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Unveiling the factors shaping corporate tax behavior: an empirical study

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Abstract

Research aims: This research investigates the determinants of corporate tax management practices through an empirical analysis. It examines the influence of various factors, including profitability, leverage, capital intensity ratio, presence of independent commissioners, firm size, and access to tax facilities.
Design/Methodology/Approach: Multiple linear regression analysis was employed as the research methodology. The study focused on manufacturing companies in the basic industrial and chemical sectors listed on the Indonesia Stock Exchange during the period from 2018 to 2021, utilizing a purposive sampling approach—the final sample comprised 18 companies that met the specified criteria.
Research Findings: The results indicated that profitability and tax facilities exhibited a negative impact on tax management, while leverage had a positive influence. Conversely, the capital intensity ratio, presence of independent commissioners, and company size did not significantly affect tax management.
Theoretical Contribution/Originality: Effective tax management can enhance company compliance with tax obligations and mitigate the likelihood of aggressive tax strategies.
Practitioner/Policy Implications: This research provides a valuable benchmark for companies to implement sound tax management practices aligned with tax regulations. Additionally, it offers insights for policymakers to refine tax regulations accordingly.
Keywords: Tax management; Tax Obligations

Introduction

Taxes represent a mandatory contribution from individuals and entities, serving as a critical source of revenue for national development (Kalbuana et al., 2020). Act No. 36 of 2008 reinforces this obligation, particularly emphasizing the responsibility of corporations to fulfill their tax duties, especially corporate income tax (*PPh badan*), which directly impacts state revenue.

However, companies often perceive taxes as a transfer of wealth, viewing tax compliance as a cost that diminishes profits (Afrianti et al., 2022). This perception incentivizes management to seek methods of minimizing their tax liabilities through strategic tax management practices.

The inherent tension between tax authorities and taxpayers creates an incentive for the latter to minimize their tax burden. This can manifest in both legal and illegal practices, including employing aggressive tax strategies that exploit loopholes to reduce tax obligations. Hence, it is important to implement effective tax management to reduce the desire of companies to carry out aggressive tax practices or avoid fulfilling their taxes (Sinaga & Sukartha, 2018).

Tax management is an extensive effort implemented by managers in an entity to manage corporate taxation appropriately, effectively, and economically so that it can provide the best participation for the entity (Pohan, 2016). It ensures compliance with regulations while minimizing undue burdens. Tax planning, a key component of this strategy, enables the legal minimization of tax liabilities (Wijaya & Ningsih 2021).

Nevertheless, the line between legitimate planning and aggressive practices can be blurred, as exemplified by Google Asia Pacific's case in Indonesia. In 2016, despite generating significant advertising revenue, Google reportedly paid only a small fraction in taxes by strategically structuring its operations to avoid the Permanent Establishment classification and its associated tax obligations. This highlights the need for ongoing dialogue and regulatory refinement to combat such practices and ensure equitable tax contributions (BBC.com, 2016).

Google's tax avoidance practices extend beyond Indonesia, as evidenced by similar cases in the UK, Italy, and France. For instance, in 2016, the UK authorities revealed Google's minimal tax payments of £20.4 million in 2013 despite generating sales of £3.8 billion in the UK. This revelation emerged following a public audit conducted by the UK tax authority, HMRC, spanning from 2005 to 2015. Similarly, Italy conducted investigations into Google's tax affairs from 2008 to 2013, suspecting the company of transferring income from Italy to its Ireland office to evade taxes. The investigations unveiled that in 2015, Google paid only €2.2 million in income taxes in Italy, despite its tax obligations amounting to €300 million over four years of operations. Furthermore, France initiated tax audits on Google in 2015, leading to findings suggesting non-compliance with tax obligations, resulting in substantial fines levied by the local government amounting to 15.2 trillion rupiah. These instances underscore a pattern of tax scrutiny faced by Google across various jurisdictions (CCNIndonesia.com, 2016).

Moreover, Google's tax evasion practices are not confined to developed countries but also extend to developing nations with significant tax gaps, including India, Brazil, Nigeria, and Bangladesh. Alongside other tech giants like Facebook and Microsoft, Google exploits loopholes in the global tax system, collectively evading taxes amounting to US$2.8 billion or approximately 41 trillion Indonesian rupiahs. ActionAid International has highlighted the disproportionate profits accrued by these corporations during the pandemic, with minimal contributions to public services, exacerbating global inequality and fiscal challenges faced by developing nations (IDXChannel.com, 2020).

