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The Influence of Capital Intensity, Advertising Intensity and Transfer Pricing on Tax Aggressiveness

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Abstract

Purpose: The purpose of this study is to determine the effect of capital intensity, advertising intensity, and transfer pricing on tax aggressiveness.

Methodology/approach: This study uses a quantitative method that utilizes secondary data obtained from the Indonesia Stock Exchange (IDX) and related company websites. The data source in this study is the financial reports of food & beverage sub-sector companies listed on the Indonesia Stock Exchange in 2019-2022 as many as 95 companies. Then, the sampling technique uses the Purposive Sampling method.

Results/findings: The results of the study show that the capital intensity variable has no influence on tax aggressiveness, while the advertising intensity variable has an influence on tax aggressiveness, and the ransfer pricing variable has an influence on tax aggressiveness.

Limitations: The limitation in this study is that the measurement used is Book Tax Difference (BTD) cannot maximally identify tax aggressiveness. This is because the measurement is only able to measure the difference between fiscal and commercial policies. Then, in this study there are only three variables that affect tax aggressiveness and the population of research objects used is still small so that the variables and population size and observation years used as research objects can be added.

Contributions: This research will have a good contribution to the development of knowledge in the fields of financial accounting and taxation.

Keywords: Capital Intensity, Advertising Intensity And Transfer Pricing On Tax Aggressiveness

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1. Introduction

Taxes are one source of state revenue in Indonesia and make a significant contribution to the economy (Prastyatini & Trivita, 2022). The important role of taxes for the state encourages the government to continue to increase revenues from this sector. The contribution of the community is crucial to national development; therefore, it is necessary to raise awareness about their tax-paying obligations (Vitaloka et al., 2023). These efforts include various strategies and policies designed to strengthen supervision, increase awareness of tax obligations, and encourage taxpayer compliance in paying taxes in accordance with applicable regulations. However, the view held by some taxpayers is that taxes are considered a burden that can reduce their income (Rinaldi, 2020). Thus, optimizing tax revenue for the government when this interest conflicts with the interests of the company (Choirunnisa, 2022). Table 1 below will display data regarding the target and realization of tax revenue.

Table 1. Target and Realization of Tax Revenue (in Trillions of Rupiah)

Year	2018	2019	2020	2021	2022
Target	1,618.1	1,786.3	1,404.5	1,444.5	1,783.9
Realization	1,518.7	1,546.1	1,285.1	1,547.8	2,034.5
Achievements (%)	93.86%	86.55%	91.50%	107.15%	114.05%

Source: Processed from Central Government Financial Report data (2018-2022)

It is known that the data in table 1 tax revenues from 2018-2022 continue to increase. Even though tax revenues experienced a decline in 2020 due to the impact of the pandemic, the realization of revenues again showed a positive growth trend (Princess, 2023). Tax ratio is measured by comparing total tax revenue with Gross Domestic Product (GDP) in a certain period. Tax ratio is a formula used to evaluate the performance of state tax revenues. In 2023 Indonesia's tax ratio will be 10.21%. This shows that there has been a decrease in the tax ratio compared to 2022, namely 10.39% (Rully R. Ramli, 2024). Thus, the low tax ratio realization affects the economy (Margaretha et al., 2020). Even though there has been an increase in tax revenue, Indonesia's tax to GDP ratio has decreased. Indonesia's tax ratio is only 10.01% of GDP, placing Indonesia in the bottom third of 28 Asia Pacific countries, and below the average tax ratio for Asia Pacific countries, which is 19% (OECD, 2022).

The low tax ratio indicates that the implementation of the tax system in Indonesia is not optimal, which may be caused by factors such as tax avoidance practices or aggressiveness in fulfilling tax obligations (Trisnawati et al., 2020). Corporate tax aggressiveness is a strategy for managing taxable income through tax planning, whether done legally by avoiding taxes or breaking the law by committing tax evasion (Muliasari & Hidayat, 2020).

