

**THE INFLUENCE OF AGGRESSIVE FINANCIAL REPORTING OF THE COMPANY
TOWARD AGGRESSIVE TAX REPORTING IN AGRICULTURAL COMPANIES**

Mulyaning Wulan¹, Ilhamdi², Kunti Jeihaan Qistiyah³

¹University of Muhammadiyah Prof. DR. HAMKA

²IAIN Pontianak

³STEI SEBI

Email: wulanazanzen@gmail.com¹, ilhamdi@gmail.com², jihanqistiyah@gmail.com³

Received: October 27, 2018; Revised: May 18, 2019; Accepted: June 19, 2019 **Abstract**

This study aims to determine the influence of aggressive financial reporting, ROA, DAR, and Size OF The Company toward Aggressive Tax Reporting (ATR) in agricultural companies listed in *Daftar Efek Syariah* (DES) during period 2013-2016. The sampling method is purposive sampling. The data analyzed using multiple regression for dated panel with significance level 5% (0,05). The choosing model test showed that model used in this study is the Fixed Effect Model (FEM). Simultaneously all independent variables from model had significant influence toward dependent variable (ATR). Partially aggressive financial reporting, ROA, and DAR that had significance influence toward ETR, while variable size had insignificant influence. The research also showed that there is trade off between aggressive financial reporting and aggressive tax reporting.

Keywords: Aggressive Financial Reporting, Aggressive Tax Reporting, Return on Asset (ROA), Debt on Asset (DAR), and Agency Theory.

Abstrak

Penelitian ini bertujuan untuk mengetahui pengaruh pelaporan keuangan agresif, ROA, DAR, dan Ukuran Perusahaan terhadap Pelaporan Pajak Agresif (ATR) pada perusahaan pertanian yang terdaftar di Daftar Efek Syariah (DES) selama periode 2013-2016. Metode pengambilan sampel adalah purposive sampling. Data dianalisis menggunakan regresi berganda untuk panel tanggal dengan tingkat signifikansi 5% (0,05). Tes pemilihan model menunjukkan bahwa model yang digunakan dalam penelitian ini adalah Fixed Effect Model (FEM). Secara bersamaan semua variabel independen dari model memiliki pengaruh signifikan terhadap variabel dependen (ATR). Pelaporan keuangan agresif sebagian, ROA, dan DAR yang memiliki pengaruh signifikan terhadap ETR, sedangkan ukuran variabel memiliki pengaruh tidak signifikan. Penelitian ini juga menunjukkan bahwa ada trade off antara pelaporan keuangan agresif dan pelaporan pajak agresif. Kata Kunci: Pelaporan Keuangan Agresif, Pelaporan Pajak Agresif, Return on Asset (ROA), Debt on Asset (DAR), dan Teori Agensi.

INTRODUCTION

Indonesia has a source of income from several sectors, among them is the tax sector. Tax revenue is a very important sector and can be used for national development, improving people's welfare, and improving public facilities. Indonesia with its strategic location stand in the middle of world trade traffic. The establishment of companies from domestic and abroad adds to the tax potential revenue for Indonesia.

According to UU No 36 Year 2008 article 1, tax is a mandatory contribution to the state owed by an individual or corporation upon income its earned or received. Sari (2010) stated that tax is a process of transferring wealth from the corporation to the state, so the amount of billed tax become an expense for the companies. Indonesian government conducts several regulations related taxes in order to maximize the state revenue from tax, because tax fund affect APBN significantly.

Revenue from the tax should reach maximum level because it will be used to finance the development in the central or countryside area. RAPBN 2014 stated that revenue from tax used to fund many public

sectors, such as development in education and public welfare, improve defense and security, and developing the countryside (Puspita & Harto, 2014).

Ministry of Finance released that in 2013 tax received by the state from non migas sector reach around 90,47% of the target, on 2014 the tax received by the state around 74,6% of the target, and in 2015 the tax received only reach around 63,57% of the target. The data showed each year there is decreased in achieving the target (pajak.go.id, 2012).

General Secretary of Forum Indonesia Untuk Transparansi Anggaran (FITRA), Yenny Sucipto, stated that every year, allegedly there was a tax evasion case that amounted to 110 trillion rupiah. From all of that around 80% were made by corporation, while the rest were done by individual. Yenny also stated that during the period 2010-2014 accumulated illegal fund smuggled overseas reach about 914 trillion rupiah. It is the same as 45% money circulates in Indonesia (Suara.com, 2017).

The amount of revenue the companies earn is linear with the amount of tax should be paid. The large amount of billed tax makes them arrange several strategies, namely

manipulating record of the transaction. This strategy is not part of tax avoidance or tax planning, but included as tax evasion that classified in illegal acts.

In order to prevent the company from committing tax evasion takes proper management to manage and suppress the tax expense as low as possible. Darmadi and Zulaikha (2013) stated tax management is meant to fulfill tax obligation properly, but at the same time also suppress tax expense as low as possible to earn profit and liquidity that management desired. Tax management must be done well so as not to violate tax regulation.

