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The Effect of Transfer Pricing, Profitability and Political Connections on Tax Aggressiveness with Gender Diversity as a Moderating Variable

Nanik Nurjayanti[1], Wiwik Utami[2]
[1]Universitas Mercu Buana, Jakarta, Indonesia, nanikznurjayanti@gmail.com
[2]Universitas Mercu Buana, Jakarta, Indonesia, wiwik.utami@mercubuana.ac.id

Corresponding Author: nanikznurjayanti@gmail.com[1]

Abstract: This study aims to explore the impact of transfer pricing, profitability, and political connections on the level of tax aggressiveness, considering gender diversity as a moderating factor. The research sample consists of mining companies listed on the Indonesia Stock Exchange (IDX) during the period 2017 to 2022. The sample was selected using a purposive sampling method, resulting in 142 mining companies. The data used in this study are secondary, obtained from audited financial reports available at www.idx.co.id. Data analysis was performed using the MRA technique using IBM SPSS 22 statistical software. Transfer pricing is proxied by (TP), Profitability is proxied by (ROA), political connections are proxied by (dummy), tax aggressiveness is proxied by (ETR), gender diversity is proxied with (GD). Transfer pricing does not significantly affect tax aggressiveness, whereas profitability has a significantly positive affect, political connections do not significantly influence tax aggressiveness, gender diversity does not moderate the effect of transfer pricing on tax aggressiveness, but it strenghnes the relationship between profitability and tax aggressiveness, and weakens the effect of political connections on tax aggressiveness.

Keywords: Transfer Pricing, Profitability, Political Connections, Gender Diversity, Tax Aggressiveness

INTRODUCTION

Taxes are mandatory obligations for all taxpayers, both individuals and corporations. Taxes are then used to fund all state needs. The Central Statistics Agency (BPS) recorded that in 2022, state revenue from the tax sector reached 79% of total state revenue. Therefore, it is understandable that the tax authorities are taking various measures and creating various incentives to increase state revenue from the tax sector.

However, the tax authorities' efforts to optimize tax revenue have not always been smooth sailing. This is reflected in Indonesia's tax ratio, which remains below the average for OECD and G20 member countries (Poernomo, 2023). Indonesia's tax ratio in 2020 reached only 10.1 percent, while the average tax ratio for OECD member countries is 33.5 percent (Susetyo,

2022). Furthermore, the OECD (2021) revealed that Indonesia's tax ratio, or tax revenue-to-GDP ratio, was in the fourth lowest position among 29 Asia-Pacific countries in 2021.

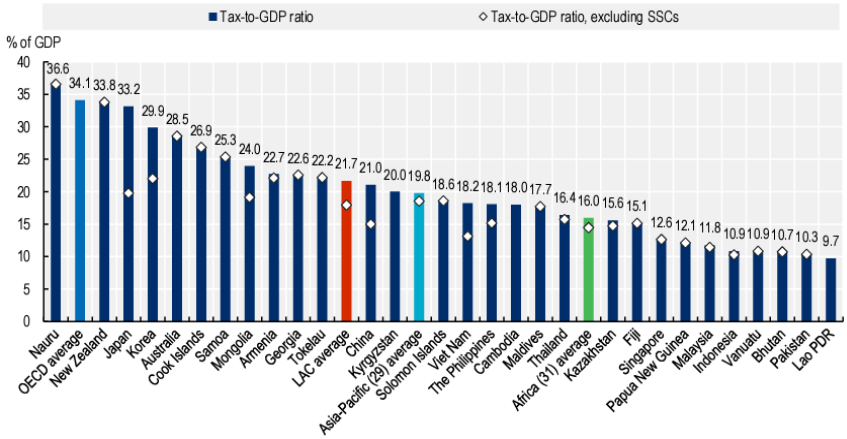

Figure 1. Tax Ratio Graph of Asia Pacific (OECD) Countries

The self-assessment tax system adopted in Indonesia, where taxpayers are given full authority to independently calculate, deposit, and report their tax obligations in accordance with tax regulations, provide loopholes and opportunities for taxpayers to be more aggressive in minimizing tax payments.

