Enrichment: Journal of Management, 13 (2) (2023)

Published by: Instiute of Computer Science (IOCS)

Enrichment: Journal of Management

Journal homepage: www.enrichment.iocspublisher.org

The effect of executive compensation and institutional ownership on tax aggressive actions with firm size as an intervening variable

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ARTICLEINFO

Article history:

Received May 27, 2023
Revised May 05, 2023
Accepted Jun 16, 2023

Keywords:

Company Size;
Executive Compensation;
Institutional Ownership;
Tax Aggressive Actions.

ABSTRACT

This study intends to investigate how the effect of Executive Compensation and institutional ownership on the level of aggressiveness in the application of tax regulations. Purposive sampling was used to select a sample of 140 manufacturing companies which are traded on the Indonesia Stock Exchange. In this study, we used SEM-PLS, Executive compensation (X1) was found to have a large effect on tax aggression (Y) while controlling for business size (Z). Firm size (Z) has a positive effect on the relationship between executive compensation (X1) and tax aggressiveness (Y). Firm size (Z) and institutional ownership (X2) both have a significant effect on tax aggressiveness (Y). Business size (Z) has a positive effect on the relationship between institutional ownership (X2) and tax aggression (Y). Interesting understanding of aggressive tax practices can have significant consequences both for companies and for society at large. By understanding the factors that influence this practice, this research can provide better insight into the causes and effects of aggressive taxation measures. This research is expected to contribute to the development of knowledge about the factors that influence tax aggressiveness in companies, so that it can assist in the development of better policies and practices in the context of corporate taxation.

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INTRODUCTION

National development carried out by the state in the context of improving people's welfare is primarily financed by taxes which are the main source of state revenue from the non-oil and gas sector. Having tax revenues as a funding mechanism is a key component of the country's developmental autonomy. When the government collects taxes, the funds are used to improve the lives of everyone in the country. However, corporations view taxation of their profits as a barrier (Ananda & Wijaya, 2022). Companies feel the need to make efficient tax payments because they believe taxes are a burden that will reduce the profits available to be shared or reinvested. The

dividend policy will change if the company decides to go public. Companies that have gone public have more visibility than those that have not. When a company goes public, its managers naturally want to do everything they can to increase investor confidence and the value of their shares. Likewise, best efforts will be made to pay applicable taxes. Regardless of the underlyingeconomics, taxes are a legitimate business expense that can be written off before distributing dividends or reinvesting in the company. Taxes are viewed negatively by most business owners, and as a result, organizations strive for operational excellence and competitive advantage by minimizing costs. The same goes for the dreaded tax bill, which might eat away at profits and slow down the rate of return and cash flow of a company's business.

Business firms engage in tax planning to reduce their taxable income as much as possible. Engineering solutions that fall within the scope of taxation but go beyond the limitations of Law no. 36 of 2008 can help taxpayers reduce their tax obligations. The same goes for the dreaded tax bill, which may eat away at your profits and slow down your returns and business cash flow. Businesses engage in tax planning to reduce their taxable income as much as possible. Engineering solutions that fall within the scope of taxation but go beyond the limitations of Law no. 36 of 2008 can help taxpayers reduce their tax obligations. The same goes for the dreaded tax bill, which may eat away at your profits and slow down your returns and business cash flow. Businesses engage in tax planning to reduce their taxable income as much as possible. Engineering solutions that fall within the scope of taxation but go beyond the limitations of Law no. 36 of 2008 can help taxpayers reduce their tax obligations. According to Anggriani & Handayani, (2021), tax planning is the use of various strategies to reduce one's taxable income. One of the many legal options for businesses is tax planning. This is legal because it is possible to save tax money by taking advantage of unwanted provisions in the tax code (loopholes).

According to Prasetyo & Rosita, (2022), tax planning includes a number of procedures or actions taken by taxpayers to manipulate sources of income and expenses and other transactions in an effort to reduce, postpone or eliminate the tax burden while still complying with legal requirements. To be successful, business owners need to take advantage of the tax breaks, credits, rebates, credits, facilities, and loans that the government offers. In contrast, tax avoidance focuses on the commercialization and strategic use of legal tax laws. Concealment or secrecy of taxable objects is a common component of smuggling, tax evasion and related offenses.

