The Influence of Board Gender Diversity, Independent Commissioners, and Board Size on Tax Aggressiveness

Wahyu Nurul Hidayati

Department of Accounting, Faculty of Economics and Business, Universitas Pamulang, Indonesia

Corresponding Author: dosen01104@unpam.ac.id

Abstract

This research aims to empirically demonstrate the influence of board gender diversity, independent commissioners, and board size on tax aggressiveness. The independent variables used in this study are board gender diversity, independent commissioners, and board size, while the dependent variable is tax aggressiveness. The population in this study comprises companies in the property, real estate, and construction sectors listed on the Indonesia Stock Exchange from 2017 to 2021. The sample selection method involves purposive sampling, resulting in 31 companies. The data used in this research are secondary data in the form of annual financial reports. The data analysis methods include descriptive statistics, classical assumption tests, and panel data regression tests using statistical calculations with the application of Eviews version 10. Based on the research results, it is found that board gender diversity does not have a significant impact on tax aggressiveness. Independent commissioners have a negative influence on tax aggressiveness. Board size has a positive effect on tax aggressiveness. Board gender diversity, independent commissioners, and board size significantly influence tax aggressiveness.

Keywords: Board Gender Diversity, Board Size, Independent Commissioners, Tax Aggressiveness

INTRODUCTION

Taxes are a primary source of income for a country. In various countries, tax revenue is crucial for national development activities and a source of funds for the welfare of the community. Tax is one of the sources of state revenue that comes from the people. With the payment of taxes, the government can implement development programs that benefit the people. Most corporate taxpayers still perceive the obligation to pay taxes as a cost because, financially, taxes represent a transfer of resources from the business sector to the public or government, resulting in a reduction in the purchasing power of taxpayers (Ambarsari et al., 2019).

The efforts made by the Indonesian government to increase tax revenue are already significant. However, there remains a difference in interests between taxpayers and the government. Taxpayers tend to want to minimize the tax burden, while the government aims to maximize tax revenue. Management plays a crucial role in choosing the company's strategy, particularly in increasing corporate wealth. Management tends to engage in tax aggressiveness to reduce the tax burden that needs to be paid (Kamul & Riswandari, 2021).

The property business indicates promising tax revenue potential, but it is evident that many property companies engage in tax avoidance, causing the country to lose trillions of rupiah in potential revenue. Investment in land and buildings, known as property, remains one of the favorite investments for the Indonesian people because it is relatively safe and provides good returns. Recognizing the potential tax revenue, the Directorate General of Taxation (DJP)

designated the property and real estate sector as one of the priority sectors for tax potential exploration in 2013, and it continues to be a focus to this day. The DJP estimates that there is still a considerable amount of tax avoidance, especially Income Tax (PPh), carried out by property and real estate companies in Indonesia. In Indonesia, there are cases involving the Real Estate Indonesia (REI) accused by the Directorate General of Taxation (DJP) regarding transaction payment documents, suspected of engaging in Income Tax evasion (Yahya et al., 2022).

One phenomenon of tax avoidance cases is the case of the property company PT. Agung Podomoro Land Tbk. In the execution of the tax evasion case, 11.5 million documents were leaked, known as the Panama Papers. These documents contain 4.8 million emails, including details of 2.1 million PDF documents, 1.1 million photos, 32,000 text documents, and the rest about 2,000 other files. In response to this issue, the government did not stand still. One tool used by the government to ensure that the economy continues to run is taxation. The potential tax revenue from the property and real estate sector comes from Final Income Tax (PPh) Article 4 paragraph 2, which is a 5% tax on the income received by sellers (developers) for land/building transactions, and Value Added Tax (VAT) on taxable goods transactions such as land/buildings, excluding residential properties, at a rate of 10%. Meanwhile, the tax collected by regional governments in property transactions is the Acquisition of Rights over Land and Buildings (BPHTB) at a rate of 5%. The Directorate General of Taxation found the potential loss of tax revenue due to unreported actual land/building transactions, including properties, real estate, and apartments. This happens because the tax paid uses the transaction based on the Tax Object Sales Value (NJOP) rather than the actual or real transaction basis (News.solopos.com, 2020).

Factors related to tax aggressiveness include board gender diversity, independent commissioners, and board size. The participation of women in the board regarding tax aggressiveness becomes the focus of researchers due to regulations in several countries that mandate the presence of female members in the board. For example, the governments of Norway, India, and Spain have mandated the presence of female members in every board. The International Finance Corporation has made various efforts to involve women on boards since 2013, one of which is the Women on Board program. This program focuses on training and mentoring for women to strengthen their abilities to reach top management, and companies gain various benefits from gender equality. The IFC believes that women play a crucial role in the success of companies (Kamul & Riswandari, 2021).