Tax aggressiveness was a major issue discussed at the G20 Summit in New Delhi, India (Indrawati, 2023). Scandals involving tax aggressiveness continue to occur extensively around the world. These aggressive practices are commonly carried out by multinational business entities such as Google, Amazon, Starbucks, and Microsoft. These companies are spread throughout the world, including in Indonesia. In line with this, tax observer Darussalam (2023) stated that tax revenue realization throughout 2022 only reached 60% of Indonesia's total tax revenue, leaving 40% of potential tax revenue that could still be tapped. Meanwhile, in the mining sector, PwC Indonesia stated that only 30% of large mining institutions had implemented tax transparency reporting in 2020. Therefore, it can be concluded that tax aggressiveness remains highly relevant in Indonesia.

Tax aggressiveness is indicated as a cause of the high decline in tax revenue realization (Anggelina et al., 2022). A business engages in tax aggressiveness when its leaders attempt to manipulate taxable income through tax planning practices that fall outside legal boundaries. Aggressive tax behavior hinders the achievement of state revenue targets (Utami & Rahman 2021). Tax aggressiveness refers to the manipulation of profits by taxpayers, whether through legal or illegal means, to minimize tax liabilities, potentially leading to a substantial decrease in national tax revenue realization.

Transfer pricing is one aspect that can lead to aggressive tax avoidance. From a tax perspective, the pricing policy in transactions carried out by related parties is known as transfer pricing. If this unique relationship exists, it is questionable whether the prices involved in the transaction are fair (Suartama, 2022).

Previous studies suggest that profitability may play an important role in determining the extent of a firm’s tax aggressiveness. Profitability describes an institution's financial performance, specifically generating profits from business activities through asset management. Profitability is proxied by ROA, which is related to the institution's net profit and income tax revenue for corporate taxpayers (Faradia and Ernandi, 2021). Businesses with good financial performance may be able to lower their tax bills by taking certain measures (Mahdiana & Amin, 2020). Therefore, it can be concluded that the better an institution manages its assets, the higher the likelihood of tax avoidance.

Political ties are a second potential source of tax aggression. In political relationships, two or more parties with vested interests collaborate to achieve a common goal, often for mutual benefit (Purwanti and Sugiarti, 2017). Many individuals exploit their political ties to obtain tax breaks by approaching government officials in the hope of receiving preferential treatment. An example of this is the case in Indonesia, where close relatives of political figures are employed by the mining company PT Adaro Energy. Garibaldi Thohir, the president director and shareholder of PT Adaro Energy, is the older brother of Erick Thohir, the Indonesian Minister of State-Owned Enterprises, who has served since 2019.

Gender diversity is another aspect that can help mitigate the impact of tax aggression. One key issue related to the organizational structure and function of the board of commissioners and directors is the gender diversity of board members. Gender diversity reflects the distribution of differences, which also relates to the characteristics and typicality of each member of the board of commissioners and board of directors (Dewi, 2017). An organization's knowledge base, problem-solving abilities, strategic planning, experience, and other metrics can benefit from gender diversity (Ambarsari et al., 2019). One of the differences in perspectives arising from gender diversity is certainly regarding corporate tax policy.

Many studies on tax aggressiveness have been conducted both internationally and domestically, showing inconsistent results. According to Ambarsari et al.'s (2019) study, there is no correlation between tax aggressiveness and board size or auditor quality. However, gender diversity does reduce tax aggressiveness. According to Satiti et al. (2021), political ties have been shown to negatively impact tax aggressiveness, but gender diversity mitigates this effect. According to Lestari et al. (2019), tax aggressiveness is not affected by political ties. Based on the findings of Darmayanti and Merkusiwati (2019), tax aggressiveness is negatively affected by profitability, while political ties have no effect on this variable. Hariani and Waluyo (2019) found that tax avoidance is positively and significantly impacted by profitability, leverage, and CEO narcissism.

