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THE EFFECT OF LEVERAGE, FINANCIAL DISTRESS, INSTITUTIONAL OWNERSHIP, INDEPENDENT COMMISSIONERS, AND AUDIT COMMITTEE ON CORPORATE TAX AGGRESSIVENESS

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Abstract:

This study aims to examine the influence of Leverage, Financial Distress, Institutional Ownership, Independent Commissioners, and Audit Committees on Tax Aggressiveness. The population in this study were companies in the Consumer Goods Cyclical sector listed on the Indonesia Stock Exchange in 2022-2024. The sample size in this study was 47 companies with a total of 141 observations from 2022 to 2024. The sampling technique used a purposive sampling method. The research method used was quantitative with secondary data sources. The data analysis method used panel data regression analysis with EVIEWS version 13. The results of this study provide empirical evidence that partially the variables of Financial Distress and Independent Commissioners have a positive effect on Tax Aggressiveness. Meanwhile, the variables of Leverage, Institutional Ownership, and Audit Committee have no effect on Tax Aggressiveness. Simultaneously, the variables of Leverage, Financial Distress, Institutional Ownership, Independent Commissioners, and Audit Committee have a significant effect on Tax Aggressiveness.

Keywords: Leverage, Financial Distress, Institutional Ownership, Independent Commissioner, Audit Committee, Tax Aggressiveness

BACKGROUND

Indonesia is a major developing country with a large population and abundant natural resources such as oil, coal, gas, gold, nickel, copper, and other commodities essential to global markets. Its strategic geographical location in the Indo Pacific trade corridor enhances its position in international commerce, attracting both domestic and foreign investors. The establishment of foreign enterprises in Indonesia contributes positively to national income, particularly through tax revenues. These revenues are crucial for funding public expenditures



outlined in the national budget (APBN), which supports sustainable development and public welfare.

In line with Law No. 28 Year 2007 concerning General Tax Provisions and Procedures, tax is defined as a compulsory contribution to the state by individuals or entities, enforced by law, without receiving direct compensation. It is used for state expenditures to achieve collective welfare. Over the past three years, Indonesia has demonstrated a commendable performance in meeting its tax revenue targets, as reflected in the data from the Ministry of Finance:

Year	Tax Revenue Target (IDR Trillion)	Realization (IDR Trillion)	Achievement (%)
2022	1484,96	1716,76	115,61%
2023	1718,03	1869,23	108,80%
2024	1988,90	1932,40	97,16%

While these numbers indicate that tax revenue collection has consistently surpassed government targets, a closer look at Indonesia's **tax ratio** reveals an underlying challenge. The tax ratio, calculated as the proportion of tax revenues to Gross Domestic Product (GDP), remains below the 15% threshold recommended by the World Bank an ideal level to support effective and inclusive development.

Year	Tax Revenue (IDR Trillion)	GDP (IDR Trillion)	Tax Ratio (%)
2022	1.716,76	19.588,40	8,76%
2023	1.869,23	20.892,40	8,95%
2024	1.932,40	22.139,00	8,73%

Despite the success in revenue realization, Indonesia's tax ratio remains significantly below the optimal range, indicating inefficiencies in tax collection and compliance. A potential factor behind this phenomenon is the pervasive practice of **tax aggressiveness**, particularly among corporate taxpayers.

Tax aggressiveness is broadly defined as the deliberate reduction of taxable income through legal (tax avoidance) or illegal (tax evasion) strategies (Frank et al., 2009). It exists within a grey area of compliance where companies may not violate tax laws outright, but utilize aggressive interpretations, loopholes, and transaction engineering to minimize tax liabilities (Lietz, 2013). Such practices may include mispricing in transfer pricing, misuse of deferred tax assets, exploitation of tax havens, or excessive thin capitalization.



Several empirical cases highlight how aggressive tax strategies are implemented in Indonesia. For instance, PT Adaro was alleged to engage in transfer pricing by selling coal to its affiliated company abroad at belowmarket prices, later resold at higher prices, resulting in potential state revenue losses of approximately IDR 1.75 trillion between 2009–2017. Similarly, PT Toba Pulp Lestari was reported to misclassify export products to benefit from lower taxes, potentially causing a loss of IDR 1.9 trillion. Other companies like PT Garuda Metalindo and PT Matahari Department Store Tbk. utilized shortterm debt strategies and thin capitalization to reduce taxable income, leveraging high debttoequity ratios exceeding 800% in certain years.

