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Analysis Of The Influence Of Ceo By Gender On Tax Aggressiveness In Manufacturing Companies Listed On The Indonesian Stock Exchange

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Abstract

The study aimed to determine the effect of CEO gender variables, CEO age, as well as CEO gender reassignment on tax aggressiveness. Taxes are one of the burdens for companies that will reduce the company's profits. A company tends to do tax evasion to reduce its tax burden through a variety of means. Thus, companies are becoming more aggressive towards taxes. Tax aggressiveness is an action taken by companies to engineer taxable income through tax planning in a legal (tax avoidance) or illegal (tax evasion).

This research is applied with cross sectional and time series methods. The technique used in sampling data in this study is purposive sampling. This method is done by selecting a research sample through certain considerations or criteria, based on the purpose of the research. The sample population in this study is the annual report and financial statements of manufacturing companies listed on the Indonesia Stock Exchange that have been audited in 2017 to 2020 with a total of 193 companies. Information about the annual report data and financial statements is obtained from the site contained on the Indonesia Stock Exchange, namely www.idx.co.id.

Keywords:

CEO gender, tax aggressiveness, tax.

1. Introduction

Basically, a company certainly aims to maximize the welfare of its shareholders by optimizing its net income. This can be achieved by minimizing or reducing the company's expenses. One of the expenses that can reduce the income of a company is the tax burden. Based on the General Tax Provisions Law number 16 of 2009 Article 1 Paragraph 1, tax is a mandatory contribution to the state which is coercive in nature and has been regulated in law. For a company, tax is one of the expense accounts that can be found in financial reports and this account can reduce profits distributed to shareholders

(Chandra & Chintya, 2021). The proceeds from tax payments will later be used for the needs of a country for the greatest prosperity of the people, so that the rewards cannot be enjoyed directly. The impact that arises from this problem is that companies will tend to form strategies to minimize their tax burden, so that a company will become more aggressive towards taxes.

Tax planning is one strategy that companies can use to reduce the company's tax burden to a minimum. This strategy is carried out systematically through tax avoidance procedures based on the provisions of the applicable Tax Law. Thus, the tax burden that must be paid is smaller than the actual tax burden. With this tax planning, a company can avoid various risks that would arise if tax non-compliance occurs, so that the company can minimize unexpected tax debts.

Tax management is a means used to meet tax obligations appropriately, but the amount of tax burden paid becomes more effective, so that the company can obtain the expected income. The objectives of tax management can be achieved in several ways, namely by carrying out tax planning, tax control and tax implementation. Tax planning is the first step in managing taxes. This is done by collecting and researching tax regulations, so that later we can select what tax saving measures should be taken. Tax avoidance is legal tax planning, because it is still within a series of tax regulations.

Media coverage of business and the economy is full of language that reflects common stereotypes about gender and risk. The relationship between gender and risk taking is an empirical problem that is often related to business and economic problems. Understanding gender differences in risk-taking preferences is crucial. Several studies conclude that women are more risk averse in investment decision making compared to men, the implications in terms of women's well-being are significant and may play a role in gender differences in labor market outcomes as well as in lifetime wealth accumulation (Betrand, 2010 in Raid and Kimmel, 2015). Ultimately, demographic visual elements such as gender influence the success of a company (Cristiano & Yopie, 2021). For example, the presence of women has a good impact on improving behavior and effectiveness because women are considered more active in a company (Karina, 2021).

Gender differences are studied extensively in the field of social psychology and it is found that women tend to avoid risks and follow rules. A capable and experienced CEO is able to mediate the company's reputation as a resource for maximizing company performance (Edi et al., 2020). According to the corporate finance and accounting literature, the empirical evidence regarding female CEOs being more conservative than male CEOs is far from conclusive. Several studies have found that female CEOs are more conservative, so their chances of manipulating income and financial fraud are smaller compared to male CEOs. A study from Duong et al (2016), supports that female CEOs are more risk averse and less opportunistic.