The implementation of the self-assessment system in Indonesia in the tax system encourages companies to look for strategies to reduce the tax burden in various ways that make it possible to avoid paying taxes (Susanti et al., 2020). Indonesia is projected to experience losses of US$4.86 billion annually as a result of tax avoidance practices (Tax Justice Network, 2020). The total loss caused by tax evasion by Corporate Taxpayers was US$ 4.78 billion or equivalent to IDR 67.6 trillion. Meanwhile, the remainder came from individual taxpayers, with a total of US$ 78.83 million or around IDR 1.1 trillion (Fatimah, 2023).

One phenomenon in tax aggressiveness involves sub-sector companies *food & beverages* namely at PT Indofood Sukses Makmur Tbk. The company implemented a strategy by establishing a new business entity and transferring assets, debts and operations from the instant noodle division to PT Indofood CBP Sukses Makmur Tbk (Cahyamustika & Oktaviani, 2023). The amount of tax evasion carried out by PT Indofood Sukses Makmur Tbk was IDR 1.3 billion (Sari & Indrawan, 2022). This phenomenon encourages research on factors that have the potential to influence tax avoidance. Some of these factors include capital intensity, advertising intensity, and transfer pricing. The researcher's basic thinking is as follows.

Companies with high capital intensity have a greater opportunity to implement complex tax strategies. This is because the value of fixed assets tends to depreciate, the consequence of which is that this depreciation is recorded as a reduction in tax burden in the financial statements. If the depreciation rate is higher, it will cause a decrease in the tax burden. In research conducted by Hendrianto et al. (2022) shows that capital intensity has a significant and negative effect on tax avoidance practices. However, there are differences in the results of research conducted by Yahya et al. (2022) shows that capital intensity has no influence on tax avoidance.

Meanwhile, companies with high advertising intensity tend to adopt aggressive tax strategies with efforts through tax-deductible marketing expenditures. Food & beverage sub-sector companies in Indonesia are ranked third and fourth as the highest advertising spenders with each sub-sector, namely the beverages sub-sector with an estimated expenditure of US$ 1,525 million, followed by the food sub-sector with US$ 1,304 million (Al Hafizh, 2022). If you look at current conditions, the more diverse the food and drinks offered by various companies, the competition to attract consumers is getting higher, so companies need to develop marketing strategies by spending more to be able to sell their products. The results of previous research conducted by Mansi et al. (2020) shows that advertising intensity has a negative impact on tax avoidance. Meanwhile, according to the results of research conducted by Aulia Rahman (2021) results that advertising intensity has no effect on tax avoidance.

Transfer Pricing is an important strategy carried out by companies in a group to determine transfer prices between related parties. However, companies often use transfer pricing as a strategy to reduce tax liabilities by reducing profits that are subject to tax, increasing costs that can be deducted from tax, and moving funds to areas that have lower tax regulations (Leonov et al., 2021). In research conducted by Amidu et al. (2019) shows a positive relationship between transfer pricing and tax avoidance. In contrast to research conducted by Tirtayasa (2021) shows that transfer pricing has no effect on tax avoidance.

Based on the phenomena and research gaps described above, researchers are interested in studying the influence of capital intensity, advertising intensity and transfer pricing on tax aggressiveness in food & beverage sub-sector companies in 2019-2022. The aims of this research are: 1) to determine the effect of capital intensity on tax aggressiveness; 2) determine the effect of advertising intensity on tax aggressiveness; and 3) determine the effect of transfer pricing on tax aggressiveness. Thus, the results of this research can provide benefits and serve as a source of knowledge regarding the factors that influence the level of tax aggressiveness.

2. Literature Review and Hypothesis Development

2.1. Agency Theory

Agency theory describes an agency relationship as a contract where one or more principal parties as capital owners contract another party called an agent to carry out certain tasks, which involves delegating some decision-making authority to the agent (Jensen & Meckling, 1976). Principal and agent are considered economically rational individuals driven by self-interest (T. Lestari et al., 2020). Therefore, within the contract, there is a possibility of differing interests between the agent and the principal; the agent refers to the company management while the principal refers to the company owner or shareholders (Bernhard & Veny, 2024).