Agency Theory

Agency theory was proposed by Anthony and Govindarajan (2005) as a contract or relationship between a principal and an agent. According to Jensen and Meckling (1976), an agency relationship occurs when a principal enters into a contract with an agent for the agent to handle managerial responsibilities and make strategic choices on behalf of the principal (Jensen and Meckling, 1976).

Management (agents) is obliged to prioritize the interests of owners by improving shareholder welfare through business operations. However, managers' needs do not always align with those of investors, leading to conflicting needs (Sriyono, 2022). As agents, managers seek high profits as a means of remuneration or incentives, while shareholders seek low profits to reduce their taxes (Satiti, Syafik, and Widarjo 2021). Shareholders (investors) and management can experience conflicts of interest due to this series of contracts (Sulistiyanti and Saputra 2020).

Corporate tax policy is just one area where differing needs between agents and principals can impact performance. This occurs because, on the one hand, management aims to increase compensation through high profits. However, on the other hand, investors seek to reduce tax costs through low profits (Rahman, 2021).

Upper Echelon Theory

According to the Upper Echelons Theory proposed by Hambrick and Mason stated in 1984, the primary decision-makers in organizational strategy are top management. For leaders' strategic choices to significantly impact organizational performance, each leader's knowledge,

skills, perspectives, and personality traits are unique, and Zein (2016) argues that this fact may be better understood through the lens of upper echelons theory.

Meanwhile Yusof (2010) and Toyyibah (2012) argue that a company's success reflects the quality of its upper echelon, therefore examining the quality of Commissioners and Directors is important.

Tax Aggressiveness

Tax aggressiveness refers to practices involving both legal and illegal methods to manipulate a company's taxable income through tax planning (Frank et al., 2009). This country will enter difficult times in the near and long term as a result of aggressive tax policies. The country's tax revenue targets will be unattainable, and the country will struggle to finance the implementation of its ongoing development projects (Suprimarini & Suprasto, 2017). Tax aggressiveness is a problem that has become a phenomenon in society. Nearly every company, both large and small, is involved in tax aggressiveness. As businesses seek to reduce their tax obligations as much as possible, tax aggressiveness grows. Tax avoidance and aggressive tax evasion are two sides of the same coin. One way to measure tax aggressiveness is to see how many actions corporations take to avoid paying taxes by finding and exploiting legal loopholes (Mustika et al., 2017).

Transfer Pricing

When two or more companies engage in closely related transactions, the tax implications of transfer pricing become clear (Darussalam et al., 2022). According to Article 1, paragraph 17 of Minister of Finance Regulation No. 22/PMK.03/2020, transfer pricing refers to the practice of setting prices for transactions affected by special ties. Regarding taxation, specific types of relationships are outlined in Article 18, paragraph 4 of the Income Tax Law. This includes situations where one party is dependent or tied to another party due to factors such as ownership, direct or indirect participation in capital, management control, use of technology, or blood or family ties. The practice of transferring taxable income from one member of a multinational company to another member of the same company in a low-tax jurisdiction is known as transfer pricing in this context (Butterworths, 1997; Darussalam et al., 2022).

Profitability

A business's capacity to generate profits from its sales, assets, and equity is what Hanafi and Halim mean when they say a company is profitable (2009:83). Another way to assess a business's viability is by examining its profitability. One way to assess a business's leadership is by examining its profitability ratios. Income from investments and sales operations provide evidence of this (Kasmir, 2016). According to Farida and Ernandi (2021), ROA is one measure of profitability. ROA measures how well a business uses its current assets to generate income. A higher ratio indicates that the company is doing a better job of converting its assets into revenue (Darmawan and Sukartha, 2014).

Political Connections

In political relations, two or more parties with political interests collaborate to achieve a common goal, often for mutual benefit (Purwanti and Sugiarti, 2017). Tax avoidance strategies employed by politically connected businesses are common (Wicaksono, 2017). Businesses with political ties or actively seeking government assistance are considered to have political ties (Dharma & Ardiana, 2017). Political connections are exploited by institutions to accommodate various interests, including those related to taxation. According to Butje and Tjondro (2014) and Ganjar (2021), an institution is considered to have political ties if it is a major investor with at least 10 voting rights per share or if a member of the executive team

(CEO, director, president, head of department, or secretary) is a minister, member of parliament, or has close ties to a political figure or party (Butje & Tjondro, 2014; Ganjar, 2021).