Companies avoid taxes to avoid paying them. The principle of the company is to maximize profits by reducing costs, especially taxes (Riyanto & Kristianto, 2018). Tax aggression can help companies avoid taxes. Tax aggression can increase profits and costs. Company reputation and tax savings depend on profit margins. This study uses ETR to measure tax aggression. Effective management requires compensation. Managed compensation. A good compensation system can help organizations achieve their goals, namely high profitability (Purnamasari & Lutfi, 2020). This method can boost organizational values and accelerate the achievement of goals (Sutrisno, 2016). Nuraini & Widodo, (2021) shows that sensitivity affects how and why people operate within an organization and not with other people. Executive regulatory policies can improve management performance. Executives optimize company profitability for owners and shareholders and receive performance-based compensation. Owners expect executives to improve performance by providing correct maintenance plans to maximize profits.

According Santoso & Nurani, (2019), an executive is someone who holds a leadership position in a company and has the power and authority to move "subordinates" who carry out various responsibilities. operational activities for organizational purposes. Executives, such as presidents, directors, vice presidents, directors, executive managers, chief commissioners, and commissioners, have significant influence over an organization. Executive coercion can increase performance. The executive optimizes the income of the owner or shareholder and receives contractual compensation. Owners expect executives to improve performance with proper maintenance practices, according to Nuraini & Widodo, (2021). The exclusive premium package includes basic compensation, bonuses,

incentives, facilities and benefits, such as an employee insurance plan. Stock options protect (Siregar & Hendriyanto, 2021). Stock options are the right to buy company shares at a discounted price for a certain period of time (Wijaya & Astuti, 2017).

Compensation can lead to tax aggression, whereby management decides how to increase shareholder wealth, this leads to better performance and more efficient decisions about how to increase shareholder wealth. This leads to better and more efficient performance. Management streamline taxes. Anggriani & Handayani, (2021) examines how CEO compensation, especially compensation for the tax director, influences business tax planning. This analysis shows that the GAAP effective tax rate and executive pay are strongly correlated. Companies use legal (tax evasion) and illegal (tax evasion) tax planning to manipulate taxable income (Rizqiawan & Kartika, 2020). Santoso & Nurani, (2019) found that corporations should have a preference for making management more aggressive in imposing taxes. Companies are increasingly using regulatory loopholes to avoid taxation, which are seen as aggressive.

The main goal of tax aggressiveness is to reduce the amount of tax paid. This is because companies view paying income tax as a very large additional cost or as giving money to the government which can reduce company profits. As a result, companies are expected to take steps that can lower their tax burden. The amount of tax aggressiveness is often based on the benefits and risks that will occur. In his study from 2022, Prasetyo said that when a company decides to take an aggressive tax approach, its managers or decision makers will find out how much money they will make or lose. Aggressive tax policies can have little benefit and little cost. This is because companies tend to take steps that will lower their tax burden. The amount of tax aggressiveness is often based on the benefits and risks that will occur. In his study, Harun & Silvana, (2020) said that when a company decides to be tax aggressive, its managers or decision makers will know how much money they will make or lose. This will affect the interests of the company owners, or those with the most shares.

According to Siregar & Hendriyanto, (2021), quoting from Jensen and Meckling (1976), institutional ownership is very important in reducing manager-shareholder agency conflicts. It is widely accepted that investors' institutional ownership can serve as an efficient framework for monitoring the actions of managers. It is difficult to trust earnings treatment procedures when institutional investors have a voice in strategic decisions. Financial institutions, insurance companies, investment banks, pension funds, public interest companies (PT) and other legal entities can all be considered institutions. Supervision of management performance will be better if large institutions have shares in the company. The extent to which institutional investors exercise oversight is highly correlated with the size of the investment. Institutions with a disproportionate number of voting stock can have greater influence over management decisions and prevent them from harming shareholders. As institutional ownership increases, so does the power to exercise control. According to Santoso & Nurani, (2019), it is very important for institutional owners to supervise, correct, and influence top-level executives. They argue that managers will be better able to focus on economic performance if they are accountable to institutional owners based on their size and voting rights.