These examples illustrate that tax aggressiveness is not limited to any one sector. However, in the **consumer cyclical goods sector**, which is highly sensitive to economic fluctuations, tax management becomes particularly critical. Companies in this sector face pressures from inflation, changes in interest rates, and consumer demand volatility. Consequently, to maintain profitability and shareholder value, firms may be more inclined to adopt aggressive tax planning strategies.

Besides external economic conditions, internal corporate characteristics also influence tax aggressiveness. Variables such as **leverage**, **financial distress**, and aspects of **corporate governance** (including institutional ownership, board independence, and audit committee presence) have been widely studied, yet findings remain inconsistent. Some studies (e.g., Amalia, 2021; Setyawan et al., 2019) suggest these factors significantly influence tax behavior, while others (e.g., Yuliani et al., 2021; Prastyatini et al., 2022) find no such effect.

These discrepancies underscore the need for further empirical investigation. Moreover, good corporate governance (GCG) is expected to curb aggressive tax practices by enhancing transparency and accountability. However, in practice, weaknesses in oversight, ineffective audit committees, and regulatory noncompliance continue to allow tax avoidance to persist. Thus, this study seeks to examine the impact of **leverage**, **financial distress**, **institutional ownership**, **independent commissioners**, and **audit committees** on corporate tax aggressiveness in consumer cyclical goods companies listed on the Indonesia Stock Exchange (IDX) between 2021 and 2023. By focusing on this sector during the postpandemic recovery period, the research aims to provide theoretical insights and practical recommendations to improve tax governance and fiscal policy effectiveness.



THEORETICAL FRAMEWORK

Agency Theory

Proposed by Jensen and Meckling (1976), Agency Theory describes the conflict of interest between principals (shareholders) and agents (managers). This conflict emerges when managers, driven by selfinterest and performance incentives, make decisions such as engaging in tax aggressiveness that may not align with shareholder or societal interests. In the tax context, tax minimization strategies may be pursued by managers to maximize posttax earnings and, consequently, their bonuses, even if such strategies lie in the "grey area" of legal compliance.

Optimal Taxation Theory

According to Slemrod (1990) and Gentry (1987), this theory suggests that an optimal tax system should aim to balance efficiency and equity while minimizing economic distortions. However, the complexity of tax regulations and high tax burdens often create loopholes that firms may exploit through aggressive tax planning. The presence of such loopholes incentivizes corporations to reduce taxable income through legally ambiguous strategies.

Tradeoff Theory

This theory (Litzenberger, 1973; Myers, 1984) explains a firm's capital structure decision as a tradeoff between the tax advantages of debt (interest tax shields) and the increased risk of financial distress. High leverage may encourage firms to adopt aggressive tax strategies to further minimize taxable profits and preserve cash flow, particularly in the face of potential bankruptcy costs.

These theoretical lenses converge in explaining how internal financial conditions (e.g., leverage, financial distress) and corporate governance mechanisms (e.g., institutional ownership, independent commissioners, audit committee) influence a company's propensity to engage in tax aggressiveness. Firms operating in highstakes environments especially with weak governance structures may have greater incentives and opportunities to exploit aggressive tax planning practices.

Leverage

Leverage refers to the extent to which a company utilizes debt to finance its operations and investments. It is typically measured by ratios such as the DebttoEquity Ratio (DER) or



DebttoAsset Ratio. High leverage enables companies to benefit from interest tax shields, as interest payments on debt are deductible from taxable income, thus reducing tax obligations.

According to TradeOff Theory (Myers, 1984), firms seek to balance the benefits of debt such as tax deductibility against the risks of financial distress and bankruptcy. When a firm takes on more debt, it increases its interest expenses, which in turn lowers its taxable income. This creates an incentive for firms to use leverage not only for financing but also as a mechanism for tax planning, which may cross into aggressive tax strategies.