The company can also make use the gaps that appear between regulations, this action often called as aggressive tax reporting. Zuber and Sanders (2013) positions tax aggressive as a potential that appears in the gray area between tax avoidance and tax evasion. Frank, Lynch, and Rego (2009) stated that tax aggressive is an action which is intended to lower taxable income through tax planning, either classified as a tax evasion or not.

Chen (2010) concludes that tax aggressive appears because there is a conflict

of interest between company as a taxpayer and the government as a tax collector. The government collects tax to finance its activities, while the company takes tax as an expense. Tax expense will reduce net income so it is suspected the company prefers doing aggressive tax reporting.

On the other hand, tax aggressive also has bad influence for the company because it forces management to suppress the profit even lower. The company reputation can be ruined in the eye of stakeholder, such as creditor and investor. To get a long term debt and capital injection, the company tends to show higher profit. This action often called aggressive financial reporting (earning management) (Kamila, 2014). Moreover, Frank, Lynch, and Rego (2009) defines aggressive financial reporting as an activity to increase profit through earning management either according to accounting principle or not.

The motivation behind tax management and earning management is almost the same. Tax management related to the earning management because to attain it, the manager need to control the profit as low as possible. On the other hand, when manager needs to

increase/decrease the profit, it is needed to control tax as one of the biggest and regular expense (Kamila, 2014).

The thing above showed the possibility of trade off between aggressive tax reporting and aggressive financial reporting or often called as book-tax trade-off (Shackleford & Shevlin, 2001). The statement above supported by the result of Erickson, Hanlon, and Maydew research (2004) where there are few small firms, accused did tax evasion by Securities Exchange Commission (SEC), willing to pay the higher tax expense in order to have a higher profit record.

Different with the result above, newer research showed there is no trade-off between aggressive tax reporting and aggressive financial reporting. In early 1990s, companies in the USA able to reports low amount of tax to the government and at the same time report high amount of profit. This phenomenon, called book-tax difference (Frank, Lynch, & Rego, 2004). An Increase in book-tax difference allows discrepancy between accounting principle and tax regulation, in result the company has the chance through the existed gap to suppress the tax expense and increase profit

at the same time (Frank, Lynch, & Rego, 2009).

Debt On Asset is a ratio that measure how many of assets financed by debt. If the company has large debt, the interest will decrease the earnings before tax, so the tax expense will be smaller. The company can use the leverage as a way to minimize the earning before tax so the tax expense will become lower (Adisamartha & Noviyari, 2015).

Return On Asset is a ratio that measure the ability of a company to make profit from its asset. ROA is one of the factors that can affect the tax expense. A company with high profitability will pay larger tax, on the other hand company with low profitability will pay smaller tax. Company with low profitability more likely do tax aggressive and maintain the profit high, so it can pleased the stakeholder (Adisamartha & Noviyari, 2015).

The Size of the company can measure the large/small asset owned by the company. The bigger the asset is expected to increase the productivity of the company. Increased in productivity will also increase the profit and most likely will affect with tax expense should be paid by the company (Adisamartha & Noviyari, 2015).

LITERATURE REVIEW

The Agency Problem In Taxation

Agency theory not only applied in profit companies, but also in taxation. Indonesian Government released UU No. 36 Year 2008 about Ketentuan Umum dan Tata Cara Perpajakan, the law stated that Indonesian government is a tax collector and has the ultimate right to collecting tax. While the taxpayer is a private citizen or organization, either profit or non profit, that fulfill certain criterias stated in the law. In this context Indonesian government will be categorized as a principal, while the taxpayer will be categorized as an agent (Ayu, 2008).

The government as principal task the taxpayer as an agent to paid certain amount of taxes in order to govern the country, such as for APBN to develop the economy. But, in the profit companies eyes as one of the biggest taxpayer, tax is categorized as an expense and should be pressed as minimum as possible. This is showed the conflict of interest between principle and agent in taxation term (Ayu, 2008).

Moreover, since tax reformation in 1983, Indonesian government changed the

collecting tax system, from official assessment into self assessment. Self assessment means the taxpayer will calculate, paid, and report its tax expense itself. The government will only controlled the process by assessing if the taxpayer do it in accordance with the law or not (Gunawan & Hidayat, 2005). This system, if not control and conduct properly, will lead to asymmetrical information problems.

The taxpayer represent by the director knows more about the condition of the company than the government. So, in order to minimize its tax expense the director will conduct several policy/action, either categorized as legal or illegal, using the information that the government know less about and try to gain some benefit. This action is called aggressive tax reporting (Hite & McGill, 1992).

Aggressive Tax Reporting

Tax aggressive is an action or policy set by management to reduce the tax expense. According to Frank, Lynch, and Rego (2009) tax aggressive is an action aimed to lowering the taxable income through tax avoidance, either using ways that is classified as tax evasions or not. Hite and McGill(1992) also

referred to tax aggressive as a condition in which company have the authority to enforce tax policy and there is possibility that the policy classified as illegal.