The size of the company affects its ability to avoid paying taxes, where the total assets of the company can be used to calculate its size, which will also increase the productivity of the company. This results in increased profits and taxes for the company. According to Harun & Silvana,(2020), large companies carry out more complicated transactions. In every transaction, corporations have looked for ways to avoid paying taxes and taken advantage of the opportunity. There are giant businesses, medium businesses, and small businesses, depending on size. The scale of the corporation is determined by its total assets. According to Prasetyo & Rosita, (2022), an asset is something that can be defined as "as a result of this event, it is expected that it will flow to the entity." The statement above shows that assets are resources that are under the control of the company as a result of everything that happened in the history of the company and which will generate economic

benefits in the future. According to Darmawan & Sugiyono, (2020), the size of a corporation can be determined from its total assets, income or capital. The size of a company can be determined by looking at its assets. Large total assets are a sign of maturity in a company, indicating that cash flow is positive, that the company has high prospects during periods of stability, and has the potential to generate greater profits than organizations with small total assets. (Wijaya & Astuti, 2017).

Previous studies have discussed the effect of executive compensation or institutional ownership on tax aggressiveness separately. However, this study combines these two factors into one comprehensive analytical framework. In addition, this study also includes firm size as an intervening variable, which may provide additional understanding of the role of firm size in this relationship. Previous research did not use firm size as an intervening variable, while in this study it was introduced as a factor that can influence the relationship between executive compensation, institutional ownership, and tax aggressiveness. This makes it possible to explore how firm size moderates the effect of these two factors on tax aggressiveness. Previous research used a different methodological approach, whereas this research may involve quantitative methods by collecting primary or secondary data and applying appropriate statistical analysis to examine the relationship between the variables involved. In addition, this study can also utilize path analysis to measure the strength and direction of the relationship between these variables. Based on the background described in the previous paragraph, the formulation of the problems that can be explained in this study are:

a) Does executive compensation affect tax aggressiveness
b) Does institutional ownership affect tax aggressiveness
c) Compensation and Institutional Ownership of Tax Aggressive Actions with Firm Size as Intervening Variable

RESEARCH METHOD

This research uses associative quantitative methodology. Sugiyono, (2019) argues that relationships or associations between variables are the focus of the associative approach in quantitative research. The purpose of this method is to determine how shifts in one variable are associated with shifts in other variables. This study uses secondary data, namely the financial reports of manufacturing companies for 2018–2022 which are traded on the Indonesia Stock Exchange. A total of 114 businesses that met the following criteria were included in the research sample: a) Companies engaged in manufacturing on the Indonesia Stock Exchange (IDX) during 2018–2022. b) Manufacturing companies that have published annual reports and complete financial statements for the years 2018–2022.

The author performs data tabulation by using Microsoft Excel to input and calculate the independent and dependent variables. After tabulating the data, the authors performed path analysis, tested the outer model and inner model, and tested the hypothesis using SmartPLS 3.2.9. The path diagram model that will be used in this study is as follows:

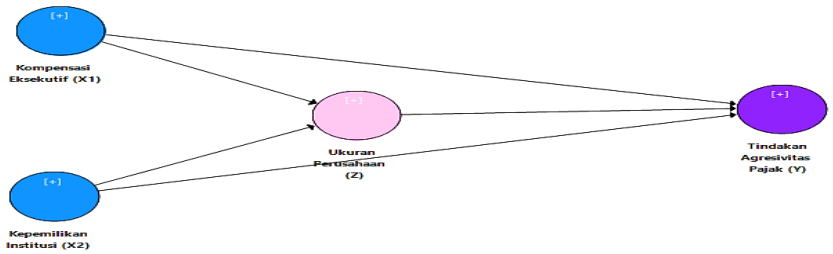

Figure 1. Construct variable path diagram

RESULTS AND DISCUSSIONS

Convergent validity, discriminant validity, Cronbach's alpha, composite reliability, average variance extract (AVE), and t-statistical values for each indicator (after bootstrap technique) were used to determine the acceptability of the external model. The term for this is "goodness of fit." Evaluation of the external model used in this study is presented below.