Several prior studies have produced contrasting findings on the relationship between leverage and tax aggressiveness. Sidik & Suhon (2020) and Sumiati & Ainnyya (2021) found no significant influence of leverage on tax aggressiveness. This result may be attributed to the fact that firms with high levels of debt often face considerable financial risks such as potential default, substantial interest obligations, and close monitoring by creditors. Under such circumstances, companies tend to adopt a more cautious approach in making decisions that could further increase their risk exposure, including aggressive tax strategies. Moreover, engaging in aggressive tax avoidance may trigger legal and reputational consequences, potentially worsening the financial condition of already highly leveraged firms. External creditors, such as banks or other financial institutions, typically impose tighter oversight on these firms, compelling them to comply with regulations and maintain transparency in financial reporting. As a result, the room for managerial discretion in executing aggressive tax strategies becomes limited.

In contrast, research conducted by Antari & Merkusiwati (2022) and Hidayati et al. (2021) found a negative relationship between leverage and tax aggressiveness. Firms with high leverage often bear large interest expenses, which are deductible from taxable income and provide a legitimate tax shield. This condition offers incentives for companies to utilize interest expenses as a legal strategy to reduce their tax obligations. However, as leverage increases further, companies may face liquidity difficulties and greater pressure to meet debt repayment obligations. In such situations, managers might be driven to pursue more aggressive tax avoidance practices such as transfer pricing, regulatory arbitrage, or other sophisticated schemes to maintain operational cash flows. Accordingly, firms with higher leverage may be more actively seeking loopholes in tax regulations to minimize their tax burden. Based on these theoretical and empirical insights, it can be concluded that leverage has a negative effect on tax aggressiveness.



H1: Leverage has a significant negative effect on tax aggressiveness.

Financial Distress

Financial distress refers to a condition in which a company is unable to meet its financial obligations, characterized by a sharp decline in operating cash flows, increased liabilities, and continuous operational losses. In such a state, firms often experience liquidity constraints and deteriorating creditworthiness. Managers of distressed firms may feel pressured to engage in shortterm strategies, including manipulation of earnings or tax planning, to survive.

Empirical evidence regarding the influence of financial distress on tax aggressiveness has shown varied results. Ahdiyah and Triyanto (2021) and Permana and Maidah (2020) found that financial distress does not significantly affect tax aggressiveness. Their research argues that firms experiencing financial difficulties often report losses, resulting in lower or even zero taxable income. In such cases, there is naturally less incentive for firms to engage in aggressive tax strategies, as the corporate income tax burden is already reduced or eliminated. Furthermore, under Indonesian tax regulations, lossmaking firms are entitled to carry forward their tax losses to offset future profits (loss carry forward), further diminishing the urgency to avoid taxes in the short term.

Additionally, companies under financial distress typically prioritize business continuity by optimizing cash outflows across all operations. This may include cutting back on discretionary expenditures such as tax advisory or consulting services, which are generally required to devise complex tax avoidance strategies. In such conditions, managers are more likely to focus on operational restructuring, renegotiating debts, or seeking new funding sources rather than exploiting tax loopholes.

On the other hand, Alafiah et al. (2022) and Handayani and Mardiansyah (2021) found that financial distress has a positive and significant effect on tax aggressiveness. According to their studies, financially healthy firms tend to be more cautious in tax planning due to legal risks, reputational concerns, and regulatory compliance. These firms are also more capable of fulfilling their tax obligations without resorting to avoidance strategies. In contrast, distressed companies are more inclined to minimize any nonessential cash outflows, including taxes, in order to preserve liquidity. Faced with heightened financial pressure, managers may resort to aggressive tax behavior as a reactive measure to safeguard the firm's shortterm viability.



In light of these findings and theoretical considerations, it is reasonable to conclude that firms experiencing high levels of financial distress are more likely to engage in aggressive tax strategies compared to financially stable firms.

H2: Financial distress has a significant positive effect on tax aggressiveness.

Institutional Ownership

Institutional ownership refers to the proportion of a company's shares held by institutional investors such as mutual funds, pension funds, insurance companies, and banks. These investors often have significant resources and professional expertise to monitor management activities, reduce agency conflicts, and ensure compliance with regulatory standards.

