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COMPANY SIZE AS A MODERATING VARIABLE ON PROFITABILITY AND CORPORATE SOCIAL RESPONSIBILITY ON TAX AGGRESSIVENESS

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Abstract.
Tax aggressiveness is a tactic used by businesses to lower their profits in order to pay less income tax to the government. Tax avoidance practices can be said to be tax aggressiveness if the company tries to aggressively reduce the tax burden. Tax aggressiveness is still a problem in the business world in Indonesia which results in the government losing potential tax revenue. Using agency theory, this study aims to provide empirical evidence regarding the relationship between profitability and corporate social responsibility on tax aggressiveness. The results showed a positive effect on profitability and a negative effect of corporate social responsibility on tax aggressiveness. Company size has a positive moderating effect on the link between tax aggressiveness and profitability, while the relationship between tax aggressiveness and corporate social responsibility is adversely moderated. As a result, the government must improve oversight and enforcement of aggressive tax evasion strategies, as well as enact additional tax rules to combat tax aggressiveness.

Keywords: *Tax Aggressiveness; Profitability, Corporate Social Responsibility (CSR); Firm Size*

INTRODUCTION

Companies use tax aggressiveness as a strategic technique to lower their tax obligations. (Lembut & Oktariani, 2023). Tax aggressiveness using tax avoidance is an attempt to reduce legal and legal taxes (Apriyanti & Arifin, 2021). Every year, the Indonesian government raises the tax sector's target revenue. Nevertheless, the government frequently fails to collect the appropriate amount of tax money.

Table 1. Target and accomplishment of tax income in the trillion of IDR between 2019 and 2023

Year	Target	Realization	Percentages (%)
2019	Rp1.786,4	Rp1.332,7	86,6
2020	Rp1.404,5	Rp1.072,1	91,5
2021	Rp1.229,6	Rp1.278,6	100,19
2022	Rp1.485,0	Rp1.608,1	115,6
2023	Rp1.718	Rp1.869,2	108,8

The data presented shows that tax income fell far short of the objective in 2019. This disparity shows that businesses may use tax evasion tactics. As an example, in 2019, PT.

Adaro Energy Tbk, engaged in the coal mining sector, was involved in a tax evasion case. Global Witness revealed that from 2009–2017, Adaro, using its Singapore subsidiary Coaltrade Services International, paid US$125 million less than it should have to the Indonesian government (Suwiknyo, 2019). This phenomenon illustrates that tax revenue has not reached its potential due to the efforts of taxpayers to reduce tax aggressiveness.
Tax aggressiveness can provide short-term financial benefits for companies by reducing tax liabilities, which increases net income and cash flow. However, it becomes one of the biggest obstacles in increasing state revenue characterized by efforts to reduce corporate income tax liabilities through the application of accounting practices. According to Apriyanti & Arifin (2021), financial metrics including profitability as well as CSR show a relationship between such conduct. While the government seeks to gather as much revenue as possible, companies desire to cut tax payments (Lailiyah et al., 2024).
One of the main reasons companies conduct tax aggressiveness is to increase the company's net profit (Jannah et al., 2022). By reducing the tax burden, the company can increase its profits. On the other hand, Indonesia's tax regulations have loopholes that can be utilized by companies to avoid taxes legally, as well as the absence of strict supervision by the government.

METHOD

This research uses a literature study approach, namely by analyzing various previous studies related to tax aggressiveness. The steps taken were to collect a number of 28 articles articles related to tax aggressiveness through goggle scholar, then analyzing the the phenomenon of previous research results and conclude the results of the analysis.

RESULTS AND DISCUSSIONS

The results of the analysis related to 28 articles on tax aggressiveness can be described in the following discussion:
One strategy to maximize income by reducing tax obligations is tax aggressiveness (Utomo & Fitria, 2020). Tax aggressiveness is defined as the reduction in taxable income gained by tax preparation, whether done legitimately (tax avoidance) or unlawfully (tax evasion). Tax regulations can be used by businesses to their benefit since typically there are gaps or weaknesses that could be taken advantage of (Oktyawati et al., 2023).
Profitability, according to Fauzan et al. (2019), is the company's capacity to turn a profit over a given period. Profitable businesses have increased tax responsibilities, which encourages them to employ aggressive tax planning strategies in an effort to maximize their net profit after taxes. Fitri & Munandar (2018) claims that corporations engaged in CSR will be liable for taxes. Corporate social responsibility, or CSR, is a type of corporate gift to the surroundings impacted by the operations of the company (Yunistiyani & Tahar, 2017). Businesses that give social responsibility top priority usually keep their reputation and comply better with tax laws, so reducing the likelihood of tax aggressiveness (Lailiyah et al., 2024).
Research on the problem of tax aggressiveness has been carried out several times. Profitability clearly influences tax aggression, according to Jaffar et al. (2021), Jannah et al. (2022), Praditasari & Setiawan (2017), and Munawar et al. (2022). High-profit corporations are more likely to employ aggressive tax strategies (Puspita et al., 2020). Amiah (2022) and Yanti & Hartono (2019) provide evidence that the high practice of corporate tax avoidance might be influenced by the profitability of a larger business.
Research by Issam et al. (2015) and Andhari & Sukartha (2017) show that CSR disclosure will change public impressions of a firm and enhance company reputation, hence reducing