1) Uji *Convergent Validity*

The relationship between construct scores and item scores, or component scores and construct scores, is used as the basis for determining convergent validity. We use the AVE value, which stands for "average of variance extracted", to calculate the convergent validity of our data. It can be concluded that the measurement meets the convergent validity criteria if the AVE value is greater than 0.5 or if all external load variables have a loading value greater than 0.5. After that, using the PLS algorithm, the following is a rough estimate of the model results:

Table 1. Output *Average Variance Extracted* (AVE)

Konstruk	*Average VarianceExtracted*(AVE)	Keterangan(AVE>0.50)
Executive Compensation (X1)	0,587	Valid
Institutional Ownership (X2)	0,573	Valid
Firm Value (Z)	0,576	Valid
Tax Aggressive Action (Y)	0,523	Valid

Source: Processed data, 2023

The results shown in Table 1 show that all construct variables have an Average Variance Extracted (AVE) that is greater than 0.5. This shows that all construct variables in the model can be considered valid.

2) Uji *Convergent Validity*

Discriminant Validity measurement will be carried out by measuring the Cross Loading value to clarify this.Further information can be found in the following table:

Table 2. Discriminant validity (Cross Loading)

Indicator	X1	X2	Y	Z	Indicator	X1	X2	Y	Z
X1.1	0,816	0.658	0.555	0.569	Y1	0.782	0.817	0,817	0.721
X1.2	0,744	0.582	0.603	0.505	Y2	0.645	0.807	0,810	0.640
X1.3	0,777	0.711	0.547	0.589	Y3	0.623	0.811	0,817	0.620
X1.4	0,738	0.555	0.638	0.477	Y4	0.671	0.842	0,851	0.633
X1.5	0,751	0.517	0.494	0.491	Y5	0.672	0.868	0,874	0.610
X2.1	0.728	0,753	0.745	0.586	Y6	0.560	0.719	0,726	0.547
X2.2	0.645	0,606	0.614	0.640	Y7	0.411	0.576	0,556	0.638
X2.3	0.546	0,830	0.828	0.552	Y8	0.443	0.561	0,539	0.588
X2.4	0.506	0,807	0.808	0.574	Z1	0.551	0.599	0.729	0,641
X2.5	0.523	0,816	0.815	0.585	Z2	0.496	0.515	0.391	0,716
X2.6	0.529	0,763	0.763	0.561	Z3	0.593	0.589	0.561	0,757
					Z4	0.598	0.639	0.533	0,820
					Z5	0.332	0.465	0.528	0,709
					Z6	0.447	0.545	0.499	0,739
					Z7	0.652	0.731	0.610	0,663

Source: Processed data, 2023

Based on table 2 above, the results of the discriminant validity test in this study showed that all indicators were declared valid, because the cross loading value was > 0.5.

3) Uji *Composite Reliability*

In the SmartPLS software, reliability can be tested by looking at the value of composite reliability and Cronbach's alpha from the indicator block that measures the construct. To consider a construct as reliable, it is required that the composite reliability value must be greater than 0.70 (Ghozali & Fuad, 2018). The following are the results of the reliability test in this study:

Table 3. Cronbach alpha and composite reliability result

Variable Contruck	*Cronbach Alpha*	*Composite Reliability*	Information
Executive Compensation (X1)	0,857	0,894	Reliabel
Institutional Ownership (X2)	0,917	0,931	Reliabel
Firm Value (Z)	0,890	0,914	Reliabel
Tax Aggressive Action (Y)	0,848	0,884	Reliabel

Sumber: data diolah, 2023

Based on the data presented in Table 3, it can be concluded that all constructs meet the dependability criteria. All Cronbach's alpha and composite reliability scores greater than 0.60 and 0.70, respectively, as suggested terms, demonstrate this.

4) Uji R-Square

R-Square is a commonly used metric for this purpose. According to Ghozali & Fuad, (2018), a structural model is considered good if the R-square is greater than 0.67, moderate if the R-square is greater than 0.33, and weak if the R-square is greater than 0.19. The following table presents the R-square values for each construct studied in this study:

Tabel 4. Output uji r-square

Contruct	R-Square	Keterangan
Executive Compensation (X1)	-	-
Institutional Ownership (X2)	0,658	Moderat
Firm Value (Z)	0,710	Good

Sumber: Data diolah, 2023

Based on the findings of the model criteria described earlier, the construct of the Firm Value (Z) mediating variable has a moderate structural model with an R-Square value greater than 0.655. This shows that exogenous variables or factors that influence firm value are able to explain most of the variations in the variables that play a role in mediating firm value (Z). If so, then the management construct known as tax aggressiveness (Y) has a good structural model, which is indicated by an R-Square value greater than 0.720. This shows that CEO compensation, institutional ownership, and business value can explain the tax aggressiveness construct by 71%, while the remaining 29% is explained by additional constructs that are not taken into account by the construct.

