

***THE INFLUENCE OF BLOCKHOLDER OWNERSHIP, PROFITABILITY, AND
FIRM SIZE ON TAX AGGRESSIVITY***

**PENGARUH KEPEMILIKAN BLOCKHOLDER, PROFITABILITAS, DAN
UKURAN PERUSAHAAN TERHADAP AGRESIVITAS PAJAK**

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ABSTRACT

In Indonesia, foreign direct investment is increasing, but in the field, companies with foreign capital say they are making losses to avoid paying taxes, so this is very counterproductive by opening up foreign investment, but the companies are actually losing money both fiscally and commercially. This research aims to analyze the influence of blockholder ownership, profitability, and firm size on tax aggressiveness. This research uses the data analysis method that will be used in this research, namely partial and multiple regression analysis, where the processing uses descriptive statistical analysis. This research uses computer program tools to manage data in the form of Eviews software version 10. The research results show that the blockholder ownership variable has no effect on tax aggressiveness, but the profitability and firm size variables do tax aggressiveness. So that service companies are expected to pay more attention to the possibility of tax aggressiveness occurring both internally and externally to the company, and the government to tighten and clarify the contents of regulations regarding tax aggressiveness so that companies truly comply with the obligation to pay taxes.

Keywords: Blockholder Ownership, Profitability, Firm Size, Tax Aggressiveness.

ABSTRAK

Di Indonesia, investasi asing langsung semakin meningkat, namun di lapangan, perusahaan-perusahaan dengan modal asing mengatakan bahwa mereka mengalami kerugian untuk menghindari pembayaran pajak, sehingga hal ini sangat kontraproduktif dengan membuka investasi asing, tetapi perusahaan justru merugi baik secara fiskal maupun komersial. Penelitian ini bertujuan untuk menganalisis pengaruh blockholder ownership, profitabilitas, dan ukuran perusahaan terhadap agresivitas pajak. Penelitian ini menggunakan metode analisis data yang akan digunakan dalam penelitian ini yaitu analisis regresi parsial dan berganda, dimana pengolahannya menggunakan analisis statistik deskriptif. Penelitian ini menggunakan alat bantu program komputer untuk mengelola data berupa software Eviews versi 10. Hasil penelitian menunjukkan bahwa variabel blockholder ownership tidak berpengaruh terhadap agresivitas pajak, tetapi variabel profitabilitas dan ukuran perusahaan melakukan agresivitas pajak. Sehingga perusahaan jasa diharapkan lebih memperhatikan kemungkinan terjadinya agresivitas pajak baik yang terjadi di internal maupun eksternal perusahaan, dan pemerintah untuk memperketat dan memperjelas isi peraturan mengenai agresivitas pajak agar perusahaan benar-benar patuh terhadap kewajiban membayar pajak.

Kata Kunci: Kepemilikan Blockholder, Profitabilitas, Ukuran Perusahaan, Agresivitas Pajak.

INTRODUCTION

Tax is a mandatory contribution to the state owed by individuals or entities that is coercive based on the law, without receiving direct compensation and is used for state needs for the greatest prosperity of the people. Therefore, various efforts are made by companies to minimize the tax burden in order to optimize profits, one of which is tax avoidance or tax aggressiveness. This could potentially threaten and harm

state revenues originating from taxes. as reported by Tax Justice (Lily and Suhardjo 2022). Director General of Taxes Regulation No. PER-43/PJ/2010 relates to *transfer pricing*, namely regarding the application of the principles of fairness and business practices in transactions between taxpayers and parties who have special relationships (Asmirahanti 2018).

Making tax payment policies in the state will give rise to agency conflicts which have the potential to be detrimental to the company, so it is necessary to create internal controls by increasing the amount of ownership in the company. Managerial ownership is by placing shareholders in the company's Board of Directors, while institutional ownership is share ownership owned by institutions or institutions (Natalia and Nurvita 2017) . Investors who have ownership of more than 5% are referred to as *Blockholder ownership* , and indicate the company's ability to supervise managers (Lestari 2014) .

Likewise, profitability is predicted to influence the occurrence of tax avoidance. If these financial ratios improve, it shows that a company's ability to earn profits is increasing, thus encouraging the company to fulfill its tax obligations and be able to strive for tax avoidance (Ginting and Machdar 2023) .

Companies that have large total assets show that the company has good prospects in a relative period of time longer. This makes managers those leading large companies lack the drive to perform Earnings management includes *transfer pricing* for the company Big ones get more attention from the public so big companies will get more attention Be careful in carrying out financial reporting.