tax aggression (Gunawan, 2017). Companies engaged in more CSR projects will be more cautious in implementing aggressive tax methods (Yunistiyani & Tahar, 2017; Lanis & Richardson, 2012) since they have an obligation to establish positive relations with their stakeholders (Yogiswari & Ramantha, 2017). Andariesta & Suryarini (2023) bolster the assertion that CSR disclosure and bigger company size help to lower tax aggressiveness.

Research by Pramana & Wirakusuma (2019), Utomo & Fitria (2020), and Noviyanti & Muttaqin (2017) however shows that tax aggressiveness has no correlation with CSR, which can be brought on by an incomplete representation of the real state of the CSR report (Apriyanti & Arifin, 2021; Makhfudloh et al., 2018). Similarly, research by Kusuma & Maryono (2022), Fitri & Munandar (2018), Utomo & Fitria (2020) demonstrate that tax aggressiveness is unaffected by firm profitability levels. Managers would not take risks that could have a detrimental impact on their long-term business operations because tax aggressiveness is a high-risk activity (E.G & Murtanto, 2021; Margie & Habibah, 2021).

Profitability positively affects tax aggressiveness since a rise in business profits will result in the equivalent rise in tax liabilities. Companies will thus show more degrees of tax aggressiveness by means of proactive tax liability minimization. Research by Jaffar et al. (2021), Jannah et al. (2022), Praditasari & Setiawan (2017), Munawar et al. (2022), Puspita et al. (2020), Amiah (2022), and Yanti & Hartono (2019) aligns this result. Nevertheless, the degree of corporate profitability will not influence tax aggressiveness like the studies of Kusuma & Maryono (2022), Fitri & Munandar (2018), and Utomo & Fitria (2020). According to E.G & Murtanto (2021) and Margie & Habibah (2021), a huge firm size with high degree of profitability will constantly comply with tax responsibilities.

Tax aggressiveness suffers under corporate social responsibility. This is so because lower tax aggressiveness displayed by the corporation and more CSR disclosure reveal a relationship. Businesses that engage in CSR show a stronger dedication to social responsibility and a willingness to pay taxes in compliance with relevant laws. This outcome is consistent with studies by Issam et al. (2015), Andhari & Sukartha (2017), and Gunawan (2017). Firms that prioritize corporate social responsibility (CSR) frequently use cautiously aggressive tax policies (Yunistiyani & Tahar, 2017; Lanis & Richardson, 2012). Andariesta & Suryarini (2023) larger corporations and more comprehensive CSR disclosure are associated with less tax aggression. The CSR data presented in the report do not fully reflect the real situation, contrary to the findings of Pramana & Wirakusuma (2019), Utomo & Fitria (2020), Noviyanti & Muttaqin (2017), Apriyanti & Arifin (2021), Makhfudloh et al. (2018) who discovered no relationship between tax aggressiveness and CSR.

CONCLUSION

This study's goal is to evaluate the tax aggressiveness of manufacturing companies that are listed on the Indonesia Stock Exchange (idX) in relation to their profitability and CSR. This study examines the moderating effects of business size. Profitability positively correlates with tax aggression, whereas CSR has the opposite impact. The size of the corporation can have a positive impact on the relationship between corporate tax aggressiveness and profitability. Nonetheless, business size has a moderating negative influence on the connection between tax aggressiveness and CSR.

Future researchers should take some limitations in this study into account if they wish to generate more reliable results. First, future researchers are expected to incorporate non-manufacturing businesses such as banking, services, and finance, as the current research sample consists entirely of manufacturing enterprises listed on the Indonesia Stock Exchange. Second, this study focuses on a limited number of independent variables;

however, future studies may incorporate more independent variables such as earnings management and liquidity.

According to this study, businesses should assess their tax plans to guarantee they follow all relevant tax laws. This will let businesses stay away from tax avoidance. Furthermore expected is government enhancement of law enforcement and monitoring against the tax aggressiveness activity.

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