5) Uji f-Square

The relative contribution of the constructs to the latent components associated with them in the PLS model can be measured using the F2 statistic, which is available for use. If the value of f2 in a structural model is greater than 0.02, then the model can be said to have a low level of structural strength; if the value of f2 is greater than 0.15, then the model can be said to have a moderate level of structural strength; and if the value of f2 is greater than 0.35, then the model can be said to have a high degree of structural strength. In the PLS algorithm, the f2 value corresponding to the effect size is:

Tabel 5. Output f-square

Konstruk	Corporate Value (Z)	Information	Tindakan Agresivitas Pajak (Y)	Informastion
Executive Compensation (X1)	0,133	Week	0.333	Moderat
Institutional Ownership (X2)	0,303	Moderat	0.211	Moderat
Firm Value (Z)	-	-	-	-
Tax Aggressive Action (Y)	-	-	-	-

Sumber: Data diolah, 2023

Based on the table above, the Firm Value construct (Z) has a weak regression coefficient (loading factor) for the Executive Compensation variable (X1) and moderate for the Institutional Ownership indicator variable (X2), with values of 0.133 and 0.303 respectively. Meanwhile, the construct of Tax Aggressive Actions (Y) has a moderate effect on the construct of executive compensation (X1) with a value of 0.333 and the construct of institutional ownership (X2) with a value of 0.211.

6) Test the Research Hypothesis

The t test is a type of statistical analysis used. The value of 1.65 is the t-table value when the significance level is set at 10%. If the t-statistic results are greater than 1.65, then the research hypothesis is considered significant. The significance of the path coefficient in the PLS (partial least squares) method is used as a basis for verifying the hypothesis. The path coefficient output is obtained when doing PLS bootstrapping.

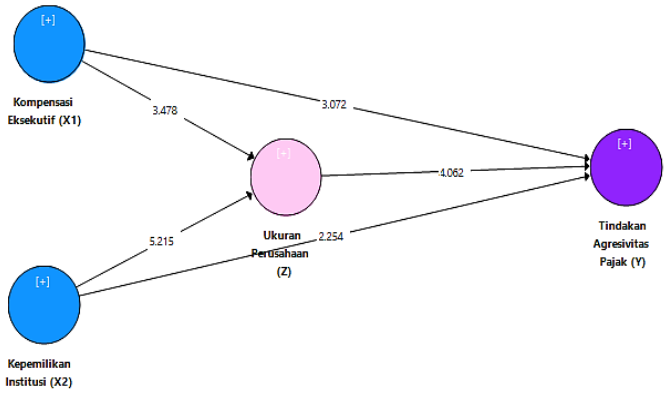

Figure 2. Bootstrapping results

It can be seen from the results of the output path coefficients that have been presented previously that there are five significant construct correlations. In terms of additional information, it can be observed the original sample values between constructs in the following format:

Table 6. Original sample result

Variabel Konstruk	Sampel Asli (O)	T Statistik (|O/STDEV)	P-Values
Direct Influence			
Executive Compensation (X1) -> Tax Aggressive Measures (Y)	0.346	3,072	0,002
Institutional Ownership (X2) -> Tax Aggressive Actions (Y)	0.191	2,254	0,025
Executive Compensation (X1) -> Company Size (Z)	0.355	3,478	0,001
Institutional Ownership (X2) -> Company Size (Z)	0.502	5,215	0,000
Company Size (Z) -> Tax Aggressive Measures (Y)	0.419	4,062	0,000
Indirect Influence			
Executive Compensation (X1) -> Company Size (Z) -> Tax Aggressive Measures (Y)	0,149	2,393	0,017

Institutional Ownership (X2) -> Company Size (Z) -> Tax Aggressive Actions (Y)	0,210	3,447	0,001

Sumber: data diolah 2023

Based on the results of the analysis in the table above, using the Path Coefficients method in PLS Bootstrapping, the following is an interpretation of the results of hypothesis testing that can be explained

The results of the research that has been done indicate that there is a strong relationship between executive compensation variables (X1) and tax aggression (Y). This finding is based on the results of the analysis performed. With a t-statistic value of 3.072 and a P-value of 0.002, the results show that there is a substantial significant relationship between executive compensation variables (X1) and tax aggression (Y). This indicates that variable X1 has a statistically significant effect on variable Y. In addition, the fact that the original sample value (O) is 0.346 indicates a positive relationship between executive compensation variable (X1) and tax aggression variable (Y). In other words, the higher the value of the CEO's compensation, the higher the level of tax evasion and evasion committed. Previous research by Nugroho & Rosidy, (2019) stated that executive compensation has a negative effect on tax aggressiveness, Fuad & Yuwono, (2019) found that executive compensation has an effect on tax aggressiveness.