Gender Diversity

There are biological, behavioral, and social differences between the sexes, which are determined by gender (Setiadi & Usman, 2011). Gender is a social construct that aims to define men and women differently in terms of their responsibilities, attitudes, and emotional traits. Many studies in psychology and management show that men and women are fundamentally different. Differences in decision-making, risk-taking, communication, conservatism, and leadership styles are just a few examples (Peni & Vahamaa, 2010). There are several ways that gender diversity in the workplace can benefit organizations, including providing fresh perspectives, ideas, and information that can improve problem-solving, strategic planning, and knowledge acquisition (Arfken, et al, 2004).

Based on the literature review, the following research model is proposed.

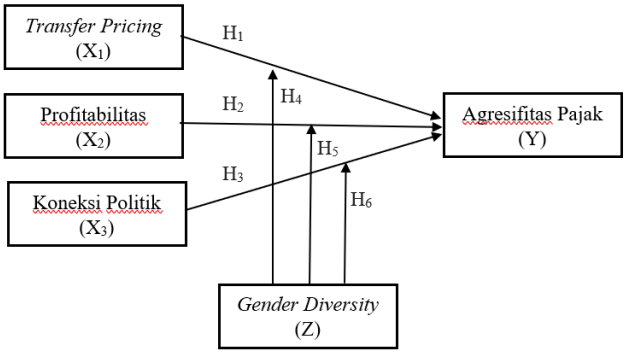

Figure 2. Conseptual Framework

Hypothesis

Literature study and discussion of how independent variables influence dependent variables allow us to draw the following conclusions:

H1: Transfer pricing has a positive impact on tax aggressiveness.
H2: Profitability has a positive impact on tax aggressiveness.
H3: Political connections have a positive impact on corporate tax aggressiveness.
H4: Gender diversity moderates the impact of transfer pricing on tax aggressiveness.
H5: Gender diversity moderates the impact of profitability on tax aggressiveness.
H6: Gender diversity moderates the impact of political connections on tax aggressiveness.

METHOD

This study employs secondary data obtained from audited financial statements published by the Indonesia Stock Exchange (IDX) for the period 2017–2022. A purposive sampling technique was applied, resulting in a total of 142 firm-year observations over the six-year period. The data were analyzed using Moderated Regression Analysis (MRA) with the aid of the SPSS statistical software (version 24). For easier interpretation, the tax aggressiveness model was adjusted by multiplying the data by -1.

Table 1. Operational Variables

No.	Variables	Dimensions	Indicator	Scale
1	Dependent Variable: Tax Aggressiveness (Lisowsky, et al (2013)	Tax expense & Profit before tax	*ETR = Tax Expense / Pretax Income*	Ratio

2	Independent Variables: *Transfer Pricing* (Sikka & willmott/ Amidu, et al 2019)	Total receivables include trade receivables from partners who have special connections or are connected	TF = Related Accounts Receivable/Total Accounts Receivable	Ratio
3	Independent Variables: Profitability (Wahyuni et al., 2019)	Profit after tax and Total assets	ROA = Profit After Tax/Total Assets	Ratio
4	Independent Variables: Political Connections (Purwanti & Sugiarti 2017)	Share Ownership of Government/Public Officials/Members of Parliament/Party Figures currently/formerly serving	*Dummy Variables:* Code 1 if the company has political connections and 0 (zero) otherwise	Nominal
5	Moderating Variables: *Gender Diversity* (Herlina & Juliarto, 2019)	Female Board of Commissioners & Directors Total Board	BGD = % *Women present on the board*	Ratio

RESULTS AND DISCUSSION

Descriptive Statistical Test Results

Descriptive statistical tests are used to describe data presented in the form of minimum, maximum, average, and standard deviation values (Ghozali, 2018). The following are the results of the descriptive statistical tests in this analysis.