Desai dan Dharmapala (2009)said that tax aggressive can be classified into 2 views, traditional and contemporary. The traditional opinion states that aggressive tax are a form of securing wealth, which is done solely to reduce the tax expense. On the other hand, contemporary opinion defines tax aggressive as a form of rent extraction, ie when managers act not for the benefit of shareholders but for personal gain.

Tax aggressiveness can be measured in several ways, Gebhart (2017) listed several methods in their paper, namely effective tax rate, Long-Run Cash ETR, discretionary book-tax difference, etc. Among those methods, Effective Tax Rate (ETR) is most often used in research. ETR is obtained by dividing the tax expense by income before tax. If an ETR is below the statutory tax rate, it signal that tax avoidance happened in the company

Aggressive Financial Reporting

Financial statement is one of ways to disclosure financial information of a company. The most important information

and a major concern for users of financial statements is the profit. Profit is used as a reference to assess the performance of the company and is considered capable in generating economic benefits in the future. This encourages company to practice earnings management, where managers can determine accounting policies in preparing financial statements to achieve certain goals. Among them is increasing the accounting profit in the financial statements (which are not in accordance with the real conditions of the company so as to attract investors / creditors to invest capital(Hutapea, 2009).

Frank, Lynch, and Rego (2004) define the aggressive financial reporting as an activities of improving corporate profits through earnings management (earnings management), wether it is appropriate or not in accordance with the applicable regulations. Rosenzweig in Kamila (2014) refer to earnings management as an actions taken by managers to increase the amount of income earned in the short term by ignoring the increase in corporate profits in the long term (Kamila, 2014).

Ewert and Wagenhoefer in Hanna and Haryanto (2016) stated that one of the ways the company choose to estimate earning

management is using discretion. The proxy often used is accrual discretion that is obtained from the residual regression of accrued income.

Accrual method is a method of recording financial transaction where the income will noted when a transaction occurs, not when payment has been made. Accrual discretion is by earning management technique that does not have direct consequences for the company's cash flow (Roychowdhury, 2006)

Return On Asset (ROA)

Return on Asset (ROA) is a ratio used to assess the company's ability to utilize its assets to earn profits. This ratio measures the return of investment rate based on the company's asset. Profit used is are profit before tax and interest, it is to see how big the profit generated by the company before the deductible expenses (Prastowo, 2014). ROA used to measure the performance of the company in obtaining profit. ROA also can measured the profit of the company from previous activities and projected into the future activities.

Sudarmadji and Sularto in Amertha (2013) stated that profit presented in the financial statements are used as performance

indicator of the company by investors and become a benchmark for the success of the management running the company's operations. Rodriguez and Arias also stated that the profitability will influence tax expense and one of determining factor of tax expense, because the bigger the profit the tax expense will also getting bigger. On the other hand, company with low profit will paid lower tax expense (Ardyansyah & Zulkiha, 2014).

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Debt On Asset (DAR)

Debt to Asset (DAR) is a ratio used to measure how much the company's assets are financed by debt or how much debt affects the management of assets. The higher the ratio of DAR indicates that debt of the company is high and will make it difficult for companies to obtain additional borrowed funds. Conversely, if the rate is lower the company is not mainly financed with debt (Kasmir, 2014).

The size of the DAR can influence with the size of tax expense. This is because the interest from debt can become a deductible in the calculation of tax, so the tax expense will decrease. So the higher the interest of debt will make the ETR score smaller (Lanis & Richardson, 2012).

On the other hand, the Debt covenant theory stated that when the company asset consist mainly from debt, the company will not do tax aggressive. It is because the company will try to maintain a good relationship with the creditor, and keep the profit high, so the tax expense will be large too (Adisamartha & Noviari, 2015).

Size of The Company

The size of the company measured by total assets will be calculated using the natural logarithm $\ln(n)$. This is because if total assets written directly, there will be excessive fluctuations in the data, thus simplified using natural logarithm (Ghozali I., 2006).

The Political Power Theory stated that big company can utilized its potential to manipulate its tax expense through political process, but on the other hand there is also Political Cost Theory stated that big company can not aggressive in taxation in order to avoid any political attention (Watts & Zimmerman, 1990).

METHOD

This method of research is associative which aims to see the influence of variable independent towards variable dependent. (Sugiyono, 2009). This thesis aim to analyze

the influence of Aggressive Financial Reporting, ROA, DAR, and Size Toward Aggressive Tax Reporting in Agricultural Companies listed in Daftar Efek Syariah (DES) during period 2013-2016.