According to research findings that have been conducted, there is a substantial relationship between company ownership (X2) and tax aggressiveness (Y) displayed by a business. Given a value of 2.254 for the t-statistic and a value of 0.025 for the P-value, it can be concluded that the effect of variable X2 on Y is statistically significant. In addition, the fact that the original sample value (O) is 0.191 indicates that there is a positive relationship between institutional ownership (X2) and tax aggression (Y). This suggests that a higher level of tax aggression corresponds to a greater amount of institutional ownership in a given company. Based on the findings of the hypothesis testing that has been done, it can be concluded that the variable representing company ownership (X2) has a considerable influence on the tax aggressiveness variable (Y).This has been researched by Putri & Andriyani, (2021) which states that institutional ownership has a positive and significant effect on tax aggressiveness.

The findings of the research conducted show that there is a strong influence between the executive price variable (X1) and the firm size variable (Z). It can be concluded from the t-statistic value, which is 3.478, and the P-value, which is 0.001, that the effect of variable X1 on Z is statistically significant. This suggests that the level of executive protection provided has a material impact on firm size. Corporation size tends to increase in proportion to the level of CEO compensation. The fact that the original sample value, ie 0.355, was [O] further indicates a positive relationship between executive retention characteristics (X1) and firm size (Z). This suggests that as the executive level rises, the firm as a whole also tends to grow in size. Based on the findings of the research that has been done, it can be concluded that the executive pressure variable (X1) has a considerable influence on the firm size variable (Z). This conclusion can be reached based on the findings presented here.

The results of the previous analysis between institutional ownership variables (X2) and firm size (Z) indicate that there is a significant influence of institutional ownership variables (X2) on firm size (Z). This finding is based on an analysis conducted between institutional ownership variables (X2) and firm size (Z). This shows that variable X2 has a statistically significant effect on variable Z, with a statistical t-value of 5.215 and a P-value of 0.000. In addition, the fact that the original sample value (O) is 0.502 indicates a positive relationship between institutional ownership (X2) and firm size (Z). Thus, it can be concluded that the size of the company in the village is positively correlated with the quality of management and company ownership.

Based on previous research, it was found that there is a significant influence between firm size (Z) and tax aggressiveness (Y). The results of this study indicate that there is a statistically significant relationship between the variables Z and Y, with a t-statistic value of 4.062 and a P-value of 0.000. This shows that company size has a significant effect on the level of tax aggressiveness. In

addition, a positive relationship was found between firm size (Z) and tax aggressiveness (Y) based on the original sample value (O) of 0.419. This finding indicates that the larger the size of the company, the higher the level of tax aggressiveness that is applied. Thus, in the context of tax aggressiveness, firm size provides a competitive advantage for firms. This is reflected in the original sample value (O) of 0.419, which indicates a positive relationship between firm size (Z) and tax aggressiveness (Y).This is shown by Iskandar, (2019) research, which states that company size has a significant and significant effect on tax aggressiveness but findings by Prasetyo & Wulandari, (2021) and Masyitah et al., (2022) which state that company size has a negative and insignificant effect on tax aggressiveness .

The results of data analysis show that executive compensation (X1) has a significant effect on tax aggressiveness (Y) through company size (Z). This finding is supported by the T-statistic value of 2.393, which is greater than the T-table value of 1.65, as well as the positive original sample estimation value, namely 0.149. Therefore, it can be concluded that there is a positive relationship between executive compensation (X1) and tax aggressiveness (Y) when mediated by firm size (Z). Research shows that an increase in CEO compensation tends to contribute to an increase in tax aggressiveness through its effect on firm size. Companies with high CEO salaries tend to employ aggressive tax tactics to maximize profits and reduce the tax burden.