Additionally, a concerning trend has been observed in Indonesia, where the number of companies reporting sustained losses has escalated. From 2012 to 2016, the percentage of companies reporting losses increased from 8% to 11%, with a concurrent rise in the number of companies experiencing losses for five consecutive periods, surging from 5,199 to 9,496. Despite operating at a loss, these entities continue to expand their operations. Financial experts attribute this phenomenon to the implementation of tax avoidance strategies, which further exacerbate revenue challenges and undermine fiscal sustainability efforts in Indonesia (CCNIndonesia.com, 2021).

Phenomena in corporate tax compliance also show that many countries still have weak tax regulations. According to Suandy (2020), if tax planning actions aim to minimize tax liabilities as much as possible by exploiting weaknesses in tax regulations, this is equivalent to tax evasion because both aim to optimize the net profits of the company. According to Yuanita et al. (2020), tax evasion can create opportunities for entity liquidity growth, prompting multinational companies to invest in countries with flexible tax regulations. Therefore, to reduce tax avoidance and tax violations, entities must engage in proper tax management to minimize their tax burdens.

Based on the analysis mentioned above, prior research has explored the factors influencing tax management. Nevertheless, discrepancies persist, and the prevalent tax gaps in Indonesia and other nations underscore the ongoing challenge of fostering entity compliance with tax obligations. The high tax burden imposed on taxpayers often leads entities to resort to less effective tax planning strategies and exploit loopholes to evade tax responsibilities. Consequently, violations observed across various jurisdictions are attributed to entities' inability to leverage their resources for tax reductions through effective tax planning strategies aligned with regulatory frameworks. Moreover, there are suspected disparities in the understanding of tax planning practices between entities and tax authorities, further complicating the tax landscape.

Therefore, it is necessary to carry out a further research agenda with similar research. The present study endeavors to empirically examine entities' efforts toward effective tax management by investigating factors influencing corporate tax management. The factors used in the research are profitability, leverage, capital intensity ratio, independent commissioner, company size, and tax facilities. Leveraging the insights gleaned from prior research by Afrianti et al. (2022), Kalbuana et al. (2020), Dewianawati and Setiawan, (2021), Suryarini and Erwanti (2022), Afifah and Hasymi (2020), Sinaga and Sukartha (2018), Noviatna et al. (2021), Novianti et al. (2018), Pratiwi (2019), and Marbun and Sudjiman (2021) has proposed that tax management as the best way that an entity can use to minimize the amount of tax it bears. However, this case study focuses on mitigating aggressive tax practices through tax management. Additionally, it integrates tax facility factors, incorporating the latest tax rate reduction provisions with previous tax rates to assess entities' intentions to seek tax relief and adhere to tax compliance. The combination of these factors is expected to curtail inappropriate tax behaviors. The study is intended to evaluate entities' capacity to conduct effective tax planning in compliance with the latest regulations. Moreover, to delve deeper into the subject, the study adopts a more targeted entity scope and emphasizes compliance theory to grasp each entity's sensitivity and responsibility in fulfilling tax obligations through enhanced tax planning.

Theoretically, these findings offer valuable insights and references for stakeholders in evaluating entity tax compliance ethics through the lens of compliance theory.

Furthermore, they present practical implications by encouraging taxpayers to align their tax management practices with regulatory requirements and identify key factors for effective tax management, thus enabling entities to minimize tax expenditures while fostering compliance with tax obligations. Ultimately, these findings aim to enhance entity compliance and foster responsible tax practices.

Literature Review and Hypothesis Development

Compliance Theory

In 1963, Stanley Milgram introduced the compliance theory, which characterizes compliance as taxpayers' actions in meeting their tax obligations by adhering to prescribed tax procedures. This includes timely filing of tax returns for the relevant tax period, accurate reporting of tax liabilities, and prompt fulfillment of tax obligations without delays (Hasibuan & Hendrani, 2022). Compliance theory posits that taxpayer behavior reflects their awareness of their obligations towards taxes and their commitment to abiding by all tax laws and regulations.

As highlighted by Fauzan et al. (2022), enhanced compliance in entity taxation is fostered through the establishment of mutual trust between the entity and tax authorities. Such trust fosters a conducive environment, fostering cooperation and reducing instances of aggressive tax behavior. This theoretical framework guides the present research in assessing the extent of entities' compliance in meeting their tax responsibilities.