Empirical findings on the relationship between institutional ownership and tax aggressiveness have produced inconsistent results. Prastyatini and Trivita (2022) and Sandra (2022) argued that institutional ownership does not significantly influence tax aggressiveness. According to their research, a high percentage of institutional ownership does not necessarily impact a firm's decision to engage in tax avoidance strategies. Tax aggressiveness, often pursued through tax planning mechanisms, is commonly designed to achieve shared objectives such as maximizing shareholder value and supporting overall stakeholder welfare. In this context, institutional investors may align with management in pursuing such tax strategies as long as they are legal and enhance the firm's performance, thereby neutralizing any potential deterrent effect that institutional ownership might have.

Conversely, Fitriani et al. (2021) and Putri and Andriyani (2020) found that institutional ownership has a positive effect on tax aggressiveness. Their studies suggest that institutional ownership plays a key role in mitigating agency conflicts between managers and shareholders. Since institutional investors are typically well informed and actively involved in corporate governance, they are better positioned to monitor managerial actions. However, these investors may also support tax aggressiveness when it serves to protect their investment interests and does not breach regulatory boundaries. Managers acting as agents may therefore adopt aggressive tax strategies as a means to increase after-tax income and ensure alignment with investor expectations, particularly when such actions contribute to short-term financial gains.



Based on these empirical findings and theoretical perspectives, it can be concluded that institutional ownership has a positive influence on tax aggressiveness, as institutional shareholders may tolerate or even encourage such practices if they contribute to the firm's financial goals.

H3: Institutional ownership has a significant positive effect on tax aggressiveness.

Independent Commissioners

Independent commissioners are board members who do not have any material relationship with the company, management, or controlling shareholders. They are expected to provide objective oversight, ensure accountability, and safeguard stakeholders' interests. According to Agency Theory, their role is crucial in minimizing agency problems, including those related to tax behavior.

Empirical research on the role of independent commissioners in influencing tax aggressiveness has shown mixed results. Rianto and Sugara (2023) and Putranto et al. (2023) stated that independent commissioners do not significantly affect tax aggressiveness. Their findings suggest that independent commissioners tend to focus more on general oversight and compliance with regulations rather than engaging in strategic tax planning. Tax aggressiveness decisions are more commonly shaped by managerial policies aimed at cost efficiency and profit maximization, which are typically executed by the firm's executive leadership. Moreover, independent commissioners are often not directly involved in technical decisions related to tax strategies, limiting their influence over the firm's level of tax aggressiveness.

In contrast, Benhard and Veny (2024) and Romadhina (2020) stated that independent commissioners have a positive effect on reducing tax aggressiveness. A higher proportion of independent commissioners on the board can enhance the effectiveness of tax oversight and reduce the likelihood of aggressive tax practices. Tight supervision by independent commissioners encourages management to comply with tax regulations and adhere to ethical standards in tax reporting.

Based on these empirical findings and theoretical perspectives, it can be concluded that independent commissioners have a positive effect on tax aggressiveness by promoting compliance and reducing the potential for opportunistic tax behavior.

H4: Independent commissioners have a significant positive effect on tax aggressiveness.



Audit Committee

The audit committee is a key component of a firm's governance structure, responsible for overseeing financial reporting, internal control, and compliance with accounting and tax regulations. It is generally composed of independent board members with expertise in finance or accounting. The audit committee plays a crucial role in detecting irregularities and enhancing financial integrity.

Empirical evidence on the influence of the audit committee on tax aggressiveness remains inconclusive. Benhard and Veny (2024) and Safitri and Subroto (2022) found that the audit committee does not significantly affect tax aggressiveness. Their research suggests that the authority of the audit committee in monitoring deviant behavior within the organization may still be limited. This finding contradicts the premise of agency theory, which assumes that company owners delegate monitoring responsibilities to the audit committee to oversee the performance of the firm's executives. As a result, executives may still have the opportunity to engage in opportunistic behavior such as aggressive tax strategies, even in the presence of an audit committee.