In addition, the institutional ownership variable (X2) also has a significant effect on tax aggressiveness (Y) through company size (Z). The fact that the T-statistic value of 3.447 is higher than the T-table value of 1.65 indicates that the effect of variable X2 on Y through Z is statistically significant. There is a positive relationship between institutional ownership (X2) and tax aggressiveness (Y) through company size (Z), as shown by the initial sample estimation value of 0.210 which is positive. This finding indicates that the greater the institutional ownership in a company, the more likely the company is to adopt aggressive behavior related to taxation, with the influence of company size.

CONCLUSION

Based on the results of the analysis and discussion that have been explained previously, several things can be concluded The findings of this study support hypothesis 1 because the t-statistic value is 3.072 and the P-value is 0.002 indicating that executive pressure (X1) has a significant effect on tax aggressiveness (Y). The research findings show that hypothesis 2 is not proven true, because there is no significant effect between executive pressure (X1) and tax aggressiveness (Y). In addition, the fact that the original sample value (O) is 0.346 indicates a positive relationship between executive pressure characteristics (X1) and tax aggressiveness (Y). Based on the results of the analysis, hypothesis 2 is accepted, which indicates that there is a significant influence between institutional ownership (X2) and tax aggressiveness (Y). Thus, it can be concluded that the institutional ownership variable (X2) has a significant influence on tax aggressiveness (Y) based on the hypothesis testing conducted. These findings indicate a positive relationship between institutional ownership and tax aggressiveness. The results of the analysis show that hypothesis 3 is accepted, that is, there is a significant influence between the variable executive compensation (X1) and firm size (Z). This shows that the level of executive compensation has a significant effect on firm size. Based on these findings, it can be concluded that the executive compensation variable (X1) has a significant influence on firm size (Z) based on the analysis conducted. Based on the previous analysis, the fourth hypothesis is accepted, namely between institutional ownership variables (X2) and firm size (Z). The findings of the analysis show that there is a significant influence of the institutional ownership variable (X2) on firm size (Z), with a t-statistic value of 5.215 and a P-value of 0.000. This can happen because effective management of institutional ownership can provide benefits such as access to greater financial resources, support in developing business strategies, better oversight of company operations, and increased credibility in the market. Based on the analysis performed, the fifth hypothesis is accepted, which is between the variable firm size (Z) and tax aggressiveness (Y). The results of the analysis

show that there is a significant influence of firm size (Z) on tax aggressiveness (Y), with a t-statistic value of 4.062 and a P-value of 0.000. This gives companies greater ability to optimize their tax structures and use legal loopholes or legally aggressive methods to reduce the tax burden they have to pay. Data analysis conducted so far shows that executive sentiment (X1) significantly influences tax aggression (Y) through company size (Z). The original sample forecast value was 0.149, which is positive, and the T-Statistic value was 2.393, which is greater than the T-Table value of 1.65. This shows that the variable business size (Z) is positively correlated with executive management (X1) and tax aggression (Y). In addition, company ownership (X2) has a significant effect on tax aggression (Y) through company size (Z). T (3.447) > T (1.65), while the initial value for the positive sample forecast is 0.210, so T (3.447) > T (1.65). This shows that institutional ownership (X2) as measured by firm size (Z) is positively related to tax aggression (Y). Suggestions for future research include a more in-depth analysis of the mechanisms underlying the relationship between executive compensation, institutional ownership, firm size, and tax aggressiveness. This research can involve qualitative approaches, such as case studies, interviews, or text analysis, to gain a deeper understanding of these factors and investigate the role of other variables that may affect the relationship between executive compensation, institutional ownership, firm size, and tax aggressiveness. For example, it can involve factors such as ownership structure, legal environment, or industry characteristics in a more comprehensive analysis. The contribution of this study is to provide a better understanding of the relationship between executive compensation, institutional ownership, firm size, and tax aggressiveness. By studying this relationship, this research can provide new insights about the factors that influence tax aggressiveness in companies. Additionally, this study uses firm size as an intervening variable, which can help to understand the role that firm size plays in the relationship between executive compensation, institutional ownership, and tax aggressiveness. This can provide decision makers and tax regulators with valuable information about how these variables relate to one another and how this can influence tax practices in companies. Researchers hope that this research can contribute to the development of knowledge about the factors that influence tax aggressiveness in companies, so that it can assist in the development of better policies and practices in the context of corporate taxation.

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