Conforming Tax Avoidance, the results confirmed the findings of previous studies (Abdillah & Nurhasanah, 2020; Kamul & Riswandari, 2021; Nasution, 2020; Regita, 2019) that audit committees have no impact on tax aggressiveness.

V. Conclusion

The present study was conducted in manufacturing companies listed on the Indonesia Stock Exchange (IDX) for 2018-2020 period. It aims to assess the impact of Executive Compensation, Executive Characteristics and Audit Committee on Tax Aggresiveness. The level of Tax Aggressiveness in this study is measured by Conforming Tax Avoidance using residual current to asset and Non-Conforming Tax Avoidance using Current ETR.

From the results presented earlier, we come to the conclusion that Executive Compensation had a negative impact on Tax Aggressiveness measured by a proxy for Conforming Tax Avoidance. However, Executive Compensation had a positive impact on Tax Aggressiveness when measured by a proxy for Non-Conforming Tax Avoidance; Executive Characteristics had a negative impact on Tax Aggressiveness as measured by a proxy for Conforming Tax Avoidance. Executive Characteristics had no impact on Tax Aggressiveness when measured by a proxy for Non-Conforming Tax Avoidance. Audit Committee had no impact on Tax Aggressiveness as measured by a proxy for Conforming Tax Avoidance. However, Audit Committee had a negative impact on Tax Aggressiveness when measured using a proxy for Non-Conforming Tax Avoidance.

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