In contrast, Alafiah et al. (2022) and Putri and Hanif (2020) argued that the audit committee has a positive effect on reducing tax aggressiveness. The presence of a strong audit committee reduces the opportunity for companies to implement aggressive tax planning, as one of its main functions is oversight. A higher proportion or stronger presence of audit committee members increases the likelihood that firms will comply with tax regulations and conduct their business activities transparently and ethically.

Based on previous research and relevant theories, it can be concluded that the audit committee has a positive effect on tax aggressiveness by serving as an effective internal control mechanism that promotes tax compliance and discourages aggressive tax behavior.

H5: The audit committee has a significant positive effect on tax aggressiveness.

METHOD

This study employed a quantitative approach to examine the effect of leverage, financial distress, institutional ownership, independent commissioners, and audit committees on tax aggressiveness. The method used was designed to test hypotheses and explain the relationships between independent and dependent variables using statistical analysis. The research adopts an



associative causal design with a panel data regression analysis to understand how corporate governance and financial indicators influence tax behavior.

The study used secondary data obtained from publicly available sources such as annual reports and audited financial statements published by companies listed on the Indonesia Stock Exchange (IDX). The financial data covered the period 2022 to 2024 and included the necessary variables for analysis such as total assets, debt ratios, Altman Zscore, shareholding composition, board structure, and effective tax rate.

The population of this study includes all companies listed in the Consumer Cyclical sector on the IDX during the 2022–2024 observation period. The sample was selected using purposive sampling based on specific criteria:

1. The company consistently published complete and audited financial reports during the 2022–2024 period.
2. The company had complete data for all research variables.
3. The company was not part of the banking or financial sector, due to different regulatory standards.

The initial dataset in this study comprised 141 observations, representing 47 listed companies in the consumer cyclicals sector on the Indonesia Stock Exchange (IDX) over a four-year period (2022–2024). However, to ensure the validity of statistical inferences, a diagnostic check for normality was conducted. The results indicated that the dataset exhibited nonnormal residuals, as evidenced by a JarqueBera probability value below the 5% threshold. To address this issue, a treatment procedure involving outlier detection and elimination was implemented.

Outlier values defined as extreme data points significantly deviating from the distribution of the majority were identified based on standardized criteria using EVIEWS 13 software. As a result, 15 observations were classified as outliers due to their excessively high or low values across key variables, such as leverage, financial distress scores, or effective tax rates. These outliers were removed from the sample to enhance the robustness and normality of the dataset.

Following this refinement, the final sample comprised 126 valid observations, which were subsequently used for the descriptive analysis, model selection, and hypothesis testing. The exclusion of outliers significantly improved the normality distribution of the residuals, as reflected in a JarqueBera probability exceeding 0.05, thereby satisfying the normality



assumption and ensuring that the regression model met the underlying statistical prerequisites for valid estimation and inference

The dependent variable in this study is tax aggressiveness, which is measured using the Effective Tax Rate (ETR). ETR is calculated by dividing the total income tax expense by pretax accounting income. A lower ETR value indicates a higher level of tax aggressiveness, as it reflects a smaller proportion of income being paid as tax. This measure is commonly used in prior literature as a reliable indicator of corporate tax behavior.

The independent variables in this study consist of leverage, financial distress, institutional ownership, independent commissioners, and audit committee. Leverage is measured using the Debt to Equity Ratio (DER), which is obtained by dividing total liabilities by total equity. This ratio represents the extent to which a firm relies on debt financing relative to its equity. Financial distress is assessed using the Altman ZScore, a widely recognized model that estimates a firm's likelihood of financial failure. For this research, the Zscore calculation is adjusted to suit nonmanufacturing companies, and lower scores are interpreted as greater financial distress.

Institutional ownership is defined as the proportion of shares held by institutional investors such as pension funds, mutual funds, and insurance companies. It is measured by comparing the number of shares owned by institutional entities to the total outstanding shares of the company. The presence of institutional investors is expected to influence corporate governance and strategic decisionmaking, including tax planning. The proportion of independent commissioners is measured by dividing the number of independent commissioners by the total number of commissioners on the company's board. Independent commissioners are expected to provide objective oversight and strengthen the firm's compliance with regulatory standards.

