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THE INFLUENCE OF GOOD CORPORATE GOVERNANCE ON TAX AGGRESSIVENESS IN MINING COMPANIES IN INDONESIA

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Abstract

This study aims to analyze the impact of Good Corporate Governance (GCG) on tax aggressiveness in mining companies listed on the Indonesia Stock Exchange (IDX). A quantitative approach was used in this research, with secondary data obtained from financial statements and annual reports of companies over a certain period. The results show that GCG, particularly independent board commissioners and the frequency of board meetings, has a negative and significant impact on tax aggressiveness. However, the influence of the audit committee and the nomination and remuneration committee on tax aggressiveness is not significant. These findings underscore the importance of stronger GCG implementation to reduce risks associated with corporate tax policies. This study provides important implications for companies and regulators in enhancing effective corporate governance to reduce tax aggressiveness in the mining sector.

Keywords: ***Good Corporate Governance, Tax Aggressiveness, Mining Companies, Board of Commissioners, Audit Committee***

1. INTRODUCTION

Good corporate governance is something that is very important for a company. Applying the principles of good corporate governance can help companies minimize risks and increase company value. This is in line with research which states that good corporate governance and company performance influence company value. Furthermore, the implementation of good corporate governance can increase investor confidence in making investments (Marciano et al., 2018).

In an increasingly complex and dynamic business world, good corporate governance (GCG) practices are one of the key elements in maintaining the sustainability and credibility of a company. Good Corporate Governance includes a set of rules, practices and processes used to direct and manage a company with the aim of creating long-term added value for shareholders and other stakeholders. Effective implementation of GCG is expected to strengthen company integrity, increase transparency and minimize business risks, including risks related to tax policy.

From an Islamic perspective, the GCG concept is in line with sharia principles which emphasize accountability, justice and social responsibility. This is reflected in the main

characteristics of GCG, namely participatory, consensus-oriented, accountable, transparent, responsive, effective and efficient, fair and inclusive, and following legal rules (Wijayati, 2021). Even though there is no GCG framework specifically designed based on Islamic principles, the implementation of GCG in companies in Indonesia can be aligned with sharia values and principles (Nalim, 2009).

Research on the implementation of GCG in the banking industry and finance companies in Indonesia shows that the implementation of GCG principles, such as accountability, transparency and responsibility, can contribute to increasing company performance and value (Kaban et al., 2018). This emphasizes the importance of commitment from management and all stakeholders in implementing good and sustainable GCG practices.

One issue that is often highlighted in the context of implementing GCG is tax aggressiveness, namely the company's efforts to minimize its tax obligations through various strategies that sometimes approach the legal limit. Several previous studies show that GCG practices can influence corporate tax aggressiveness. Companies that implement GCG principles well, such as accountability, transparency and liability, tend to have more compliant tax practices. Apart from that, the quality of GCG implementation can also strengthen the relationship between disclosure of corporate social responsibility and company value (Vira & Wirakusuma, 2019). However, other research finds that often implementing good GCG is not always followed by better financial performance, at least in the short term (Sabirin, 2020).

Tax aggressiveness can provide short-term benefits for companies in the form of tax savings, but on the other hand, it can pose significant legal and reputational risks. In the mining industry in Indonesia, which has a large contribution to state revenues through taxes and royalties, the practice of tax aggressiveness is often a special concern for the government and the public.

This research aims to analyze the effect of implementing Good Corporate Governance on tax aggressiveness in mining companies registered in Indonesia. By considering the importance of the mining sector in the national economy, as well as the complexity of regulations and environmental challenges it faces, this study is expected to provide deeper insight into how GCG can influence tax decisions in this industry. It is hoped that the results of this research can be a reference for stakeholders, including regulators, company management and investors, in understanding and evaluating the impact of good corporate governance on corporate tax policy.

2. METHOD

This research uses a quantitative approach with the aim of analyzing the influence of Good Corporate Governance (GCG) on tax aggressiveness in mining companies listed on

the Indonesia Stock Exchange (BEI). The research method used is an empirical study with secondary data obtained from annual financial reports and company annual reports.

Research Population and Sample

The population in this research is all mining companies registered on the IDX during a certain period, for example during the last five years. The research sample was selected using a purposive sampling method, namely with certain criteria such as companies that consistently publish annual reports and financial reports during the research period, and have complete data related to the variables studied.