If there is no tax competence, every country will compete to reduce their tax rates, which in the end can result in a decrease in tax revenues and inefficient capital allocation globally. Corporate Income Tax (CIT) rates have fallen drastically over the last thirty years as a result of lower tax rates between countries, which has caused government spending on infrastructure development to fall.

With different tax rates around the world, countries come together to conduct tax arbitrage, which is commonly used by multinational companies for tax planning. Therefore, a number of countries may experience a significant decrease in their tax revenues due to their tax revenue base or due to the exchange of profits also known as profit shifting to another country that sets a lower tax rate. This practice can disrupt the country's fiscal continuity when financing its economic growth in the long term. In Indonesia, *foreign direct investment* is increasing, but in the field, companies with foreign capital say they are making losses to avoid paying taxes, so this is very counterproductive by opening up foreign investment, but the companies are actually losing money both fiscally and commercially.

There are a multitude of issues involved including sources of income and deductions for tax purposes, divisional performance measurements within the company, and customs duties. From entities, usually located in jurisdictions that are subject to higher taxes, to financing payments for the use of patents or trademarks to purchasing merchandise from affiliates at prices higher than market prices. Managers act in their own interests, consistent with agency theory when given autonomy to do things that result in greater tax compliance, resulting in tax avoidance practices.

RESEARCH METHODOLOGY

The design used for this research is quantitative research . Sampling was carried out using a *non-probability technique - purposive sampling* . The selected samples have met the specified criteria, namely:

- 1) This research uses data from service companies listed on the Indonesia

Stock Exchange (BEI) during the 2018-2023 period.

- 2) The sample company's financial reports must have *gone public* and been audited and published periodically every year on the Indonesia Stock Exchange (BEI).
- 3) The company always reports financial reports to the Indonesian Stock Exchange (BEI) in the 2018-2023 period and has not experienced any losses.
- 4) The company has affiliates overseas. This research uses secondary data, namely data that has been collected by data collection institutions and published to the data user community. These data are in the form of annual financial reports of service companies registered on the IDX, published via the website www.idx.co.id which were collected through literature study and documentation study methods.

The data analysis method that will be used in this research is partial and multiple regression analysis, where the processing uses descriptive statistical analysis. This research uses computer program tools to manage data in the form of Eviews *software* version 10 .

RESULTS AND DISCUSSION

There are two tests for hypothesis testing in this research, namely partial hypothesis testing and analysis of the coefficient of determination (Adjusted R²) (Ghozali 2016) and the Sobel Test :

1) Hypothesis Testing

Table 1. Hypothesis Test Results

Hubungan Struktural	Koefisien Pengaruh	t-statistik	p-values	Ket.
<i>Blockholder Ownership</i> → <i>Agresivitas Pajak</i>	-0,0399	-0,6961	0.4882	Ditolak
<i>Profitabilitas</i> → <i>Agresivitas Pajak</i>	-1,0173	-6,2957	0.0000	Diterima
<i>Firm Size</i> → <i>Agresivitas Pajak</i>	-2,0922	-3,7345	0.0003	Diterima

Source: (Data processing results, 2024).

Based on the table above, it can be seen that:

- a) *Blockholder Ownership* variable (X1) has a t-statistic value of -0.6961 and a probability value of 0.4882, where the probability value is >0.05, which means that partially this variable has no effect on Tax Aggressiveness. *Blockholders* often have long-term interests in the company so they tend to be more careful in aggressive tax avoidance practices. Sometimes, in some cases, the existence of *blockholders* can reduce management influence in tax decisions, thereby reducing incentives to carry out tax aggressiveness. Furthermore, the existence of *blockholders* can increase internal supervision to reduce high-risk tax fraud/aggressive practices . This is in accordance with Article 2 of Financial Services Authority Regulation no. 11 of 2017 requires individual members of the board of directors or individuals from the board of commissioners to be responsible to the financial services authority for at least 5% of the capital provided in the open sector. Large investors, referred to as *Blockholders* , play a role in administration, because the size of their portion in the company provides a catalyst to further develop the quality of detail and directness (Septiana and Aris 2023) . This research is in accordance with research by Lanis & Richardson, (2011) which states that the inclusion of a higher proportion of outside members on the board of directors reduces the possibility of tax aggressiveness. We obtain similar conclusions when using a small sample of tax havens (Chen et al. 2010) .