Hypothesis Development

Profitability, a crucial metric assessing an entity's capacity to generate earnings within a specified timeframe, reflects the efficiency of its internal operations in yielding profits and returns on investment (Kasmir, 2019). Effective profitability denotes the attainment of an entity's profit-generation objectives through the utilization of its assets. In this study, Return on Assets (ROA) serves as a proxy for evaluating profitability. ROA, a key performance indicator, gauges an entity's ability to utilize its assets to generate a net profit by juxtaposing net income against total assets owned (Yudha et al., 2023).

The impact of high profitability extends to the entity's tax obligations. Article 6 of Act No. 36 of 2008 stipulates that taxation is levied based on an entity's net income, underscoring that tax liabilities are contingent upon the entity's profit margins. Consequently, superior performance in profit generation translates to higher tax liabilities for the entity. Empirical evidence presented by Sinaga and Sukartha (2018), Syahputra et al. (2022) demonstrates a positive correlation between profitability and tax management. Thus, based on the preceding elucidation, the following hypothesis is posited:

***H*₁:** *Profitability has a positive effect on tax management.*

Leverage serves as a critical metric for evaluating an entity's performance concerning both its long-term and short-term obligations, which contribute to facilitating asset acquisition (Dewianawati & Setiawan, 2021). The utilization of entity debt exerts downward pressure on tax liabilities, given that interest expenses on liabilities are tax-deductible. Consequently, a higher level of entity debt leads to a reduction in the Effective Tax Rate (ETR), thereby diminishing the tax burden borne by the entity (Suryarini & Erwanti 2022).

The concomitant rise in interest expenses and tax expenditures is attributable to entities categorizing liabilities as non-operating income, resulting in an augmentation of the entity's net profit (Sinaga & Sukartha, 2018). Moreover, entities that incur higher tax payments often do so due to leveraging entity debt in fixed assets to support operational endeavors, consequently bolstering revenue streams. Consequently, heightened entity revenue translates into increased profits, thereby influencing an uptick in entity tax expenses. Empirical research conducted by Dewianawati and Setiawan (2021), Suryarini and Erwanti (2022), Afifah and Hasymi (2020), and Sinaga and Sukartha (2018) corroborate the positive impact of leverage on tax management. Based on the previous explanation, the findings posit the following hypothesis:

H*$_2$*: Leverage has a positive effect on tax management.

The Capital Intensity Ratio (CIR) serves as a metric delineating an entity's investment intensity in fixed assets. Calculated by comparing the value of fixed assets to the total assets held by the entity, a higher CIR value signifies a larger proportion of fixed assets within the entity's asset portfolio (Kalbuana et al., 2020). According to Afrianti et al. (2022), entities with a substantial share of fixed assets tend to face lighter tax liabilities, as these assets can be leveraged as tax deductions, thus mitigating tax obligations compared to entities with lower fixed asset ratios.

Aligned with the compliance theory, entities exhibiting lower tax compliance and adherence to legal requirements signify effective tax management practices. Strategic tax planning aimed at tax minimization enhances entity compliance with tax regulations. The significant volume of entity fixed assets, relative to tax liabilities, is attributed to factors such as the recognition of fixed assets that have surpassed their useful lifespan yet remain operational and the consideration of vehicles owned by the entity for personal use (e.g., commuting) at 50% for tax purposes (Sinaga & Sukartha, 2018). Empirical studies by Sinaga and Sukartha (2018), Novianti et al. (2018), and Kalbuana et al. (2020) corroborate the positive impact of CIR on tax management. Thus, based on this rationale, the proposed hypothesis in the findings is as follows:

H*$_3$*: Capital intensity ratio has a positive effect on tax management.

Independent commissioners are entrusted with the responsibility to oversee and evaluate the integrity of the company's operations, particularly concerning entity ownership, thereby ensuring entity compliance with its tax obligations (Hidayat et al.2021). Their presence serves to curtail aggressive tax planning behaviors and non-compliant practices by leveraging their expertise garnered from external perspectives, thereby fostering the adoption of sound tax management practices (Pratiwi 2019).