Table 3. Descriptive Statistical Test

	TP	ROA	KP	GD	AP
Mean	0.259479	0.119241	0.737589	0.074110	0.296698
Median	0.156277	0.063883	1,000,000	0.071429	0.252669
Maximum	1,000,000	0.616346	1,000,000	0.300000	0.988154
Minimum	0.000007	0.000171	0.000000	0.000000	0.025773
Std. Dev.	0.285222	0.137576	0.441511	0.762000	0.174465
Observations	142	142	142	142	142

Source: Data processed with SPSS

Based on the data processing that has been carried out, it can be stated that the transfer pricing variable has a mean value of 0.259479 with a maximum value of 1,000,000 and a minimum value of 0.000007. and a standard deviation of 0.285222, which means that on average, mining institutions practice transfer pricing by conducting receivables transactions with affiliated parties amounting to only 28% of the total receivables. This means that most of the mining company's receivables are carried out fairly or not with affiliated parties. The profitability variable has a mean or average value of 0.119241 with a maximum value of 0.616346 and a minimum value of 0.000171. With a standard deviation of 0.137576, which means that on average, mining companies have a profitability level of 12% per year. This return value is considered very good because it is much higher than the risk-free interest rate of Bank Indonesia which is only around 4-5% per year. The political connection variable has a mean or average value of 0.737589 with a maximum value of 1.000000 and a minimum value of 0.000000. With a standard deviation of 0.441511 which means that on average only 73% of mining companies have political connections, meaning that most mining companies run businesses by having relationships with the Government, public officials or political figures in Indonesia. The gender diversity variable has a mean or average value of 0.074110 with a maximum value of 0.300000 and a minimum value of 0.000000. With a standard deviation of 0.762000 which means that on average the level of diversity of the board of directors in mining companies is very low, because only 7.4% of mining companies have female directors. The tax

aggressiveness variable has a mean or average value of 0.296698 with a maximum value of 0.988154, a minimum value of 0.025773 with a standard deviation of 0.174465, which means that there is a positive fiscal correction that increases fiscal profits in mining companies by an average of 7% of the company's total net profit.

Multiple Linear Regression Model

If a multiple linear regression model meets the BLUE Criteria, then it can be considered a good model. A multivariate linear regression model was used in this investigation. The findings of the multiple linear regression table are as follows:

Table 4. Results of Multiple Linear Regression Test Model 1

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-0.156	0.544		-0.287	0.776
	TP	0.174	0.122	0.203	1,422	0.167
	ROA	0.603	0.163	0.469	3,698	0.001
	KP	0.467	0.262	0.343	1,782	0.087
a. Dependent Variable: AP						

Source: Data processed with SPSS

Table 4 shows that the profitability variable significantly affects tax aggressiveness, and the transfer pricing and political connection variables had no effect on tax aggressiveness.

Table 5. Multiple Linear Regression Test Results Model 2

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.282	0.033		8,678	0
	TP	0.231	0.163	0.166	1,414	0.16
	ROA	-0.05	0.066	-0.075	-0.754	0.452
	KP	0.008	0.042	0.019	0.195	0.845
	TP_GD	-0.068	0.281	-0.09	-0.24	0.813
	ROA_GD	0.715	0.187	1,269	3,831	0.001
	KP_GD	-0.933	0.363	-1,171	-2,568	0.019
a. Dependent Variable: AP						

Source: Data processed with SPSS

Table 5, indicates that gender diversity moderates only the relationship between profitability and political connections with tax aggressiveness and gender diversity cannot moderate transfer pricing with tax aggressiveness.

Hypothesis Test Results

F Test (Simultaneous)

To test whether all independent factors have an impact on the dependent variable simultaneously, we conduct an F test. The following are the results of the simultaneous research test (F test):

Table 6. Results of the F Statistical Test

	F-statistic	*Prob(F-statistic)*
Model 1		
Transfer pricing, profitability, political connections on tax aggressiveness	10,682	0.000

Model 2		
Transfer pricing, profitability, political connections on tax aggressiveness are moderated by *gender diversity*	5,210	0.000

Source: Data processed with SPSS

The F-statistic value of Model 1 is 10.682 with a probability value of 0.000, indicating significance at the 5% level. Because the probability value of the F statistic < significant α = 5%, it can be said that the dependent variable of tax aggressiveness is significantly effect by the independent variables of transfer pricing, profitability, and political ties together.