METHODS

This research employs quantitative research, which involves data presented in numerical form. The data source used is of a secondary type. Secondary sources do not provide data directly to the data collector, for example, through other individuals or documents. This study uses secondary data in the form of annual financial reports from service companies in the property, real estate, and construction sectors listed on the Indonesia Stock Exchange (BEI), documented on www.idx.co.id or other website addresses.

The data collection technique in this research involves gathering, recording, and reviewing secondary data, specifically financial reports of property, real estate, and construction service companies published by the Indonesia Stock Exchange, especially those related to the variables under investigation. The researcher obtained data related to the issues by conducting a literature review, exploring and examining various literature such as books, articles, journals, and previous theses, as well as magazines and other sources related to the research.

RESULTS AND DISCUSSION

Table 1. **Data Analysis**

Variables	N	Mean	SD	Min	Max
Dependent variables:					
Agresivitas Pajak	155	0.107181	0.188152	0.000000	0.949000

Independent variables:

Gender Diversity Dewan	155	0.191290	0.130118	0.000000	0.600000
Komisaris Independen	155	0.386516	0.097990	0.170000	0.750000
Ukuran Dewan Komisaris	155	0.043742	0.015465	0.020000	0.080000

Source: *Proceed by E-views, 2022*

Tax Aggressiveness (Y)

The results of the descriptive statistical test on the table indicate that the tax aggressiveness variable (Y) has the smallest or minimum value of 0.000000 and the largest or maximum value of 0.949000. The mean value is 0.107181, and the standard deviation is 0.188152. This means that the mean value is smaller than the standard deviation, indicating a less favorable variation in tax aggressiveness values. The company with the highest mean is PT Urban Jakarta Propertindo Tbk with a value of 0.1523 and a standard deviation of 0.1798, while the company with the lowest mean is PT Cahayasakti Investindo Sukses Tbk with a value of 0.0223 and a standard deviation of 0.0028.

Gender Diversity of the Board (X1)

The results of the descriptive statistical test in the table show that Gender Diversity of the Board (X1) has the smallest or minimum value of 0.000000 and the largest or maximum value of 0.600000. The mean value is 0.191290, and the standard deviation is 0.130118. This means that the mean value is greater than the standard deviation, indicating reasonably good results, and it also explains that the data is homogeneous. The company with the highest mean is PT Ciputra Development Tbk with a value of 0.1943 and a standard deviation of 0.1308, while the company with the lowest mean is PT Sentul City Tbk with a value of 0.0083 and a standard deviation of 0.0327.

Independent Commissioners (X2)

The results of the descriptive statistical test in the table show that Independent Commissioners (X2) have the smallest or minimum value of 0.170000 and the largest or maximum value of 0.750000. The mean value is 0.386516, and the standard deviation is 0.097990. This means that the mean value is greater than the standard deviation, indicating reasonably good results, and it also explains that the data is homogeneous. The company with the highest mean is PT Urban Jakarta Propertindo Tbk with a value of 0.2700 and a standard deviation of 0.2256, while the company with the lowest mean is PT Cahayasakti Investindo Sukses Tbk with a value of 0.1125 and a standard deviation of 0.0022.

Board Size (X3)

The results of the descriptive statistical test in the table show that the Board Size (X3) has the smallest or minimum value of 0.020000 and the largest or maximum value of 0.080000. The mean value is 0.043742, and the standard deviation is 0.015465. This means that the mean value is greater than the standard deviation, indicating reasonably good results, and it also explains that the data is homogeneous. The company with the highest mean is PT Lippo Cikarang Tbk with a value of 0.0103 and a standard deviation of 0.0178, while the company with the lowest mean is PT Sentul City Tbk with a value of 0.0023 and a standard deviation of 0.021.
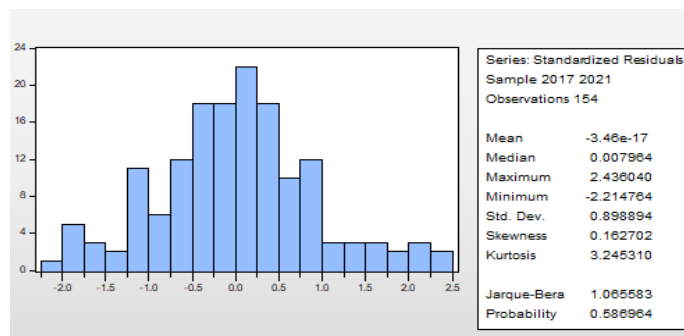

Figure 1: Normality Test
Source: Proceed by E-views, 2022

Based on the histogram results above, the JB value obtained is 0.586964, while the chi-square value, considering the number of independent variables used in this study is 4, and the significance level used is 0.05 or 5%. It is known that the significance value is 0.586964 > 0.05. Thus, it can be concluded that the data in this study is normally distributed.