Operational Variables

So that research can be done as expected, it is necessary to understand the

various elements that form the basis of scientific research contained in the operational variables. The variables used in this research are dependent variable and independent variable. The explanation of variable dependent and independent used will be as follows:

Table 1 Operational Variables

No	Variable	Measurement	Referenced
Dependent Variable			
1	Aggressive Tax Reporting (Y)	$ATR_e = \text{Statutory Tax Rate} - ETR_e$	Gebhart (2017)
Independent Variable			
1	Aggressive Financial Reporting (X ₁)	$\text{Accrual Discretion}_{it} = TAcc_{it} - NDACC_{it}$	Roychowdhury (2006)
2	Return on Asset (ROA) (X ₂)	$ROA = \frac{\text{Net Income}}{\text{Total Asset}}$	Prastowo (2014)
3	Debt to Asset (DOA) (X ₃)	$DOA = \frac{\text{Total Debt}}{\text{Total Asset}}$	Kasmir (2014)
4	Size of The Company (X ₄)	$\text{Size} = \ln(n)$	Kamila (2014)

Source: data processed by researcher (2017)

Data collection method used in this research is documenting secondary data, namely by collecting annual report and financial report of companies listed on the Daftar Efek Syariah (DES) during period 2013-2016 from the official website of each company.

Population used in this research is 14 agricultural companies listed on Daftar Efek Syariah (DES). Researcher used purposive sampling in order to discover representative samples in line with the set criteria as follows:

- Company listed in the Daftar Efek Syariah (DES) during the period of 2013-2016
- Company that publish complete annual reports and financial statements during the period of 2013-2016 on the official companies websites
- Company with ETR score lower than the statutory tax rate

Based on the criterias above there are 8 companies that become the sample in this research. The companies's financial reports will be examined during period 2013-2016. This research used panel data analysing method which is a regression that combines time series and cross section data (Widarjono, 2013). This research aimed to

analyse the influence of aggressive financial reporting (X_1), ROA (X_2) DOA (X_3), and size (X_4) towards aggressive tax reporting. The data will be analysed with the help of program application named EViews 9. The following is the equation of panel data regression in this research:

$$Y_{it} = \beta_0 + \beta_1 \ln X_{1i} + \beta_2 \ln X_{2i} + \beta_3 \ln X_{3i} + \beta_4 \ln X_{4i} + e_{it}$$

Explanation :

Y : Aggressive Tax Reporting (ATR)

β_0 : Constanta

β_{123} : Coefficient regression of each variable

X_1 : Accrual Discretion

X_2 : Return on Assets (ROA)

X_3 : Debt on Assets(DAR)

X_4 : Size

e : Error

A model is said to be good for a predictive tool if it passed the classical assumption test. Classical assumption test is used to ensure that the regression model has met criterias so it can be used to test the hypothesis. The model should passed the classical assumption test, otherwise the variables would be consider as unqualified to explain

the problems (Setiawan & Budi, 2015). Classical assumption consist of 4 stages test that should be done chronologically, those are normality tes, multicollinearity test, heteroskedasticity, and autocorrelation test (Ghozali & Ratmono, 2013, hlm. 165).

After the data past all the classical assumption tests, the next step would be choosing the best model to measure the regression, those are Common Effect Model, Fixed Effect Model dan Random Effect Model. In order to get the best model, it is needed to do 2 choosing tests, first namely F Statistic Test/Chow Test to choose between Common Effect Model and Fixed Effect Model. Second the Hausman Test to choose between Fixed Effect Model and Random Effect Model (Widarjono, 2013).

When the model had been chosen and used, the result will analyse using t-statistic test and F statistic test. The t-statistic test used to see the partial influence of each independent variable, while using F statistic test to see the wether all of variable independent in the equation influence the

variable dependent simultaneously. While coefficient determinant (R²) used to see wether the model can explain the variance of variable dependent. Small value of R² means that the model is really limited in explain the dependent variable (Ghozali I. d., 2013).

RESULTS AND DISCUSSION

Companies engaged in Agricultural Industries listed in Daftar Efek Syariah (DES) during period 2013-2016 and passed the set criterias of purposive sampling are 8 companies. The table above showed tax aggressiveness done by each companies. The data showed that at least 10 companies in research sample do tax aggressive in the level of 5% to 11% below the statutory tax rate yearly. While the rest of the samples, doing tax aggressive in the level 1% to 4% below the statutory tax rate of 25%, yearly.

Statistic Description Analysis

The following table explains the statistical description of the data in the form of average value, maximum value, minimum value, median, and standard deviation:

Table 2 Statistic Description

	ETR	ATR	DA	ROA	DAR	SIZE
Mean	0.2134	0.0369	-0.0704	0.0871	0.3944	21.9365
Median	0.2194	0.0300	-0.0636	0.0773	0.4459	22.1739
Maximum	0.2432	0.1100	0.0518	0.2447	0.6773	24.2057
Minimum	0.1440	0.0100	-0.3164	0.0111	0.1383	19.3361
Std. Dev.	0.0246	0.0254	0.0718	0.0617	0.1544	1.5489

Source: Output EViews 9

(2018) Based on the result, the companies practiced aggressive financial reporting by decreasing profits, it is indicated with the mean of accrual discretion is negative numbers - 0.0704. contrasting to the aggressive financial reporting, the average value of Aggressive Tax Reporting (ATR) show positive numbers 0.0369, which means averagely the companies able to do tax aggressive 3% lower against the statutory tax rate. The difference is not really big because the trend of the company is by lowering its profit, so without doing tax aggressive the tax expense is already low.