From the compliance theory standpoint, independent commissioners serve as external agents capable of overseeing diligent adherence to tax compliance as stipulated by legal mandates. Moreover, their presence is believed to bolster tax compliance within entities by reinforcing control over tax management and instilling entity awareness of their tax obligations. According to Fauzan et al. (2022), the inherent drive to fulfill their taxes and the desire of individuals to complete taxation are moral compliance arising from individual taxpayers. In this regard, the desire of individual entities to carry out their taxes also has a positive impact on increasing tax compliance. Research by Pratiwi (2019) suggests a negative correlation between independent commissioners and tax management. Hence, based on this rationale, the findings propose the following hypothesis:

***H_4**: Independent commissioners have a negative effect on tax management.*

Firm size serves as a metric to gauge the magnitude of entities, encompassing assessments of their total assets, equity, and income (Yudha et al., 2023). This metric reflects an entity's capacity to manage its resources effectively. Entities adept at resource management are poised to avail themselves of opportunities to minimize tax liabilities, as tax rates are contingent upon the scale of an entity's assets and income.

Large entities typically incur a lower tax burden, indicative of more efficient tax management practices. This reduced taxation borne by large-scale entities stems from their adeptness at implementing strategic tax planning measures leveraging their available resources (Pratiwi, 2019). Empirical studies conducted by Novianti et al. (2018) and Afifah and Hasymi (2020) have identified a negative correlation between firm size and tax management. Thus, based on this elucidation, the findings propose the following hypothesis:

***H_5**: Firm size has a negative effect on tax management.*

Government incentives in the form of tax facilities can encourage entities to comply with tax obligations according to compliance theory, acting as extrinsic motivation for entities to adhere to tax regulations (Suryarini & Erwanti, 2022). Entities that qualify for government incentives will pay lower tax obligations than the normal rate. In this regard, government incentives can increase the entity's intention to minimize actions contrary to the law, aiming not to lose the opportunity to receive incentives in subsequent periods. Therefore, entities that receive tax deductions will strive to fulfill their tax obligations properly.

The advantageous tax rates secured by entities as a result of proficient tax management practices incentivize companies to uphold the tax incentives they receive, thereby fostering an enhanced intention to comply with tax regulations. This proactive approach aims to mitigate the risk of non-compliant behavior that may incur penalties (Afifah &

Hasymi, 2020). Research conducted by Suryarini and Erwanti (2022), and Afifah and Hasymi (2020) demonstrates that tax facilities exert a negative influence on tax management. In light of these findings, the following hypothesis is posited:

***H*$_6$**: *Tax facilities have a negative effect on tax management.*

Based on the development of the hypothesis, Figure 1 presents the research model.

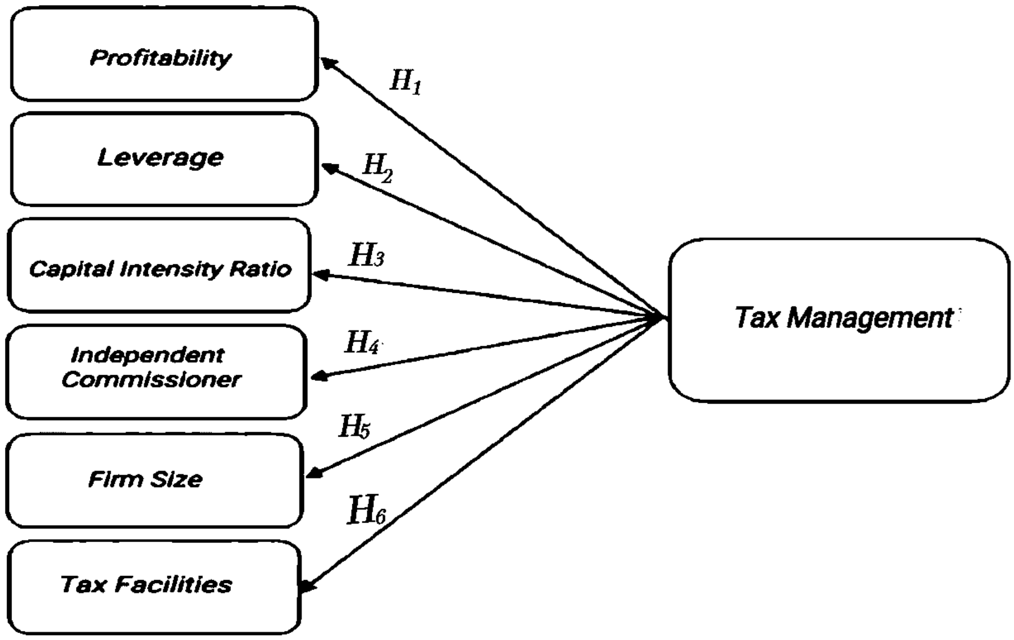

Figure 1 Research Model

Research Method

The study utilized quantitative data measured on ratio and nominal scales. The data were sourced from secondary sources, namely the annual reports and financial statements of manufacturing companies operating in the basic and chemical industry sectors listed on the Indonesia Stock Exchange (IDX) from 2018 to 2021. The population of interest comprised 89 companies, accessed through the official IDX website (www.idx.co.id) and the official websites of the respective companies.