Table 2. Regression test

Variables	Coefficient	Sig.
Independent variables:		
Gender Diversity Dewan	0.025578	0.3437***
Komisaris Independen	0.359035	0.0423**
Ukuran Dewan Komisaris	-0.010604	0.0447**
R-square	70%	
Prob(F-statistic)	0.00	
Observations	155	

Source: Proceed by E-views, 2022

Partial tests in this study indicate that board gender diversity, when examined separately, does not have a significant effect on tax aggressiveness with a probability of 0.3437 > 0.05. Therefore, board gender diversity, when considered separately, does not significantly influence tax aggressiveness in service companies in the property, real estate, and construction sectors listed on the Indonesia Stock Exchange (BEI) for the period 2017-2021. The lack of influence is suspected to be due to the limited presence of female board members in the sampled companies in Indonesia. Due to the limited presence of female board members, decision-making related to taxation may not be significantly impacted by their involvement. Despite the lack of influence, the observed direction in the results is positive towards tax aggressiveness. The researcher suspects this might be because women tend to prioritize feelings over thoughts, making them more susceptible to external influences when planning tax strategies.

Partial tests in this study indicate that independent commissioners have a significant negative impact on tax aggressiveness with a probability value of 0.0423 < 0.05. Therefore, independent commissioners have a significant negative influence on tax aggressiveness in service companies in the property, real estate, and construction sectors listed on the Indonesia Stock Exchange (BEI) for the period 2017-2021. The influence of independent commissioners on tax aggressiveness is suspected to be due to their effective supervision of management practices. The regulation requiring at least 30% of all commissioners to be independent is implemented by companies to comply with existing rules. Corporate governance in Indonesia is seen as a form of regulation and is highly valued. Companies aim for good corporate governance, which ensures better management practices and better oversight related to tax decision-making.

Partial tests in this study indicate that the size of the board of commissioners has a significant positive impact on tax aggressiveness with a probability value of 0.0447 < 0.05. Therefore, the size of the board of commissioners has a significant positive influence on tax aggressiveness in service companies in the property, real estate, and construction sectors listed on the Indonesia Stock Exchange (BEI) for the period 2017-2021. The strong role of the board of commissioners leads to strict oversight, as they represent shareholders and expect the presented profits in financial statements to be accurate and appropriate. In relation to agency theory, which highlights the differing interests between shareholders and management, shareholders, through their representatives (commissioners), want the company to present profits accurately and without fraud, while management aims to minimize taxes legally (tax avoidance) or illegally (tax evasion).

The results of this study indicate that board gender diversity, independent commissioners, the size of the board of commissioners, and inventory intensity, when examined simultaneously, have a significant probability value of 0.000000 < 0.05. Therefore, the proposed hypotheses are accepted (H0 rejected, and H5 accepted), or it can be stated that board gender diversity, independent commissioners, the size of the board of commissioners, and inventory intensity simultaneously have a significant influence on tax aggressiveness in service companies in the property, real estate,

and construction sectors listed on the Indonesia Stock Exchange (BEI) for the period 2017-2021, and the model is considered appropriate or fit.

CONCLUSION

1. The variable of board gender diversity does not affect tax aggressiveness in service companies in the property, real estate, and construction sectors on the Indonesia Stock Exchange. This result indicates that the higher the number of women, the tax aggressiveness will remain constant.
2. The variable of independent commissioners has a negative effect on tax aggressiveness in service companies in the property, real estate, and construction sectors on the Indonesia Stock Exchange. This result indicates that the higher the number of independent commissioners, the level of tax aggressiveness will be minimized because the presence of independent commissioners ensures better management practices and better oversight related to tax decision-making.
3. The variable of the size of the board of commissioners has a positive effect on tax aggressiveness in service companies in the property, real estate, and construction sectors on the Indonesia Stock Exchange. This result indicates that the larger size of the board, representing shareholders, can hinder managerial actions to engage in tax aggressiveness.
4. Together (simultaneously), the variables of board gender diversity, independent commissioners, the size of the board of commissioners, and inventory intensity have a significant effect on tax aggressiveness in service companies in the property, real estate, and construction sectors on the Indonesia Stock Exchange.

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