The principal cannot monitor the agent's actions continuously, so the agent tends to have access to more information than the principal, otherwise known as information asymmetry. This gives the agent the opportunity to act in accordance with his own personal interests and ignore his obligation to maximize the principal's profits (Arinda & Dwimulyani, 2019). This can influence many things related to company policy, one of which is how the company policies in handling its taxes (Prasetyo & Wulandari, 2021). In the practice of tax aggressiveness, agents have a tendency to manipulate the company's financial reports so that the tax that must be paid is lower. This is done by agents because by managing taxes, they can obtain personal benefits that cannot be obtained through collaboration with the principal (Leksono et al., 2019). Meanwhile, the principal wants the agent to act in accordance with established policies to ensure compliance with applicable tax regulations (Atasa et al., 2021).

2.2. Capital Intensity Against Tax Aggressiveness

Capital Intensity reflects the company's investment in fixed assets. This investment can show how efficient the company is in utilizing assets to generate income (Apriyanti & Arifin, 2021). The level of fixed asset intensity can affect a company's tax burden due to depreciation expenses. Thus, companies take advantage of depreciation of fixed assets to avoid taxes. Therefore, a high level of capital intensity can influence corporate tax aggressiveness (Ahdiyah & Triyanto, 2021). The hypothesis in this study is supported by previous research conducted by Lestari et al. (2019) and Sugeng et al. (2020) shows that capital intensity has an influence on tax aggressiveness. Based on the explanation described previously, the researcher formulated the following hypothesis:

H1: Capital intensity influences tax aggressiveness

2.3. Advertising Intensity Against Tax Aggressiveness

To be able to compete in today's highly competitive market, companies need a strategy to become better known to the wider community, one of which is through advertising activities. Companies that care about their reputation often allocate large budgets for promotional and advertising activities. They tend to have a lower level of aggressiveness in their business practices. This shows that investment in advertising can be an indication of a company's awareness of their image in the eyes of the public, which in turn can influence the level of company aggressiveness (Diandra & Hidayat, 2020).

The hypothesis in this research is supported by research conducted by Abidin (2023) and Diandra & Hidayat (2020) obtained the results that advertising intensity influences tax aggressiveness. From the explanation described previously, the researcher formulated the following hypothesis:

H2: Advertising intensity influences tax aggressiveness

2.4. Transfer Pricing Against Tax Aggressiveness

Transfer pricing (TP) is a term used to describe pricing practices in transactions between entities that are affiliated or under the same ownership and control (Kumar et al., 2021). The aim is that the price set reflects the true value of the goods or services and does not provide unfair advantages to either party. Differences in tax rates between multinational companies' countries of origin often encourage the practice of transfer pricing manipulation. This practice occurs when a company moves its income from a country with a high tax rate to a country with a lower tax rate, with the aim of reducing the tax burden that the company must pay (Rosani & Andriyanto, 2024). In this situation, the company realizes the opportunity to gain profits derived from affiliate transactions (Andry et al., 2021), by setting transfer prices between business units. Many multinational companies intentionally utilize transfer pricing to reduce the tax burden they are required to pay (Rifqiyati et al., 2021).