The company averagely able to produce profit around 8% from its asset. It is

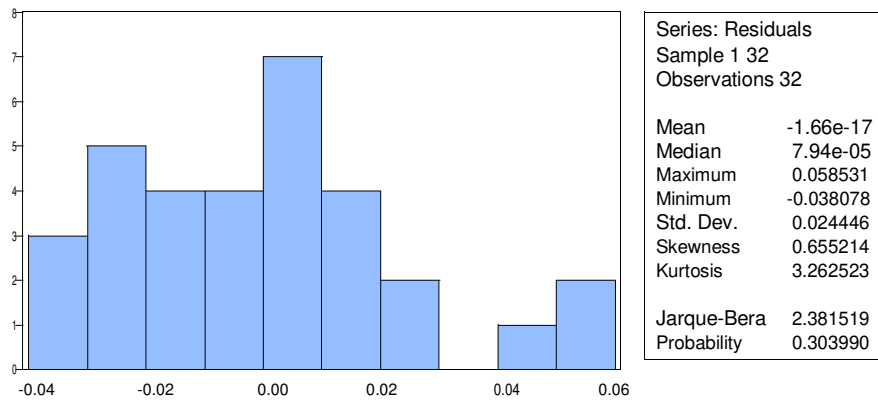
relatively small, but relevant because the DA trend is decrease the profit. Around 40% of the company's asset is financed by debt. So almost half of its asset is consist of debt. It showed the potential that the company could manage the interest from debt as a subtraction for the earning before tax. The size of the company is not really varied, the maximum and the minimum score is close.

The Result of Classical Assumption Test

Normality Test

The following table is the normality test result:

Table 3 Normality Test



Source: Output EViews 9 (2017)

The graphic above shows the result of which is more than 0.05. It means the data are normality test by using the probability score normally distributed.

Multicollinearity Test

Table. 4. Multicollinearity Test

Matrix Correlation Between Variables				
Variable	DA	ROA	DAR	SIZE
DA	1.0000	0.1848	-0.2901	0.1215
ROA	0.1848	1.0000	0.5700	0.1767
DOA	-0.2901	0.5700	1.0000	-0.1095
SIZE	0.1215	0.1767	-0.1095	1.000

The following table is multicollinearity test result:

Source: Output EViews 9 (2017)

The table above shows the result of It means that the data are free of multicollieanarity test by using the score of multicorrealinity problems. matrix correlation test which is less than 0.90.

Heteroskedasticity Test

The following table is the heteroskedasticity test result:

Table. 5 Heteroskedasticity Test

<i>Obs*R-squared</i>	8.392167	Prob. Chi-Square(4)	0.0782
Scaled explained SS	7.835312	Prob. Chi-Square(4)	0.0978

Source: Output EViews 9 (2017)

The table above shows the result of 0.05. It means that the data are free of heteroskedasticity test by using the score of heteroskedasticity problems. probability *Obs*R-squared* which is more than

Autocorrelation Test

The following table is the autocorrelation test result:

Table. 6 Autocorrelation Test

F-statistic	4.273529	Prob. F(2,29)	0.1236
<i>Obs*R-squared</i>	8.194892	Prob. Chi-Square(2)	0.1166

Source: Output EViews 9 (2017)

Regression Model

Table 4. 6The Statistic Result of FEM

Variable	Coefficient	Std. Error	t-Statistic	Prob.
DA	-0.176720	0.074134	-2.383804	0.0262
ROA	-0.166156	0.137651	-1.207083	0.0424
DAR	-0.109990	0.060596	-1.815142	0.0432
SIZE	0.010145	0.010208	0.993823	0.3311
C	-0.140177	0.224646	-0.623992	0.5391

R-squared	0.518715	Mean dependent var	0.036944
Adjusted R-squared	0.234319	S.D. dependent var	0.025837
S.E. of regression	0.022608	Akaike info criterion	-4.455723
Sum squared resid	0.011245	Schwarz criterion	-3.839910
Log likelihood	94.20301	Hannan-Quinn criter.	-4.240788
F-statistic	1.823918	Durbin-Watson stat	1.795260
Prob(F-statistic)	0.031424		

Source: Output EViews 9 (2017)

Based on the result of Fixed Effect Model (FEM) above, the equation regression of this research is as follow:

$$Y = (0.1401) C + (0.1767) X_1 + (0.1661) X_2 + (0.1099) X_3 + 0.0101 X_4$$

Explanations:

Y : Aggressive Tax Reporting (ATR)

C: Constantan

X₁ : Accrual Discretion (AD)

X₂ : Return On Asset (ROA)

X₃ : Debt On Asset (DAR)

X₄ : Size

Discussion

Aggressive Financial Reporting

The first hypothesis stated that Discretionary Accrual has a negative influence towards ATR. The result of the analysis showed that the probability t-Statistic score is lower than 0.005 with a coefficient -0.179584. It means that variable Discretionary Accruals have significant influence towards ATR.