Lastly, the audit committee is measured based on the number of audit committee members appointed by the firm. In accordance with Indonesian corporate governance regulations, the minimum requirement is three members. The audit committee plays a critical role in ensuring the quality of financial reporting, maintaining internal controls, and overseeing the company's adherence to tax regulations.

The data were analyzed using panel data regression with the assistance of EViews software version 13. Several diagnostic tests were conducted prior to regression analysis:

- Descriptive statistics



- Normality test
- Autocorrelation test (Using Durbin Watsono)
- Multicollinearity test (using Variance Inflation Factor – VIF)
- Heteroscedasticity test (using Glejser test)
- Chow test and Hausman test to determine the appropriate regression model (Fixed Effect vs Random Effect)
- Coefficient of determination (R^2)
- Ftest and ttest to evaluate the simultaneous and partial significance of variables

The regression equation used in this study is as follows:

$$ETR_{it} = \alpha + \beta_1 LEV_{it} + \beta_2 FD_{it} + \beta_3 IO_{it} + \beta_4 IC_{it} + \beta_5 AC_{it} + \epsilon_{it}$$

Whrere:

ETR : Effective Tax Rate (Tax Aggressiveness)

Lev : Leverage

FD : Financial Distress

IO : Institutional Ownership

IC : Independent Commissioners

AC : Audit Committee

α : Constant

$\beta_1 \beta_5$: Coefficients

ϵ : Error term

i : firm

t :year (2022–2024)

RESULT

Descriptive Statistical Test Results						
	ETR	LEV	FD	KI	DKI	KA
Mean	20,8028	256,0777	2,3810	66,1691	41,3388	3,0159
Median	21,7386	62,4044	3,0000	68,9933	35,4167	3,0000
Maximum	52,9761	19030,7047	3,0000	97,3036	75,0000	5,0000
Minimum	0,5969	4,9781	1,0000	15,9978	25,0000	2,0000



Std. Dev. 9,0041 1693,9350 0,7468 17,5499 10,7687 0,2185

Observations	126	126	126	126	126	126
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Source: EViews Output 13, (2025)

Chow Test Results

Redundant Fixed Effects Tests

Equation: Untitled

Test cross-section fixed effects

Effects Test	Statistic	d.f.	Prob.
Cross-section F	2.133478	(41,79)	0.0020
Cross-section Chi-square	93.918233	41	0.0000

Source: EViews Output 13, (2025)

Hausman Test Results

Correlated Random Effects - Hausman Test

Equation: Untitled

Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	6.825566	5	0.2339

Source: EViews Output 13, (2025)

Lagrange Multiplier Test Result

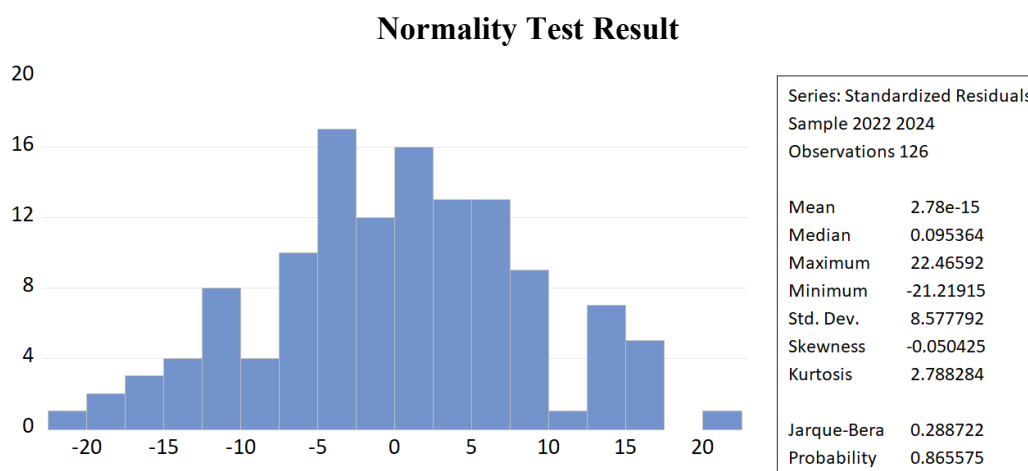
Lagrange Multiplier Tests for Random Effects