The hypothesis in this study is supported by the research results Trisnawati et al. (2020) and Rosani & Andriyanto (2024) conclude that transfer pricing has an influence on the level of tax aggressiveness. Based on explanation has been described previously, the researcher formulates the hypothesis as follows:

H3: Transfer pricing influences tax aggressiveness

2.5. Conceptual Framework

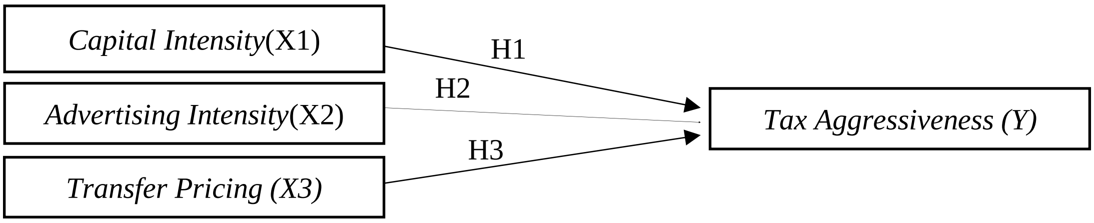

Figure 1. Research Conceptual Framework
Source: Processed data (2024)

3. Research Methodology

This research uses a quantitative method that utilizes secondary data obtained from the Indonesian Stock Exchange (BEI) and related company websites. The data source in this research is the financial reports of 95 companies in the food & beverage sub-sector listed on the Indonesia Stock Exchange in 2019-2022. Then, the sampling technique used the Purposive Sampling method with criteria determined by the researcher, namely: (1) food & beverage sub-sector companies listed on the IDX consistently from 2019-2022; (2) food & beverage sub-sector companies whose financial reporting uses the rupiah currency; (3) food & beverage sub-sector companies that did not experience negative profit before tax values/losses during the 2019-2022 research period; (4) food & beverage sub-sector companies that provide complete data on the IDX or the company's official website.

3.1. Variables and Operational Definitions of Variables

3.1.1. Dependent Variable

The dependent variable in this research is tax aggressiveness which is measured using the Book Tax Difference (BTD) formula. The use of Book Tax Difference (BTD) as a measurement tool refers to calculating the difference between net profit before tax reported in the company's financial statements and fiscal profit reported to the tax authority. According to Hanlon & Heitzman (2010) The Boox Tax Difference (BTD) proxy can be formulated as follows:

$$BTD = \frac{Pre\ Tax\ Book\ Income - Taxable\ Income}{Total\ Assets}$$

$$Taxable\ Income = \frac{Current\ Tax\ Expense}{Statutory\ Tax}$$

3.2. Independent Variable

3.2.1. Capital Intensity

Capital intensity refers to the level of investment made by a company in the form of inventory and fixed assets. Capital intensity can be measured by comparing fixed assets (such as property, equipment and machinery) with the total assets owned by the company. The higher this ratio, the greater the proportion of assets invested in fixed assets (Marsahala et al., 2020). It can be formulated as follows:

$$CI = \frac{Total\ Fixed\ Assets}{Total\ Assets}$$

3.2.2. Advertising Intensity

Advertising intensity is a measure that describes how much a company allocates funds for marketing and advertising activities. In this research, advertising intensity refers to the proxy applied in research by Nguyen (2015), which is measured using the following formula:

$$AI = \frac{Advertising\ Expense}{Sales}$$

3.2.3. Transfer Pricing

Transfer pricing is the price set for each product or service traded between divisions within the same company or between companies that have a special relationship (Mukhtar, 2021). According to Astrina et al. (2022), the proxies used to measure transfer pricing are:

$$TP = \frac{Related\ Party\ Transactions\ Receivables}{Total\ Accounts\ Receivable}$$

3.3. Data Analysis Technique

The technical data analysis in this research begins with statistical data analysis. The first step is to carry out classical assumption tests to ensure the suitability of the data, which includes normality tests and multicollinearity tests. If the data meets all classical assumptions, the next step is to carry out simultaneous and partial hypothesis testing to test the influence of the independent variable on the dependent variable.