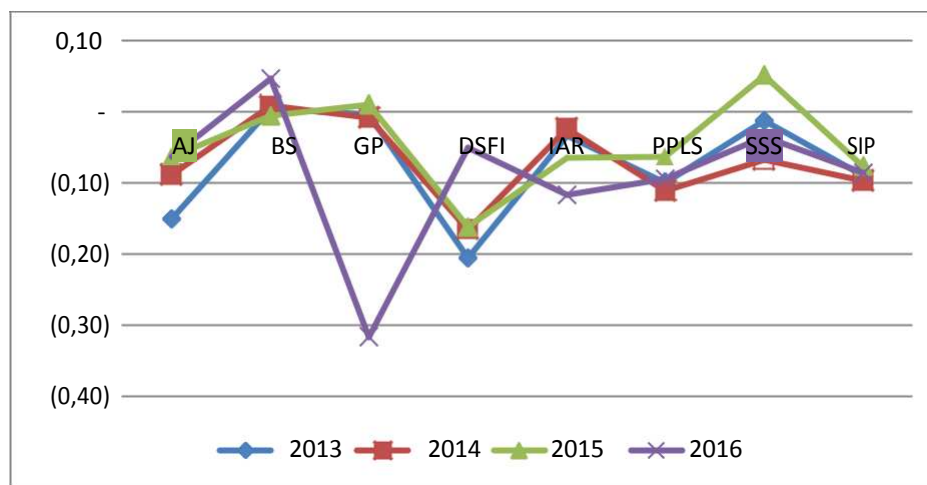
In order to manage the company, the manager receives different pressure. The stakeholder and the debtor will pressure the manager to report maximum profit, while at the same time the manager has main duty to manage the company's expenditure as efficient as possible. One of the biggest expenditure in company is tax expense, and

usually manager doing several strategies in order to obtain minimum earning before tax so the tax expense will be lower. In this condition management facing the trade-off condition between tax aggressive and aggressive financial reporting. This research showed that the influence is negative, means that when the manager doing earning

management in order to increase its profit, the company must bear with the risk to paid higher tax expense.

It is also needed to take note that the research sample had a trend to decrease its profit as shown in the chart below:

Graphic 1 Aggressive Financial Reporting



Source: data processed by researcher (2018)

The chart above showed the trend of earning management done by sample companies. The majority of the data showed negative numbers, mean that majority of the sample companies decrease its profit. This is probably caused by the condition of the agricultural industry in Indonesia. For the last five years agricultural industries showed progressive growth and positioned by the

government as one of the representatives in international market. The government also seen as it as a big potential source for income tax.

Companies seen tax expense as an expenditure that need to minimize, so the manager in sample companies probably decreases its profit in order to avoid paying higher tax. It is shown that there is a conflict

of interest happened, where principle or government do its right by collecting taxes, the agent or companies avoid it by decreasing its profit, so the tax expense will be lower.

This result supported by the research of Erickson, Hanlon, and Maydew (2004), Hanna and Haryanto (2016), and Waharini and Annisa (2017). Erickson, Hanlon, and Maydew stated in his research that companies which conduct tax management or earning management usually has bad good corporate governance. The sample research in Erickson, Hanlon, and Maydew was indicated doing several manipulation to avoid tax and marked by Securities and Exchange Commission (SEC) as a companies conduct financial fraud.

Return On Asset (ROA)

The third hypothesis stated that Return On Asset (ROA) has a negative influence towards ETR. The result of the analysis showed that the probability t-Statistic score is lower than 0.005 with a coefficient - 0.196116. It means that variable Return On Asset (ROA) have significant influence towards ETR.

The significant negative influence showed that companies with low profitability rate tend to do aggressive tax reporting in order to