The selected time frame for the study, spanning from 2018 to 2021, was chosen for several reasons. Firstly, this period witnessed significant declines in profits among various entities. Secondly, it coincided with the issuance of the latest government regulations concerning adjustments to normal tariff reductions and tax incentives. Consequently, the reduction in tariff rates during this period potentially contributed to stabilizing the financial growth trajectory of entities in subsequent periods. Thus, the study aims to evaluate entities' capacity to conduct effective tax planning in compliance with the latest regulations and to examine variations in entities' intentions to seek tax incentives to alleviate their tax obligations.

Sample selection was conducted through a purposive sampling process, as defined by Sugiyono (2017), which involves selecting samples based on predetermined criteria. The resulting sample comprised 18 entities, with data observations spanning four years, yielding a total of 72 observation data samples used in the research.

Operational Definition and Variable Measurement

The research encompassed several variables, including tax management as the dependent variable and profitability, leverage, capital intensity ratio, independent commissioners, firm size, and tax facilities as independent variables.

Tax management constitutes a strategic approach aimed at fulfilling tax obligations while minimizing the overall tax burden to achieve desired levels of profitability and liquidity. Its objective is to ensure compliance with tax regulations while optimizing profitability and liquidity effectively (Suandy, 2020). The Effective Tax Rate (ETR) served as a proxy for evaluating tax management in the study. ETR is employed due to its derivation from entity calculations rather than tax authorities' assessments (Noviatna et al., 2021). The calculation of the ETR value, according to Novianti et al. (2018), is formulated as follows:

$$\text{Effective Tax Rate} = \frac{\text{Income Tax Expense}}{\text{Profit Before Tax}} \times 100\% \quad \text{..}(1)$$

Profitability serves as a key indicator of an entity's efficiency in generating profit and achieving its set objectives. It reflects the management's effectiveness in utilizing assets and generating revenue (Wijaya & Ningsih, 2021). This study employed Return on Assets (ROA) as a proxy to measure profitability. As outlined by Hanafi (2018), the calculation of the ROA value is obtained from the following formulation:

$$\text{ROA} = \frac{\text{Net Profit}}{\text{Total Assets}} \times 100\% \text{..}(2)$$

Leverage has the capacity to diminish corporate tax liabilities by allowing for the deduction of interest expenses incurred. A heightened level of corporate debt translates to a reduction in the Effective Tax Rate (ETR), consequently decreasing the tax obligations borne by the entity (Suryarini & Erwanti, 2022). Debt debt-equity ratio (DER) was employed in the research to gauge the degree of company leverage. According to Kasmir (2019), the DER ratio is derived through the following calculation:

$$\text{Leverage} = \frac{\text{Debt}}{\text{Equity}} \times 100\% \text{..}(3)$$

CIR (Capital Intensity Ratio) represents an entity's investment activity in fixed assets, which companies can leverage to mitigate tax liabilities owing to the presence of depreciation expenses associated with fixed assets (Afifah & Hasymi, 2020). According to Pratiwi (2019), the CIR value is obtained by calculating the following formula:

$$\text{Capital Intensity Ratio} = \frac{\text{Fixed Assets}}{\text{Assets}} \times 100\% \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots (4)$$

Syamsuddin and Suryarini (2020) define independent commissioners as external members of an organization who lack any affiliation with management or investor groups. This ensures their autonomy and resistance to external pressure, ultimately contributing to the effectiveness and transparency of organizational performance. Noviatna et al. (2021) propose a formula for quantifying the presence of independent commissioners, which is expressed as follows:

$$\text{Independent Commissioner} = \frac{\text{Independent Commissioner}}{\text{Board of Commissioners}} \times 100\% \ldots\ldots\ldots\ldots\ldots\ldots\ldots (5)$$

Firm size, often categorized based on the scale of operations and asset value, is a pivotal variable influencing various corporate practices, including tax management (Afifah and Hasymi, 2020). This study follows Jugiyanto's (2013) approach of employing the natural logarithm of total assets as a proxy to assess firm size. This is calculated as follows:

Firm Size = Total Assets x 100%..(6)

Act No. 36 of 2008 Article 17, section 2b, explains that there is a tax percentage discount of 5% for entities that have offered their shares on the Indonesian Stock Exchange with a minimum percentage of 40% so that an intensive reduction in rates will result in a reduction in the entity's tax obligations (Afifah & Hasymi, 2020). According to the findings, this policy was implemented only until 2019. However, in the following period, the findings implemented the latest tax percentage discount policy.