- b) The Profitability Variable (X2) has t-statistic value -6.2957 and a probability value of 0.0000, where the

probability value is <0.05 , which means that this variable partially influences Tax Aggressiveness. Profitability can influence tax aggressiveness because profitability can reflect the ability of company management to generate profits. Companies that have high profitability can control their income and tax payments, so that tax aggressiveness tends to decrease. In addition, companies that operate with high efficiency tend to maximize the profits they earn to share with shareholders, so this makes companies more aggressive in avoiding taxes. Profitability is a determinant for tax evasion, because business entities that earn high profits tend to pay taxes well, but on the contrary because they imagine they will suffer losses due to paying taxes." "Profitability can be proxied by ROA, by comparing net profit with total assets in one period, to predict the ability of a business entity to earn profits (Hartono et al., 2022) . This research is similar to previous research which stated that profitability and disclosure of Corporate Social Responsibility have a significant effect on the aggressiveness of Corporate Taxpayers' Income Tax (Prasista & Setiawan, 2016) . Profitability has a positive effect on tax aggressiveness, liquidity has a negative effect on tax aggressiveness, *leverage* has a negative effect on tax aggressiveness, while company size has no effect on tax aggressiveness (Herlinda & Rahmawati, 2021) . Profitability, liquidity, *leverage* , capital intensity and company size influence tax aggressiveness (Santini & Indrayani, 2020)

- c) *The Firm Size* (X3) variable has a t-statistic value of -3.7345 and a

probability value of 0.0003, where the probability value is <0.05 , which means that this variable partially influences Tax Aggressiveness. Differences in company size apparently have a direct impact on tax aggressiveness. Because the size of a company can influence a company's sales and profits, the size of a company can influence its tax aggressiveness. The higher the income and profits of a company, the greater the tax burden it bears. To plan taxes properly, companies strive to achieve a low effective tax rate. A low effective tax rate indicates that the company is tax aggressive. Because company size can influence a company's operational activities, company size can also influence tax aggressiveness. The greater the company's total assets, the more complex the business processes are and the more efficiently the company's production can be maximized. This leads to increased sales and ultimately increases profits for the company. Large companies are able to optimize their tax structures legally without engaging in risky tax aggressive practices. On the other hand, small companies tend to be careful with tax aggressive practices because they only have fewer assets to carry out business restructuring and even only have limited sources of income to engage in risky tax aggressive practices. This is due to the large size of an entity, so the entity has less possibility of making tax avoidance efforts (*aggressive tax planning*). The size of an entity can be measured through the size of the company's sales. If the entity gets bigger, the *going concern* or business continuity of the entity will get better. Entities that are large or have been operating for a long time

tend to have tax practitioners who truly understand tax regulations (Cahyadi et al., 2020) . Large companies are considered to have good prospects and relatively stable cash flows and are able to generate profits compared to companies that have small assets. The higher the profits earned by the company, the higher the taxes imposed on the company (Choirunnisa et al., 2022) . Several studies state that company size has a significant positive effect on tax aggressiveness (Pranata et al., 2021) . Company size influences tax aggressiveness (Santini & Indrayani, 2020) . Company Size and Public Ownership have a significant effect on Tax Aggressiveness (Setyoningrum & Zulaikha, 2019) . Company size has a significant negative effect on tax aggressiveness (Romdhon et al., 2021) . Company size has a significant positive effect on tax aggressiveness; and leverage has a significant negative effect on tax aggressiveness (Pranata et al., 2021) . Profitability, *leverage* , company size influence tax aggressiveness (Santini & Indrayani, 2020) .

2) Analysis of the coefficient of determination (Adjusted R²)

Coefficient of determination analysis is useful for calculating the magnitude of the contribution between the independent variables to the dependent variable.

Table 2. Coefficient of Determination Test Results

R-squared	0.368615	Mean dependent var	-0.678097
Adjusted R-squared	0.346590	S.D. dependent var	0.647937
S.E. of regression	0.523752	Sum squared resid	23.59116
F-statistic	16.73620	Durbin-Watson stat	1.531353
Prob(F-statistic)	0.000000		

Source: (Data processing results, 2024)

Based on the table above, the coefficient of determination value was found to be 0.3465 or 34%, meaning that the contribution of *the blockholder ownership*, profitability and *firm size variables* was only 34% to tax aggressiveness. These three variables only contributed 23.59% to changes in tax aggressiveness. So only profitability and *firm size variables* have an effect on tax aggressiveness, other variables have no effect. Changes in tax aggressiveness are more influenced by other factors not examined in this research.

CONCLUSION

Based on the research results, it can be concluded that the *blockholder ownership variable* has no effect on tax aggressiveness , while the profitability and *firm size* variables do tax aggressiveness. So service companies are expected to pay more attention to the possibility of this happening tax aggressiveness both internally and externally to the company, as well as the government tightening and clarifying the contents of regulations regarding tax aggressiveness so that companies do not carry out acts of tax aggressiveness .

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