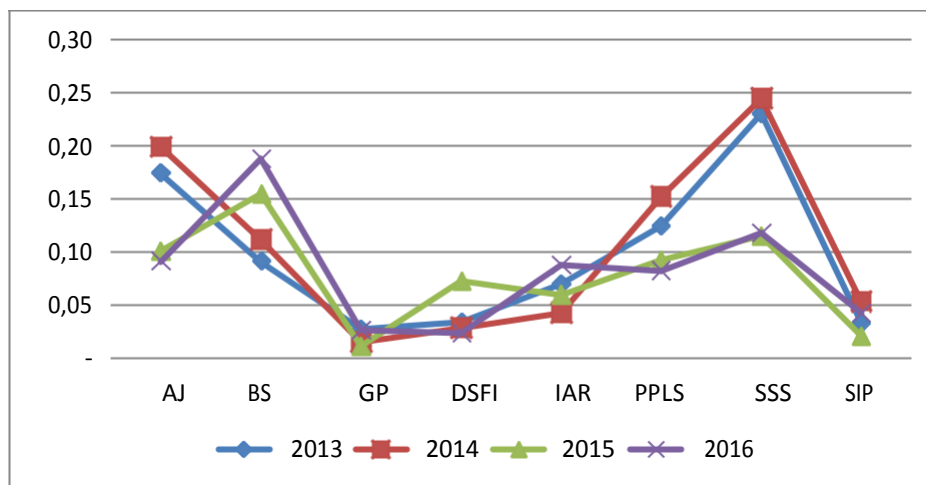
But this result contradict the research of Kamila (2014) and Frank, Lynch, and Rego (2009) that found there is no trade-off between aggressive financial reporting and aggressive tax reporting. It is probably caused by different condition of the industries and different law of another country abroad. The different of method in calculating the tax aggressive also may become the caused. Frank, Lynch, and Rego and Kamila both used discretionary book-tax difference method, while this research used accounting/GAAP ETR that do not differentiate between current tax and deferred tax.

show good performance to the stakeholder. When the company practice tax aggressive the net profit will be bigger, it will also make the score of ROA higher. ROA is one of the main ratio oftenly used by the stake holder to evaluate the condition of the company. So, if the score of ROA high it will benefit the company. On the other hand company with high profitability will have less tendency to do tax aggressive. It is because the high profit

will show in the financial report, and it will strike suspicion if the tax expense is low. Rodriguez and Arias (2012) also stated that ROA have direct influence towards ETR. If the ROA is the company will try to increase it by doing tax aggressive. The saving from

minimize tax expense will be used to add the net profit and make the ROA bigger. It is relevan with the data, because the sample companies averagely only able to raise profit 8% from its asset.

Graphic 2 Return On Asset (ROA)



Source: data processed by researcher (2018)

The chart above explain that 5 from 8 sample companies showed that it only able to produce around 1% to 10% return from its asset turn over. It is really low and indicated that there is around 80% return that can not be acquired as profit for the company. It is also contradict the purpose of the companies to make profit.

The low score of ROA may indicated that the return from asset is allocated in another post, such as to paid debt as the data

also showed that the Debt on Asset ratio is really high. If majority of asset fund by debt automatically the majority of asset will be used to paid debt too.

This result supported by the research of Kamila (2014) and Ardyansyah (2014). Those research also stated that ROA had significant positive influence towards ATR. The savings from doing tax aggressive will be used to increase the net profit, so the ROA will be higher. Higher ROA will attract

stakeholder and showed that the companies is good.

But this result contracting the research of Ardyansyah (2014) that stated ROA had no significant influence towards aggressive tax reporting. This may be caused the score of ROA is different from the sample companies of this research. If the score of ROA is high, the companies prefer to not do tax aggressive as it will shown in the financial report.

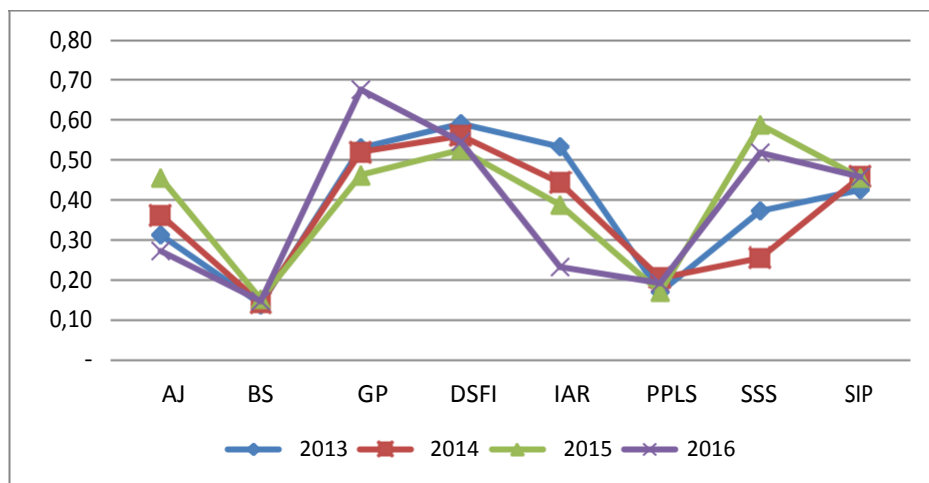
Debt On Asset (DAR)

The second hypothesis stated that Debt On Asset (DAR) has a negative influence to do tax aggressive and the profit drop, the company can lose the trust/belief from the debtor.

towards ETR. The result of the analysis showed that the probability t-Statistic score is lower than 0.005 with a coefficient - 0.110935. It means that variable Debt On Asset (DAR) have significant influence towards ETR.