Therefore, model 2 has an F-Statistic value of 5.210 and a Prob(F-statistic) value of 0.000. The independent variables in this analysis, which include transfer pricing, profitability, political connections, and gender diversity, simultaneously impact the dependent variable of tax aggressiveness, because the probability value of the F statistic < the significance value of α = 5%.

Coefficient of Determination Test (R^2)

The coefficient of determination (R^2) is a measure of the extent to which the model can explain the influence of independent variables on dependent variables according to Ghozali (2018).

Table 7. Results of the Determination Coefficient Test (R^2)

	R-Square
Model 1	
Transfer pricing, profitability, political connections on tax aggressiveness	0. 631
Model 2	
Transfer pricing, profitability, political connections on tax aggressiveness are moderated by *gender diversity*	0.465

Source: Data processed with SPSS

According to the data processing results, the R-Squared value for model 1 is 0.631. This means that the independent variables in this analysis transfer pricing, profitability, and political connections can simultaneously represent the dependent variable, tax aggressiveness, at 63.10%. The remaining 36.90% is represented by variables outside the analysis model.

R-Squared value in model 2 is 0.465. This indicates that the independent variables in this analysis transfer pricing, profitability, political connections, and gender diversity can simultaneously explain the dependent variable, tax aggressiveness, by 46.50%. The remaining 53.50% is explained by variables outside the analysis model.

T-Test (Partial)

To determine the magnitude of the impact of a particular independent variable in indicating changes in a dependent variable, statisticians use the t-test (Ghozali, 2018). The significance level used is 5% (0.05). The significance level of the p-value determines whether the hypothesis is accepted or rejected. If the p-value (significance) > α, then the alternative hypothesis being studied is rejected. Conversely, the alternative hypothesis in the analysis is neither rejected nor accepted if the p-value < α. The hypothesis of this t-test analysis is:

Table 8. Results of the T-Statistic Test

Variable Relationship			β	Sig. One Tailed	Conclusion
TP	→	AP	0.203	0.167	No Effect, H1 rejected
ROA	→	AP	0.469	0.001	Positive influence, H2 is accepted
KP	→	AP	0.343	0.087	No Effect, H3 is rejected
TP*GD	→	AP	-0.240	0.813	No Effect, H4 is rejected

ROA*GD	→	AP	1,269	0.001	Influential/ Strengthening, H5 is accepted
KP*GD	→	AP	-1.171	0.019	Influential/Weakening, H6 is accepted

Source: Data processed with SPSS

According to the results of the partial hypothesis test (t-test) in Table 14, the following conclusions can be drawn:

1) According to the t-test results on the regression model, the coefficient (β) was positive at 0.203 and a Sig value of 0.167 > 0.05 (5% Sig level). Therefore, the first hypothesis can be rejected. This means that transfer pricing does not impact tax aggressiveness.
2) According to the t-test results on the regression model, the coefficient (β) was found to be positive at 0.469 and with a Sig value of 0.001 < 0.05 (5% Sig level). Therefore, the second hypothesis can be accepted. This means that profitability has a positive impact on tax aggressiveness.
3) According to the t-test results on the regression model, the coefficient (β) was found to be positive at 0.343 and with a Sig value of 0.087 > 0.05 (5% Sig level). Therefore, the third hypothesis can be rejected. This means that political connections do not impact tax aggressiveness.
4) According to the t-test results on the regression model, the coefficient (β) was negative at -0.240 and a Sig value of 0.813 > 0.05 (5% Sig level). Therefore, the fourth hypothesis can be rejected. This means that gender diversity does not moderate the impact of transfer pricing on tax aggressiveness. The results of this moderation test fall under Potential Moderation (Homologiser Moderator), meaning this variable has the potential to act as a moderating variable.
5) According to the t-test results on the regression model, the coefficient (β) was found to be positive at 1.269 and a Sig value of 0.001 <0.05 (5% Sig level). Therefore, the fifth hypothesis can be accepted. This means that gender diversity can strengthen the moderating impact of profitability on tax aggressiveness, and the results of this moderation test fall under Pure Moderation.
6) According to the t-test results on the regression model, the coefficient (β) was negative at -1.171 and a Sig value of 0.019 <0.05 (5% Sig level). Therefore, the sixth hypothesis can be accepted. This means that gender diversity can weaken the moderating impact of political connections on tax aggressiveness, and the results of this moderation test fall under Pure Moderation.