3.4. Data Analysis Model

$$BTD_{it} = \alpha_{0it} + \beta_1 CI_{i,t} + \beta_2 AI_{i,t} + \beta_3 TP_{i,t} + \varepsilon$$

Information:
$\mathrm{BTD_{it}}$ = Tax aggressiveness of company i in year t
α = Constant
$\beta_1 CI_{i,t}$ = Capital intensity of company i in year t
$\beta_2 AI_{i,t}$ = Advertising intensity of company i in year t
$\beta_3 TP_{i,t}$ = Transfer pricing of company i in year t
ε = Error

4. Results and Discussion

The population in this study used food & beverage sub-sector companies that were registered on the IDX and met the specified criteria. In 2022, there will be 125 companies in the food & beverage sub sector. Then, the sample population to be used in the research is processed and analyzed according to predetermined methods and criteria, thereby producing balanced panel data.

Table 2. Sample Selection Results

Criteria	Amount
Food & Beverage Sub Sector Companies listed on the IDX consistently from 2019-2022	56
Food & Beverage Sub Sector Companies whose financial reporting uses foreign currency	(2)
Food & Beverage Sub-Sector Companies that have negative profit before tax/loss during the 2019-2022 research period	(18)
Food & Beverage Sub-Sector Companies are incomplete in providing the data required for this research	(20)
Final number of samples (n)	16
Year of Observation (t)	4
Number of Observations (n*t)	64

Source: Data processed from IDX 2019-2022

4.1. Descriptive Statistical Analysis

Descriptive statistical analysis was created to provide a general description of a number of variables used in the research. The following is descriptive statistical data for each research variable which is presented in table 3.

Table 3. Descriptive Statistics Results

Variable	N	Mean	Std. dev	Min	Max
BTD	64	0.0025108	0.024899	-0.06096	0.0343092
CI	64	0.3992029	0.159657	0.1200664	0.762247
AI	64	0.0310626	0.0339733	0.0002476	0.1196757
TP	64	0.3832506	0.3419667	0.0028214	0.9454686

Source: Data processed with STATA 17.0

The results of the descriptive statistic test show that the standard Book Tax Difference (BTD) value is 0.024899, for the capital intensity variable value it is 0.159657, the advertising intensity variable 0.3419667 is 0.0339733 and the transfer pricing variable is 0.3419667, this shows that Then, the comparison between the average values and standard deviation of the capital intensity and transfer pricing variables has an average value that is greater than the standard deviation. This shows that the data shows little variation and is generally uniform and consistent. Meanwhile, tax aggressiveness and advertising intensity have an average value that is smaller than the standard deviation. This shows that the data shows significant variation and has a wide spread Tax aggressiveness as a dependent variable measured using Book Tax Difference (BTD) has an average value of 0.0025108 which indicates that the tendency of companies to carry out tax aggressiveness in the sample of companies has a low value.

4.2. Classic Assumption Test

In this research, classical assumption testing includes normality tests and multicollinearity tests.

Table 4. Normality Test Results

Skewness and Kurtosis Test	
Data_Residual (Prob>chi2)	0.6977

Source: Data processed with STATA 17.0

The researcher used the winsorizing technique to process data that was too extreme once with a high of 3%, which means replacing the 3% of the highest values and the 3% of the lowest values in the dataset with values that are closer to the majority range of the data. So, the results of the Skewness and Kurtosis tests show a significance value of 0.6977 > 0.05. Thus, the data used in this research is normally distributed, and meets the assumptions of normality.

Table 5. Multicollinearity Test Results

Variable	**VIF**	**1/VIF**
CI	2.51	0.398714
TP	2.41	0.415188
AI	1.71	0.586155
Mean VIF	2.21	

Source: Data processed with STATA 17.0

The multicollinearity test is used to evaluate how strong the connection or relationship is between the dependent variable and the independent variable. From the results of this research, it can be seen that the VIF value is < 0.10. Therefore, it can be concluded that each independent variable does not show multicollinearity, which means there is no correlation between the variables with each other.