Null hypotheses: No effects

Alternative hypotheses: Two-sided (Breusch-Pagan) and one-sided
(all others) alternatives

	Test Hypothesis		
	Cross-section	Time	Both
Breusch-Pagan	7.511620 (0.0061)	1.326817 (0.2494)	8.838437 (0.0029)

Source: EViews Output 13, (2025)



Source: EViews Output 13, (2025)

Autocorrelation Test Result

R-squared	0.150260	Mean dependent var	14.27749
Adjusted R-squared	0.114854	S.D. dependent var	7.930206
S.E. of regression	7.460913	Sum squared resid	6679.827
F-statistic	4.243921	Durbin-Watson stat	1.800334
Prob(F-statistic)	0.001375		

Source: EViews Output 13, (2025)

Multicollinearity Test Results

	ETR	LEV	FD	KI	DKI	KA
ETR	1.0000	-0.0222	0.2328	0.0555	0.1412	0.0116
LEV	-0.0222	1.0000	-0.0409	-0.0865	0.0764	-0.0016
FD	0.2328	-0.0409	1.0000	0.0853	-0.2173	0.0117
KI	0.0555	-0.0865	0.0853	1.0000	-0.2106	0.1138
DKI	0.1412	0.0764	-0.2173	-0.2106	1.0000	-0.0771
KA	0.0116	-0.0016	0.0117	0.1138	-0.0771	1.0000

Source: EViews Output 13, (2025)

Heteroscedasticity Test Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	12.58839	7.257653	1.734499	0.0854
LEV	-2.68E-06	2.76E-06	-0.968119	0.3349
FD	-0.905546	0.639483	-1.416060	0.1593
KI	-0.000144	0.000274	-0.525726	0.6000
DKI	0.000336	0.000453	0.742450	0.4593
KA	-1.330317	2.148297	-0.619243	0.5369

Source: EViews Output 13, (2025)



t Test Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.	Kesimpulan
C	-4.079240	1.157767	-0.352337	0.7252	
LEV	2.418368	4.362540	0.055435	0.9559	H1 Rejected
FD	3.790503	1.040404	3.643301	0.0004	H2 Accepted
KI	0.000656	0.000473	1.387331	0.1679	H3 Rejected
DKI	0.002350	0.000730	3.219611	0.0017	H4 Accepted
KA	0.595223	3.349323	0.177715	0.8592	H5 Rejected

Source: EViews Output 13, (2025)

F Test Results

Fstatistic	8.886776
Prob(Fstatistic)	0.000001

Source: EViews Output 13, (2025)

Results of Determination Coefficient Test

Rsquared	0.150260
Adjusted Rsquared	0.114854

Source: EViews Output 13, (2025)

DISCUSSION

The Effect of Leverage on Tax Aggressiveness

This study finds that leverage does not significantly affect tax aggressiveness. This result suggests that the level of debt held by a company does not always influence its tendency to engage in aggressive tax behavior. Although theoretically leverage can offer tax savings through interest-related tax shields, in practice, companies do not consistently use leverage as the main tool in their fiscal efficiency strategies. External pressures, bankruptcy risks, and creditor oversight may lead firms to exercise caution in utilizing debt for tax avoidance purposes.

The Effect of Financial Distress on Tax Aggressiveness

Financial distress has a significant and positive effect on tax aggressiveness. Companies under financial pressure are more likely to adopt aggressive tax strategies as a means to maintain financial stability. In such situations, management has stronger incentives to reduce tax burdens in order to preserve operational continuity and manage liquidity. Tax aggressiveness becomes a short-term strategy that may be perceived as effective in minimizing cash outflows during challenging periods.

The Effect of Institutional Ownership on Tax Aggressiveness



Ownership does not significantly affect tax aggressiveness. This finding indicates that the proportion of shares held by institutional investors does not directly influence corporate tax avoidance policies. It is likely that institutional investors are not actively involved in monitoring tax policies or are more focused on short-term investment returns. As a result, their presence may not serve as a sufficient deterrent to aggressive tax behavior.