DISCUSSION

The Effect of Transfer Pricing on Tax Aggressiveness

The results of the first hypothesis test state that transfer pricing does not impact tax aggressiveness in mining sector institutions listed on the IDX for the 2017-2022 period.

Transfer pricing has been found to have no significant effect on tax aggressiveness. In the context of agency theory, this can be explained by the fact that although transfer pricing can be a factor in determining tax decisions, managers also have other incentives to minimize taxes, such as maximizing bonuses or improving overall company performance. The reason managers do not use transfer pricing as a tax reduction tool but rather use other mechanisms is due to stricter regulations and reviews from the Government/DGT and the existence of government policies regarding Domestic Market Obligations (DMO) stipulated by the Minister of Energy and Mineral Resources.

These findings are consistent with those of Fadillah & Lingga (2021), who also found no significant effect of transfer pricing on tax aggressiveness. These results are also relevant to the analysis by Napitupulu et al. (2018), which concluded that transfer pricing has no impact

on tax avoidance. Furthermore, research by Utami and Irawan (2022) and Rahman (2021) also concluded that transfer pricing has no impact on tax aggressiveness.

The Effect of Profitability on Tax Aggressiveness

The results of the second hypothesis test indicate that profitability has a positive impact on tax aggressiveness in mining sector institutions listed on the IDX between 2017 and 2022. This means that the higher a company's profitability, the greater the likelihood of adopting aggressive tax management strategies. This suggests that institutions in the mining sector tend to take higher risks by exploiting tax loopholes or implementing strategies that can reduce their tax liabilities.

From the agency theory perspective, the significant link between profitability and tax aggressiveness can be explained by managers' incentives to maximize firm performance often measured by profitability. If managers feel pressured to achieve profitability targets, they may be inclined to seek ways to reduce their tax burden to increase net income, including the use of aggressive tax strategies. Furthermore, compensation and bonus policies for managers are often linked to the company's financial performance, including profitability. Managers who have a financial incentive to achieve specific profit targets or receive bonuses based on financial performance may be inclined to use aggressive tax strategies to increase company profits and thereby increase their own compensation.

The results of this analysis are relevant to the analysis carried out by Devi & Dewi (2019), Yauris & Agoes (2019) and Ayem & Setyadi (2019) which show that profitability has a positive impact on tax aggressiveness.

The Influence of Political Connections on Tax Aggressiveness

Among mining sector players listed on the IDX between 2017 and 2022, the findings from the third hypothesis test indicate that tax aggressiveness is not influenced by political connections. This does not imply that companies engage in tax avoidance tactics in mining; rather, it suggests that politically connected institutions have representation on boards of directors, audit committees, commissioners, and investors with prominent positions in government or political groups .

Agency theory emphasizes the conflict of interest between institutional owners (principals) and managers (agents). In this context, managers have incentives to act in their own self-interest, such as maximizing bonuses or obtaining other personal benefits. Political connections are not always directly related to these managerial incentives, as they are related to tax aggressiveness. Furthermore, using political connections to influence a company's tax practices can pose reputational and legal risks. In some cases, actions that appear to be attempts to avoid paying fair or reasonable taxes can create controversy and tarnish a company's reputation, even if those actions are protected by political connections.