Table 1. Summary of Sampling Process

No	Company Sampling Criteria	Amount
1	Mining companies listed on the IDX for the 2016-2020 period	58
2	Companies registered in years equal to or later than 2016	6
3	Elimination of companies that did not publish financial reports consecutively during the 2016-2020 period	8
4	Elimination of companies that experienced delisting during the 2016-2020 period	6
5	Eliminate companies that do not use the rupiah currency in presenting their financial reports	25
6	Eliminate companies that do not have the required data	5

Table 2. Company Sample Data

No	Company Code	Company name
1	ANTM	PT. Aneka Tambang Tbk
2	CITA	PT. Cita Mineral Investindo Tbk
3	DKFT	PT. Central Omega Resources Tbk
4	ELSA	PT. Elnusa Tbk
5	MTFN	PT. Capitalinc Investment Tbk
6	PTBA	PT. Bukit Asam Tbk
7	RUIS	PT. Radiant Utama Interinsco Tbk
8	TINS	PT. Timah Tbk

Research Variables

Independent Variable: Good Corporate Governance (GCG), which is measured through several indicators such as the number of independent board of commissioners, frequency of board of commissioners meetings, size of the audit committee, and the existence of a nomination and remuneration committee. Dependent Variable: Tax aggressiveness, which is measured using proxies such as Effective Tax Rate (ETR), Cash Effective Tax Rate (CETR), and Book Tax Difference (BTD).

Data Collection Technique

The data used in this research is secondary data taken from financial reports and company annual reports obtained from the official IDX website or from the official websites of each company. Apart from that, data is also taken from other relevant publications such as reports from tax authorities or related research institutions.

Data Analysis Techniques

This research uses multiple linear regression analysis to test the relationship between Good Corporate Governance and tax aggressiveness. Before regression analysis is carried out, the data will be tested first using the classic assumption test which includes the normality test, multicollinearity test, heteroscedasticity test and autocorrelation test to ensure the validity of the model used.

Regression Model

The regression model used in this research can be formulated as follows:

$$Y=\alpha+\beta1X1+\beta2X2+\beta3X3+\ldots+\epsilon$$

Di mana:

- YYY = Tax aggressiveness (ETR, CETR, BTD)
- α\alphaα = Constant
- β1,β2,…\beta_1, \beta_2, \ldotsβ1,β2,… = Regression coefficient
- X1,X2,…X_1, X_2, \ldotsX1,X2,… = Indikator GCG (misalnya, dewan komisaris independen, komite audit, dll.)
- ϵ\epsilonϵ = Error term

Hypothesis Testing

Hypothesis testing was carried out to determine the significance of the influence of Good Corporate Governance on tax aggressiveness. Testing was carried out using the t test to determine partial effects and the F test for simultaneous effects, with a predetermined significance level (for example, $\alpha = 0.05$). It is hoped that the results of this analysis will provide an overview of the extent to which the implementation of Good Corporate Governance can influence company tax policy, especially in the context of tax aggressiveness in the mining industry.

3. RESULT AND DISCUSSION

After analyzing the data, the research results showed several important findings regarding the influence of Good Corporate Governance (GCG) on tax aggressiveness in

mining companies in Indonesia. The following are the results and discussion obtained from this research:

Statistical Description

The results of the descriptive analysis show that GCG variables, such as the number of independent board of commissioners, frequency of board of commissioners meetings, size of the audit committee, and the existence of a nomination and remuneration committee, have quite significant variations among the companies in the research sample. Apart from that, the tax aggressiveness variable measured through the Effective Tax Rate (ETR), Cash Effective Tax Rate (CETR), and Book Tax Difference (BTD) also shows variations between companies, indicating differences in the tax strategies implemented.

Descriptive Statistical Test

Descriptive statistics are used to provide an overview or description of minimum, maximum, average (mean) and standard deviation values. The independent variables in this research are independent commissioner (INDP), institutional ownership (INST), audit quality (KA), and audit committee (KOM) while the dependent variable is tax aggressiveness. Descriptive statistical test results:

Table 3. Descriptive Statistics Test Results

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
INDP	40	0,200	0,600	0,36750	0,086886
INST	40	0,280	7,291	0,79813	1,068813
KA	40	0	1	0,50	0,506
KOM	40	3	4	3,33	0,474
TA	40	-0,727	1,417	-0,17074	0,351966
Valid N (listwise)	40				

Table 3 shows that the amount of research data (N) is 40 data. From these results, several conclusions were obtained as follows: 1. Independent commissioners (INDP) have a minimum value of 0.200, a maximum of 0.600, and a mean of 0.36750 with a standard deviation of 0.086886. The higher the value of the independent commissioner (INDP), the lower the tax aggressiveness. 2. Institutional ownership (INST) has a minimum value of 0.280, a maximum of 7.291, and a mean of 0.79813 with a standard deviation of 1.068813. 3. Audit quality (KA) has a minimum value of 0, a maximum of 1, and a mean of 0.50 with a standard deviation of 0.506. The better the audit quality score, the worse the level of tax

aggressiveness. The audit committee (KOM) has a minimum value of 3, a maximum of 4, and a mean of 3.33 with a standard deviation of 0.474. The greater the number of audit committees, the less tax aggressiveness will be. Tax aggressiveness proxied by ETR has a minimum value of -0.727, a maximum of 1.417, and a mean of -0.17074 with a standard deviation of 0.351966. The higher the ETR value, the lower the tax aggressiveness.