Based on several descriptions containing explanations regarding tax aggressiveness and CEO gender, it shows that CEO gender is an important determinant in the issue of a company's tax aggressiveness. This problem prompted the author to analyze the influence of a company's CEO based on gender on tax aggressiveness. Companies experiencing a transition in CEO gender are the focus of this research. The level of tax

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aggressiveness of the companies studied will then be compared during the period before and after the CEO gender transition. This research was conducted on companies listed on the Indonesia Stock Exchange (BEI) in the manufacturing sector from 2017 to 2020.

2. Theoretical Foundations and Hypothesis Formulation

Tax Aggressiveness

The largest state income comes from taxes. Thus, the government continues to strive to encourage companies and individuals to comply with tax payments. One method implemented by the government is socialization regarding taxation to companies and individuals. However, from a company's point of view, taxes are considered a burden which can certainly reduce a company's income. This difference in interests makes a company try to reduce the tax burden by exploiting weaknesses in tax regulations. Thus, companies are more focused on making efforts to reduce their tax burden, which causes a company to become more aggressive towards taxes.

Several components can stimulate companies to implement illegal tax savings, namely the large amount of tax that must be paid, so that a company is more likely to save tax by means of tax planning. Apart from that, the tax rate in Indonesia is high, causing companies to frequently commit violations. Next is the magnitude of the sanctions. When the sanctions given are lighter, the tax violations committed will be higher.

Tax aggressiveness is one of the efforts carried out by a company to embezzle or manipulate its taxable income. This is done through tax planning using legal methods such as tax avoidance or illegal methods such as tax evasion. Garbarino (2014) in Halioui et al (2016) argues that tax aggressiveness is a behavior possessed by tax managers which aims to reduce the tax burden of a company by carrying out tax planning to prioritize the interests of tax managers, this decision can cause tension between tax managers and shareholders.

The Influence of CEO Gender on Tax Aggressiveness

The issue of gender has become a growing topic of discussion in the administrative structure of a company. Female directors are considered to be more likely to be able to change the behavior of meeting members and the atmosphere in the board meeting room, this makes issues regarding gender related to the issue of women on the board (women on board) receive significant attention. Research conducted by Alquhaif, Latif, & Sitraselvi (2017) shows that female directors with high participation in the meeting room are underrepresented. Leadership style, ethical values, and a better level of risk taking can mitigate decision-making practices regarding tax planning or avoidance in a company.

Women are considered to be more risk averse, so female CEOs are expected to be less aggressive towards tax avoidance. However, the results of research conducted by Zirguilis & Huettinger in 2021 show the opposite. The research results show that when a company replaces the CEO with a woman, the ETR value decreases, so the possibility of tax aggressiveness becomes high. CEO gender is related to a company's risk-taking choices. Companies with female CEOs are considered to take less risk when making financial and investment decisions.

H1: CEO gender has a significantly positive effect on tax aggressiveness

The effect of family ownership on tax avoidance

CEO age is one of the variables used by several researchers to measure its influence on tax aggressiveness. CEO age is considered to have greater experience to determine their ability to implement tax aggressiveness strategies. Research conducted by Halioui, Neifar, & Abdelaziz (2016) did not show any significant influence on these two variables.

The results of research conducted by Andi in 2022, CEO age has a negative and insignificant effect on tax aggressiveness. Research conducted by Sebastian in 2023 shows that younger CEOs are more willing to take risks. So CEOs with a younger age are considered more likely to be tax aggressive.

H2: CEO age has a significantly positive effect on tax aggressiveness

3. Research methods

The research model is stated to be based on an explanation of the relationship between variables. This research analyzes the influence of independent variables such as CEO gender, CEO age, and CEO gender change on tax aggressiveness as the dependent variable. Apart from that, to analyze the effect on the dependent variable, there are also control variables consisting of return on assets (ROA), company size, leverage, intangible assets, tangible assets and other non-fixed assets.