The Effect of Independent Commissioners on Tax Aggressiveness

Independent commissioners have a significant and positive effect on tax aggressiveness reduction. This finding suggests that a higher proportion of independent commissioners is associated with lower levels of tax aggressiveness. Independent commissioners, who are expected to act objectively and are not affiliated with management or major shareholders, play a vital role in overseeing company decisions and ensuring that managerial actions align with regulatory and governance standards. Their presence helps to limit managerial discretion in adopting overly aggressive tax strategies, promoting tax compliance and transparency. In industries such as consumer goods cyclical, where market volatility and operational pressure are high, independent commissioners help companies navigate these challenges while upholding ethical financial practices.

The Effect of Audit Committee on Tax Aggressiveness

Audit committees do not significantly affect tax aggressiveness. This result implies that the presence of an audit committee may not be effectively curbing management's aggressive tax behavior. Although audit committees are normatively responsible for monitoring financial reporting and tax compliance, their effectiveness heavily depends on their competence, independence, and engagement in strategic decision-making. In competitive sectors such as Consumer Goods Cyclical, the audit committee's role may be more focused on operational efficiency and short-term performance rather than on tax strategy oversight.

CONCLUSION

This study aims to examine the relationship between the dependent and independent variables. The dependent variable analyzed is tax aggressiveness, while the independent variables consist of leverage, financial distress, institutional ownership, independent commissioners, and audit committee. The data used are derived from the financial statements of companies in the consumer cyclicals sector listed on the Indonesia Stock Exchange (IDX) during the 2022–2024 period. The data were in panel format and selected through purposive



sampling, resulting in a total sample of 47 companies and 141 firm-year observations. The data were analyzed using panel data regression with EViews 13 software.

Based on the hypothesis testing results, the following conclusions are drawn:

1. Leverage does not significantly affect tax aggressiveness. This finding indicates that a company's debt level does not necessarily influence its tendency to adopt aggressive tax strategies. Although theoretically leverage may offer tax benefits through interest-based tax shields, companies may refrain from fully utilizing debt for tax avoidance purposes due to external pressures, bankruptcy risks, and creditor monitoring.
2. Financial distress has a significant and positive effect on tax aggressiveness. Companies under financial pressure tend to be more aggressive in their tax planning strategies in an effort to preserve financial stability. In such situations, management faces greater incentives to reduce tax burdens as a means of maintaining operations and managing liquidity. Tax aggressiveness is often seen as a short-term strategy to minimize cash outflows during periods of financial hardship.
3. Institutional ownership does not significantly affect tax aggressiveness. This result suggests that the proportion of shares held by institutional investors does not directly influence corporate tax policies. Institutional investors may not be actively engaged in monitoring tax-related decisions or may be more focused on short-term returns, thus limiting their role as deterrents to aggressive tax behavior.
4. Independent commissioners have a significant effect in reducing tax aggressiveness. The presence of a higher proportion of independent commissioners contributes to lower levels of aggressive tax behavior. Their objective and strategic oversight functions help constrain managerial discretion in formulating overly aggressive tax strategies. This underscores the role of independent commissioners as a critical governance mechanism that promotes compliance and conservative fiscal policy.
5. Audit committees do not significantly affect tax aggressiveness. This finding implies that the existence of an audit committee in a company does not automatically translate into effective oversight of tax behavior. While audit committees are normatively expected to monitor financial reporting and tax compliance, their effectiveness depends greatly on competence, independence, and the extent of their involvement in strategic corporate decision-making. In competitive sectors like Consumer Goods Cyclical, audit



committees may be more focused on operational performance rather than tax governance.

In conclusion, this study emphasizes the dual influence of financial conditions and governance structures on corporate tax behavior. While financial distress increases the likelihood of aggressive tax strategies, the presence of independent commissioners serves as an internal governance mechanism that helps restrain such behavior. These findings offer valuable insights for regulators, investors, and corporate stakeholders seeking to promote responsible and transparent tax practices through enhanced governance frameworks.

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