4.3. Hypothesis Testing and Linear Regression

Table 6. Panel Data Regression Results

Regression Models				
Random Effect Model				
BTD	Coefficient	z	P > | z |	Conclusion
CI	-0.0030401	-0.13	0.897	H1 is rejected
AI	-0.232757	-2.23	0.026	H2 is accepted
TP	0.0383142	3.40	0.001	H3 is accepted
Cons	-0.0037295	-0.35	0.729	
Number of Observations	64			
Adjusted R-Squared	0.3074			
Prob > chi2	0.0014			

Source: Data processed with STATA 17.0

To determine the influence of Capital Intensity, Advertising Intensity and Transfer Pricing on tax aggressiveness, this research uses panel data regression analysis. Based on the results of panel data regression testing, this research model uses a random effect model. In this study, to assess the influence of each variable, three different levels of significance were used, namely 1%, 5% and 10%. The results of the regression analysis are shown in table 5, the regression equation obtained is as follows:

$$BTD_{it} = -0.0037295 - 0.0030401\mathrm{CI}_{i,t} - 0.232757\mathrm{AI}_{2_{i,t}} + 0.0383142\mathrm{TP}_{2_{i,t}} + \varepsilon$$

The results of the regression equation show a constant coefficient value of (α) -0.0037295. This means that if the independent variables (capital intensity, advertising intensity, and transfer pricing) are 0, then the BTD value will be -0.0037295. Regression coefficient value of (β_1) -0.0030401 means that if the capital intensity value increases by one unit and the values of other variables remain constant, then BTD will decrease by 0.0030401. Regression coefficient value of (β_2) -0.232757 means that if the advertising intensity value increases by one unit and the values of other variables remain constant, then BTD will decrease by 0.232757. Meanwhile, for the regression coefficient value of (β_3) 0.0383142 means that if transfer pricing increases by one unit and the values of other variables remain constant, then BTD will increase by 0.0383142.

Then, based on table 6, it is known that the Adjusted R-Squared is 0.3074. This shows that 30.74% of the influence of the independent variable in this study is able to explain its influence on the dependent variable, while the rest is influenced by other factors that were not studied. It can also be seen from the test results that the F-statistic value is $0.0014 < 0.05$, which shows that the variables capital intensity, advertising intensity and transfer pricing simultaneously influence tax aggressiveness.

It is known that the probability value of the capital intensity variable is 0.897 so that H1 is rejected. This shows that capital intensity does not have a partial influence on tax aggressiveness. Meanwhile, the probability values of the advertising intensity and transfer pricing variables are 0.026 and 0.001, which are at the significance level of 0.05 so that H2 and H3 are accepted. This shows that advertising intensity and transfer pricing have an influence on tax aggressiveness.

4.4. Research Discussion

4.4.1. The Effect of Capital Intensity on Tax Aggressiveness

Table 5 shows that the capital intensity (CI) variable has no effect on tax aggressiveness, so the first hypothesis must be rejected. If connected with the agency theory expressed by Jensen & Meckling (1976). These results are not in accordance with the concept of agency theory in the context of how managers (agents) manage company resources entrusted by the owner (principal). According to agency theory, investment in fixed assets can be a company manager's strategy to reduce the tax burden by utilizing depreciation expenses. This action can reduce taxable profits thereby reducing the company's burden in paying taxes. Additionally, managers may be encouraged to do this to demonstrate their efficiency and ability to manage resources, which can increase their value in the eyes of principals. However, the results of this study show that capital intensity has no influence on tax aggressiveness. Based on the sample of companies in this research, namely F&B (food & beverage) companies, especially in Indonesia where competition in the F&B industry is very tight, so the main focus of company management is on strategies to increase competitiveness and product differentiation to win the competition. Therefore, F&B company management prefers to invest resources to improve production processes, raw material quality and customer satisfaction rather than using them to reduce the tax burden. Thus, F&B companies can manage their fixed assets efficiently and successfully face challenges in this highly competitive industry. The results of this research are supported by research conducted by Yahya et al. (2022) which states that capital intensity has no effect on tax aggressiveness. Because, several companies have high fixed asset values but the company management does not take advantage of depreciation charges to carry out tax aggressiveness. The use of fixed assets aims to support and improve operational efficiency, which will ultimately increase the company's net profit. This increase in net profit is expected to be more significant than the depreciation expense on these fixed assets (Prasetyo & Wulandari, 2021).