4. Results and Discussion

Descriptive Statistics Test Results (ETR)

The research entitled "Analysis of the Influence of CEO Based on Gender on Tax Aggressiveness in Manufacturing Companies Listed on the Indonesia Stock Exchange" has a sample population of manufacturing companies listed on the Indonesia Stock Exchange for the 2017-2021 period. The sample selection method used in this research was purposive sampling. This method is carried out by selecting research samples through certain considerations or criteria, based on the research objectives. There were 360 data generated by 72 of the 780 companies that met the research object criteria.

Results of Descriptive Statistical Tests on Ratio Scale Variables

Variabel	N	Minimum	Maximum	Rata-rata	Standar Deviasi
ETR	360	0,00167	0,97121	0,26467	0,13065
Usia CEO	360	3,55535	4,41884	4,04459	0,17235
Return on Asset	360	0,00028	0,71602	0,08533	0,08392
Ukuran Perusahaan	360	25,79571	33,53723	28,98485	1,63477
Leverage	360	0,00345	0,79274	0,38271	0,18336
Aset Tidak Berwujud	360	0,00000	0,53930	0,01774	0,05581
Aset Berwujud	360	-0,05817	0,99540	0,58966	0,19671
Aset Tidak Lancar Lainnya	360	0,00000	0,09431	0,00877	0,01566

Sumber: Data penelitian diolah, 2022

Source: Processed research data, 2022

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T test results

Effective Tax Rate			
Variabel	Koefisie	Prob.	Kesimpulan
(Constant)	- 0,319	0,666	
Gender CEO	0,021	0,267	Insignifikan
Usia CEO	- 0,016	0,727	Insignifikan
ROA	- 0,147	0,009	Signifikan (-)
Ukuran Perusahaan	1,739	0,015	Signifikan (+)
Leverage	- 0,036	0,024	Signifikan (-)
Aset Tidak Berwujud	1,434	0,041	Signifikan (+)
Aset Berwujud	1,660	0,020	Signifikan (+)
Aset Tidak Lancar Lainnya	- 0,358	0,272	Insignifikan
R-Squared			0,646
Adjusted R-Squared			0,538

Source: Processed research data, 2022

The test results show that based on the research model, the independent variables in the form of CEO gender and CEO age do not have a significant effect on the effective tax rate (ETR). The control variables return on assets and leverage have a significant negative effect on the effective tax rate (ETR). The control variables company size, intangible assets and tangible assets have a significantly positive effect on the effective tax rate (ETR). Furthermore, other non-current asset control variables have no effect on the effective tax rate (ETR).

Hypothesis Test Results 1

Based on the test results, the probability value of CEO gender on the effective tax rate is 0.26650. The results of this test prove that CEOs with female gender do not have a significant effect on tax avoidance as proxied by the effective tax rate, so H1 is rejected.

Hypothesis Test Results 2

Based on the test results, the probability value of CEO age on the effective tax rate is 0.72730. The results of this test prove that CEO age does not have a significant effect on tax avoidance as proxied by the effective tax rate, so H2 is rejected.

5. Conclusions and recommendations

Based on the research results presented in chapter IV, the dependent variables CEO gender and CEO age have no effect on tax avoidance as proxied by the effective tax rate. This shows that gender differences and the increasing age of a company's CEO do not influence the occurrence of tax aggressiveness in a company. There are several control variables that are considered to have a significant positive influence on tax aggressiveness. These control variables are company size, intangible assets, and tangible assets. Meanwhile, the return on assets and leverage variables show that these two variables have a significant negative effect on tax aggressiveness. The last variable, namely other non-current assets, does not show any influence on tax aggressiveness.

One of the criteria for determining the object of this research is a manufacturing company that did not experience losses in its financial statements in the period 2017 to 2021. However, the impact of the Covid-19 pandemic caused most of the research objects in the form of manufacturing companies listed on the Indonesia Stock Exchange to experience losses during 2017. until 2021. This causes there to be very few objects that can be used as samples for testing this research. The addition of other independent variables such as CEO gender change can be added in further research. So it can be seen whether changing the gender of the CEO can affect the tax aggressiveness carried out by a company.

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