Although politicians can assist politically connected firms in avoiding taxes, most companies prefer to maintain their reputations with the public and investors (Nurrahmi & Rahayu, 2020). Previous studies supporting this study's findings include Nurrahmi and Rahayu (2020), Lestari et al. (2017), and Pratiwi and Pramita (2017).

Gender Diversity is able to moderate the influence between Transfer Pricing and Tax Aggressiveness

The results of the fourth hypothesis test indicate that gender diversity does not moderate the impact of transfer pricing on tax aggressiveness in mining sector companies listed on the IDX for the 2017-2022 period. This suggests that the presence of gender diversity in the institutional leadership structure is unable to influence or change the relationship between transfer pricing and tax aggressiveness in mining institutions. In this case, due to the dominance

of men in top management positions, it is an important factor that may reduce the potential influence of gender diversity in changing transfer pricing practices and tax aggressiveness.

The results of the analysis, which are relevant to those conducted by Nurfaizatun (2018), show that gender diversity among commissioners and directors does not impact tax aggressiveness as measured using the ETR. Gunawan (2018) also showed similar results, indicating that diversity does not impact aggressive tax planning activities carried out by institutions.

Gender Diversity is able to moderate the influence between Profitability and Tax Aggressiveness

The results of the fifth hypothesis test indicate that gender diversity moderates the impact of profitability on tax aggressiveness in institutional sector companies listed on the IDX for the 2017-2022 period. This means that gender diversity in a company's leadership structure can moderate the impact of profitability on tax aggressiveness. These results suggest that gender diversity can strengthen the positive impact of profitability on tax aggressiveness. This could be because board members with different backgrounds may have different approaches to risk and regulatory compliance. Some board members may be more inclined to take greater risks in an effort to increase profitability, including using aggressive tax strategies.

The results of this study support Jarboui et al.'s (2020) finding that gender diversity has a positive impact on tax avoidance. These results are also relevant to Kim & Zhang's (2016) analysis that political connections impact tax aggressiveness.

Gender Diversity is able to moderate the influence between the influence of Political Connections and Tax Aggressiveness

The results of the sixth hypothesis test state that gender diversity moderates the impact of political connections on tax aggressiveness in mining sector institutions listed on the IDX in 2017-2022. This means that political connections can influence corporate tax policies, gender diversity factors in the team or leadership level can also change the significance of the relationship between political connections and tax aggressive practices. These findings indicate that gender diversity may weaken the relationship between political connections and tax aggressiveness. This is because a more gender-diverse board of directors tends to pay attention to the company's long-term interests, including reputation and relationships with other stakeholders.

The results of this analysis are relevant to those carried out by Riguen et al (2019) who found that Board Gender Diversity has an impact on tax aggressiveness. et al (2020) also found that the gender of the board of directors has an impact on tax aggressiveness.

CONCLUSION

Transfer pricing does not affect tax aggressiveness, while profitability has a positive and significant effect. Political connections have no impact on tax aggressiveness. Gender diversity does not moderate the impact of transfer pricing on tax aggressiveness. Gender diversity moderates the impact of profitability on tax aggressiveness. Gender diversity moderates the impact of political connections on tax aggressiveness.

The assessment of tax aggressiveness in this analysis uses the ETR, where the measurement method is impacted by accounting estimates, resulting in temporary differences between commercial and fiscal values. This study uses only related-party receivables to measure transfer pricing, which may limit the validity of the model. Furthermore, the political connections variable, measured qualitatively or using dummy variables, does not fully reflect the extent of a company's involvement in political connections, thus influencing tax aggressiveness.

This analysis is expected to provide a positive contribution and serve as a reference for all stakeholders in decision-making. Regarding corporate decision-making, companies should conduct a comprehensive review of tax regulations related to reducing the tax burden when companies have high profits, so that companies avoid tax administration sanctions. Companies should also increase the number of female directors on their boards, as board diversity has been shown to reduce tax aggressiveness in high-profit companies. Stronger monitoring and supervision of corporate tax compliance are recommended to optimize state tax revenues. Future analyses should include or utilize other independent variables, such as CSR, institutional ownership, and other moderating variables such as information technology systems, to provide new insights for future researchers.

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