4.4.2. The Effect of Advertising Intensity on Tax Aggressiveness

Table 5 shows that the advertising intensity (AI) variable influences tax aggressiveness, so the second hypothesis is accepted. Advertising expenses are one of the costs that can be deducted from a company's income, thereby reducing taxable profit. The manager's decision to utilize high advertising intensity can benefit the company because it can increase sales so that the company's profits become higher but with a low tax burden. Overall, although high advertising spending in the F&B industry provides opportunities for tax reductions, companies in this industry tend to be more cautious in their tax strategies. This is because F&B companies that have high advertising spending focus more on market growth and increasing sales through marketing strategies. With intense competition in the F&B industry, management's decision to invest heavily in advertising is part of a long-term strategy to increase brand awareness, despite having to pay higher taxes in the short term. This research shows that advertising intensity has a negative coefficient value so it will have a negative effect on tax aggressiveness, meaning that the higher the advertising intensity, the lower the level of tax aggressiveness. Therefore, although advertising expenditures may reduce taxable profits, increased revenue from successful advertising can result in higher taxable profits. This research is in line with research conducted by Diandra & Hidayat (2020) which states that advertising intensity has a negative effect on tax aggressiveness because companies that pay attention to their reputation usually have a high advertising load and are more compliant with tax regulations and attract the attention of the tax authorities, so they have a lower tendency to commit tax evasion. Therefore, if a company engages in aggressive tax avoidance practices it can damage the company's image in the eyes of consumers and the public.

4.4.3. The Effect of Transfer Pricing on Tax Aggressiveness

Table 5 shows that the transfer pricing (TP) variable influences tax aggressiveness, so the third hypothesis is accepted. Companies use transfer pricing strategies to reduce tax burdens by taking advantage of differences in tax rates between countries. In this way, companies can move profits to jurisdictions with lower taxes, with the aim of optimizing the overall tax burden. According to agency theory, company managers (agents) will make decisions in accordance with personal interests by setting transfer prices to parties who have special relationships. The aim is to increase short-term net profits through reducing the tax burden, as this can increase bonuses or achieve certain performance targets for managers. Therefore, multinational companies have the opportunity to adjust transfer prices in transactions between related companies in different countries (Utami & Irawan, 2022). The results of this research are in line with research conducted by Nur Fitriani & Djaddang (2021) which shows that there is an influence of transfer pricing on the tax aggressiveness of a company by taking advantage of differences in tax rates in each country to minimize the tax burden that must be paid.

5. Conclusion

5.1. Conclusion

Based on the factors that influence tax aggressiveness, the government can identify loopholes used by companies to reduce tax liabilities. This allows the formulation of more effective policies to increase tax compliance and state revenues. The government can implement various comprehensive and integrated strategies. Strict law enforcement and supervision is very important, which can be done by increasing the frequency and intensity of tax audits. This action allows for sanctions for companies found to be tax aggressive, including significant financial fines and other penalties. The government can also require companies to report certain tax schemes that can be used to avoid tax through Mandatory Disclosure Rules (MDR) and implement country-by-country reporting. This reporting helps increase transparency and allows tax authorities to get a clearer picture of multinational companies' profit distribution, economic activity and tax payments.

5.2. Suggestions

The next research is expected to use other measurements such as Abnormal Book Tax Difference (ABTD) which is better in identifying unnatural differences so that it can show the company's efforts to reduce taxes aggressively.

5.3. Limitations

The limitation in this study is that the measurement used is Book Tax Difference (BTD) cannot maximally identify tax aggressiveness. This is because the measurement is only able to measure the difference between fiscal and commercial policies. Then, in this study there are only three variables that affect tax aggressiveness and the population of research objects used is still small so that the variables and population size and observation years used as research objects can be added.

5.4. Acknowledge

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