Classical Assumption Test

The normality test is used to determine whether the data population in the regression equation is normally distributed or not. To test the normality of the data, namely by looking at the histogram, normal probability plot and/or looking at the one-sample Kolmogorov-Smirnov. The normality test results are as follows:

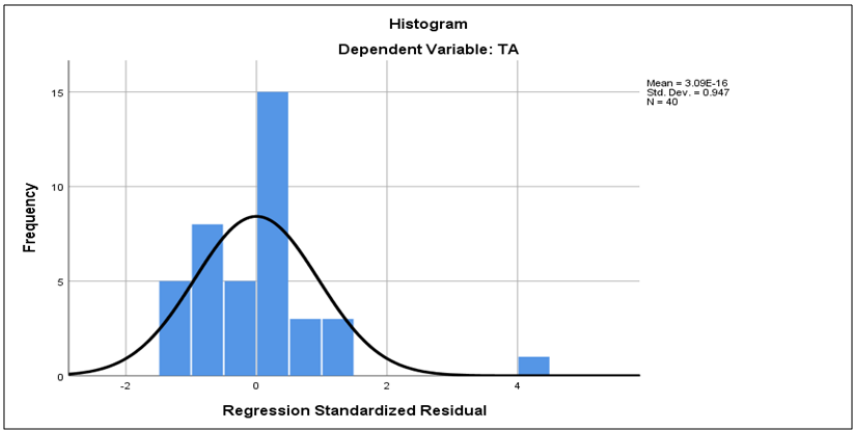

Figure 2. Histogram Graph Results

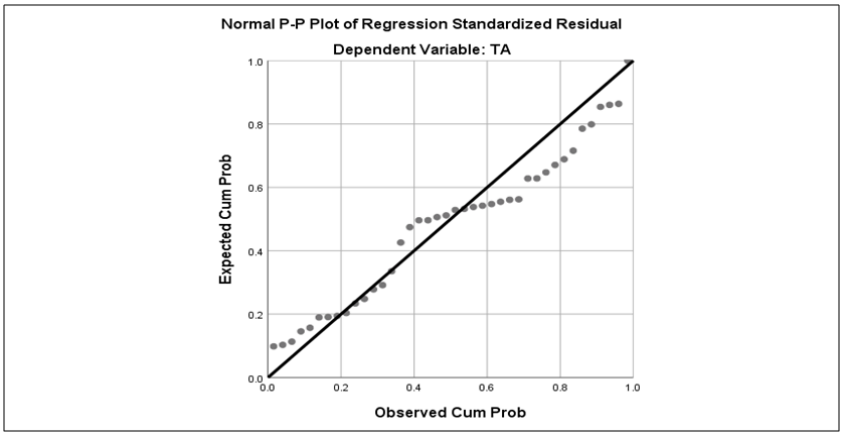

Figure 3. Normal Probability Plot Test Results

The histogram graph in Figure 2 shows that the residual data shows a normal curve that forms a perfect bell. And the results of the normal probability plot test based on Figure 3 show that the points which constitute the data are spread around the diagonal line and the distribution follows the direction of the diagonal line. So it can be concluded that the data is normally distributed and meets the assumptions of normality.

Heteroscedasticity Test

The heteroscedasticity test aims to determine whether or not there is inequality in the variance of the residuals in the regression model. Heteroscedasticity occurs when there is an unequal variance in the residuals for all regression observations. The prerequisite that must be met in the regression model is the absence of heteroscedasticity problems. The heteroscedasticity test also aims to ensure that the data is heterogeneous, generally does not have the same data movement characteristics, does not accumulate and/or does not form a certain line pattern. The results of the heteroscedasticity test can be seen as follows:

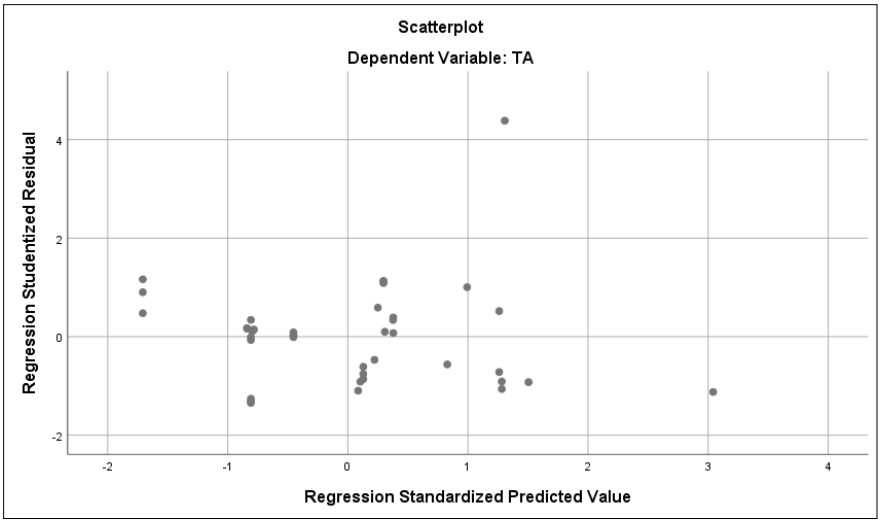

Figure 4. Scatterplot Test Results

Multicollinearity Test

The multicollinearity test aims to find out whether in the regression model there is a correlation between the independent variables. If the independent variables are correlated with each other then the variables are not orthogonal. Orthogonal variables are independent variables whose correlation value between independent variables is equal to zero. Multicollinearity does not occur if the Tolerance value is more than 0.10 or the Variance Inflation Factor (VIF) value is less than 10. The results of the multicollinearity test can be seen in Table 4. below:

Table 4. Multicollinearity Test Results

Coefficients[a]

Model		Collinearity Statistics	
		Tolerance	VIF
1	INDP	0,854	1,171
	INST	0,960	1,042
	KA	0,511	1,958
	KOM	0,474	2,108

The results of the milticollinearity test presented in Table 4.9 show that the Variance Inflation Factor (VIF) value of the INDP (independent commissioner) is 1.171 with a Tolerance value of 0.854. The Variance Inflation Factor (VIF) value of INST (institutional ownership) is 1.042 with a Tolerance value of 0.960. The Variance Inflation Factor (VIF) value of KA (audit quality) is 1.958 with a Tolerance value of 0.511. The Variance Inflation Factor (VIF) value from the KOM (audit committee) is 2.108 with a Tolerance value of 0.474. Thus, it can be concluded that there is no correlation or relationship between the independent variables because the Variance Inflation Factor (VIF) value is less than 10 and the Tolerance value is greater than 0.10.

Autocorrelation Test

The autocorrelation test is used to determine whether or not there is a correlation between the residuals in one observation and other observations in the regression model. The test method uses the Durbin-Watson Test (DW Test). The results of the autocorrelation test can be seen in table 5 below:

Table 5. Autocorrelation Test Results

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.442[a]	0,196	0,104	0,333197	1,754

Table 5 shows that the Durbin Watson (DW) value is 1.754. From the DW table with a significance of 0.05 and total data (n) = 40, and number of independent variables (k) = 4, the dl value is 1.2848 and du is 1.7209. The Durbin Watson decision value is du < d < 4-du

so we get 1.7209 < 1.754 < 2.2791. So it can be concluded that there are no symptoms of autocorrelation between the independent variables in the regression model.

Multiple Linear Regression Test

This analysis is used to determine the linear relationship between two or more independent variables (X) and the dependent variable (Y). This analysis is also to predict the value of the dependent variable (Y) if the value of the independent variable (X) increases or decreases and to determine whether the direction of the relationship is positive or negative.

Table 6. Multiple Linear Regression Test Results

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-0,553	0,626		-0,884	0,383
	INDP	1,051	0,664	0,260	1,582	0,123
	INST	0,066	0,051	0,199	1,288	0,206
	KA	-0,172	0,147	-0,248	-1,169	0,250
	KOM	0,009	0,163	0,012	0,055	0,956

From the results of the multiple linear regression test presented in Table 4.11, it can be seen that the beta value of the influence of the INDP, INST and KOM variables on TA is 1.051, 0.066 and 0.009 which is a positive beta, meaning that the influence exerted by the INDP, INST and KOM variables on TA is positive or the influence is unidirectional. On the other hand, the beta value of the influence of the KA variable on TA is -0.172, which is a negative beta.