The significant negative influence means the companies' behavior is in accordance with the Debt Covenant theory. The companies try to maintain good relationship with the debtor and keep the profit higher in order to meet with the demand of the debtor. If the companies decided

Graphic 3 Debt On Asset (DAR)



Source: data processed by researcher (2018)

The chart above showed that around 5 from 8 sample companies had ratio Debt On Asset (DAR) between 40% to 70%. It means that more than half of its assets financed by debt, and will potentially make the companies dependent of the debtor and will do anything to fulfill their wish. The company may can not stand on their own when manage their operation.

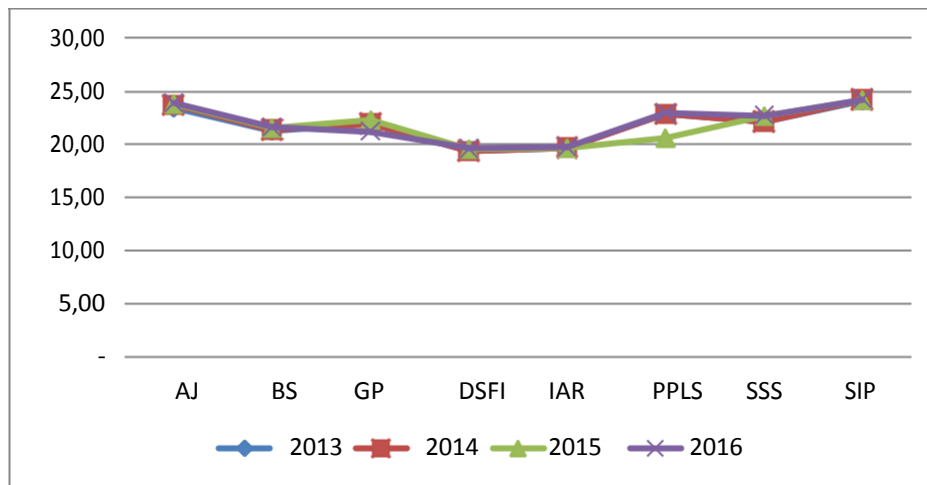
It is also indicated that the output from turnover of its asset will be used to pay its debt rather than to acquire it as a profit. This is also indicated bad management as the of sole purpose of a company is to make profit. This result supported by the research of Adisamartha and Noviari (2015), and Waharini and Annisa (2017). Those research also stated that DAR had significance negative influence towards ETR and cited that debt covenant condition as the caused.

But this research contrasting the research of Lanis and Richardson (2012) that said DAR had significance positive influence

towards ETR. The difference probably because the policy of debt interest is different between Indonesia and Australia. In Indonesia the interest can be considered as subtraction of tax expense if already meet certain criteria set by the state. SE-46/PJ.4/1995 stated that the interest can be used as a subtraction of EBT should meet the criteria, that is the average debt with interest as subtraction should be higher than the debt put in the long term deposits. Size of The Company

The fourth hypothesis stated that size of the company has positive influence towards ETR. The result of the analysis showed that the probability t-Statistic score is higher than 0.005 with coefficient 0.010193. It means that variable Size has no significant influence towards ATR.

The insignificant influence means that companies do not consider size when doing tax aggressive.

Graphic 4 Size of The Company

Source: data processed by researcher (2018)

The chart above explain that all of 8 sample companies categorized in reatively same size. The data showed that the sample companies had around 20 million to 25 million of assets during period of 2013-2016. There is no single companies that showed remarkably small size or big size.

It is indicated that companies in agricultural industry listed in Daftar Efek Syariah (DES) during period 2013-2016 do not considered size of the companies as a variable when deciding to do tax aggressive or not. It is also indicated from the positive data that regardless the size is big or not the companies will do tax aggressive.

This results supported by the research of Kamila (2014) and Hanna and Haryanto (2016). Those research also stated that the size of the company has insignificant negative influence towards aggressive tax reporting. But this result support the research of Lanis and Richardson (2007) who found that size had significant negative influence towards ATR.

They stated that the positive influence means that big company will be more precise and careful when reporting its activities, the manager will not have less opportunity in manipulate tax expense than the manager in small company. This result is different is also probably because the amount of the sample

companies and the period research is not long enough. Lanis and Richardson conduct their research with the time span 25 years with 552 sample companies. In a long-term research the asset may fluctuate more than in a short-term research.

CONCLUSION

Based on the data analysis and discussion in chapter IV, it can be concluded that aggressive financial reporting, ROA, and DAR had a significant negative influence toward aggressive tax reporting, while size of the company had insignificant influence towards aggressive tax reporting. The equation in this research is $ATR = (0,1401) + (0,1767)DA + (0,1661)ROA + (0,1099)DAR + 0,0101SIZE$. The significance level is 95% and coefficient determination 52%.

It means, 52% of aggressive tax reporting is influenced by variable aggressive financial reporting, ROA, DAR, and size of the company, while the other 48% is influenced by another variable not examined.

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