Hypothesis Testing

t test (partial test)

The t test aims to test each independent variable, namely independent commissioner, institutional ownership, audit quality and audit committee individually, whether they have a significant effect on the dependent variable tax aggressiveness or not. To find out significant data by comparing tcount with ttable at a confidence level (level of significance) of 5% or 0.05. The equation model to find out ttable can use a significant level α = 5%:2 = 2.5% (2-

sided test) with degrees of freedom df = (n-k-1) where n is the number of observation data, and k is number of independent variables. df = (40-4-1) = 35 then the ttable value is 2.030. The t test results are as follows:

Table 7. T test Results

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	-0,553	0,626		-0,884	0,383
	INDP	1,051	0,664	0,260	1,582	0,123
	INST	0,066	0,051	0,199	1,288	0,206
	KA	-0,172	0,147	-0,248	-1,169	0,250
	KOM	0,009	0,163	0,012	0,055	0,956

F Test (Simultaneous Test)

Table 8. F Test Results

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	0,946	4	0,236	2,129	.098[b]
	Residual	3,886	35	0,111		
	Total	4,831	39			

Hasil uji F berdasarkan pada Tabel 8. diketahui bahwa nilai Fhitung sebesar 2,129 lebih kecil dari Ftabel 2,641 dengan nilai signifikansi sebesar 0,098 > 0,05 maka H0 diterima artinya bahwa variabel komisaris independen, kepemilikan institusional, kualitas audit dan komite audit secara simultan tidak berpengaruh terhadap agresivitas pajak.

Coefficient of Determination Test (R^2)

The Coefficient of Determination (R^2) essentially measures how far the model's ability is to explain variations in the dependent variable. The coefficient of determination value is between zero and one. A small R^2 value means that the ability of the independent variable to explain the dependent variable is very, very limited. A value close to one means that the independent variables provide almost all the information needed to predict variations in the dependent variable. The results of the coefficient of determination test are as follows:

Table 9. Coefficient of Determination Test Results (R2)

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.442[a]	0,196	0,104	0,333197	1,754

Table 9 shows the adjusted R square value of 0.104. This means that 10.4 percent of tax aggressiveness is influenced by the four independent variables: independent commissioner, institutional ownership, audit quality and audit committee. Meanwhile, the remaining 89.6 percent was influenced by other factors outside the four independent variables in this study.

The Influence of the Existence of Independent Commissioners on Tax Aggressiveness

The results of the research show that the independent commissioner variable has no effect on tax aggressiveness. This is based on Table 7. of the t test results, the t value is 1.582 < t table 2.030, with a significant value of 0.123 > 0.05, so H1 is rejected. The existence of independent commissioners in the company does not have a significant effect on the company's tax aggressiveness.

The Influence of Institutional Ownership on Tax Aggressiveness

The results of the research show that the institutional ownership variable has no effect on tax aggressiveness. This is based on Table 7. The results of the t test, the t value is 1.288 < t table 2.030, with a significant value of 0.206 > 0.05, so H2 is rejected. The size of institutional ownership in a company does not have a significant effect on corporate tax aggressiveness.

The Influence of Audit Quality on Tax Aggressiveness

The results of the research show that the audit quality variable has no effect on tax aggressiveness. This is based on Table 7 of the t test results, the t value is -1.169 < t table 2.030, with a significant value of 0.250 > 0.05, so H3 is rejected. The use of audit services from Big Four KAPs or non-Big Four KAPs does not have a significant effect on corporate tax aggressiveness.

The Influence of the Number of Audit Committees on Tax Aggressiveness

The results of the research show that the audit committee variable has no effect on tax aggressiveness. This is based on Table 7. The results of the t test, the t value is 0.055 < t table 2.030, with a significant value of 0.956 > 0.05, so H4 is rejected. The size of the audit committee in the company does not have a significant effect on the company's tax aggressiveness.

CONCLUSION

This research aims to examine the influence of Good Corporate Governance (GCG) on tax aggressiveness in mining companies listed on the Indonesia Stock Exchange (BEI). Good Corporate Governance, especially the existence of an independent board of commissioners and the frequency of board of commissioners meetings, has been proven to have a significant effect in reducing tax aggressiveness. This shows that strict and independent supervision from the board of commissioners can reduce management's opportunistic behavior in avoiding taxes. Although the audit committee and nomination and remuneration committee have a negative influence on tax aggressiveness, the influence is not always significant. This indicates that although this committee plays a role in corporate governance, its impact on tax policy may not be as great as the role of the board of commissioners. Overall, this research provides empirical evidence that good corporate governance can play a role in reducing tax aggressiveness, which in turn can increase the company's credibility in the eyes of stakeholders and the public.

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