Further, Act No. 2 of 2020 Article 3, sections 1 and 2 regulates adjustments to reduce the tax rate by 3% from the normal rate for public companies in accordance with the qualifications determined in the tax authority policy. Afifah and Hasymi (2020) also explain how to differentiate between entities that receive tariff discounts and those that do not receive tariff discounts from incentives provided by the government by applying a dummy variable. The facilities in this finding were determined based on the following qualifications:

Number 1 was assigned to entities eligible for a tax percentage deduction of 5% for the 2018-2019 period and 3% for the 2020-2021 period…………………………………………….(7)
Number 0 was assigned to entities not entitled to a tax percentage deduction of 5% for the 2018-2019 period and 3% for the 2020-2021 period……………………………………..(8)

Data Analysis Methods

This study's findings were assessed through multiple linear regression analysis, which examined hypotheses involving coefficients of determination (R^2), F-statistic, and t-statistic, conducted utilizing the SPSS 26 software program. The regression model employed in the research is outlined as follows:

$$ETR = \alpha + \beta 1ROA + \beta 2DER + \beta 3CIR + \beta 4KI + \beta 5UP + \beta 6FP + e \ldots\ldots\ldots\ldots\ldots\ldots\ldots (9)$$

The ETR indicator describes the value of tax management: ROA, DER, CIR, IC, FS, and dummy variable. Profitability, leverage, capital intensity ratio, independent commissioners, firm size, and tax facilities were also described: α as constant, β as regression coefficient, and e for error.

Result and Discussion

The descriptive analysis presented in Table 1, comprising 72 data observations, revealed that the Effective Tax Rate (ETR) spaned from 0.10 (minimum) to 0.54 (maximum), with a mean of 0.2683, equivalent to 26.83%. Notably, this figure surpassed the standard rates mandated by authorities: 25% in 2018-2019 and 22% in 2020-2021. This underscores the necessity for the company to enhance its tax planning strategies to mitigate its tax liabilities.

Table 1 Descriptive Statistical Test

	N	Minimum	Maximum	Mean	Std. Deviation
ETR	72	0.10	0.54	0.2683	0.07275
ROA	72	0.01	0.15	0.0556	0.03280
DER	72	0.09	1.61	0.6606	0.44301
CIR	72	0.16	0.78	0.4592	0.14839
Independent Commissioner	72	0.30	0.60	0.3929	0.07855
Firm Size	72	26.69	32.51	29.0263	1.81381
Tax Facilities	72	0.00	1.00	0.2639	0.44383
Valid N (listwise)	72				

Profitability obtained a minimum value of 0.01, a maximum of 0.15, and an average of 0.0556, indicating the entity's performance in getting a profit of 5.56%. Then, leverage obtained a minimum value of 0.09, a maximum of 1.61, and an average of 0.6606, meaning that the entity's fairly high debt was used to support the entity's running activities worth 66.66%. In addition, the capital intensity ratio obtained a minimum value of 0.16, a maximum value of 0.78, and an average of 0.4592, showing that the value of all of the entity's fixed assets was 45.92%.

Independent commissioners obtained a minimum score of 0.30, a maximum of 0.60, and an average of 0.3929, revealing that ownership of the entity's independent commissioners was still small at 39.29% so that in ensuring no entity tax violations, entity supervision has not been yet optimal. Besides, firm size obtained a minimum value of 26.69, a maximum of 32.51, and an average of 29.0263, which means the amount of an entity's assets that could be utilized for the purpose of minimizing its tax obligations.

Meanwhile, tax facilities had a minimum value of 0.00, which was implemented for entities that did not receive tax facilities, and a maximum value of 1.00 was implemented for entities that received tax facilities. The average value of 0.2639 denotes that entities that received tax facilities were worth 26.39%, and the remaining 73.61% were those that did not receive tax facilities.

The hypothesis test obtained from the coefficient of determination test of 0.397 concludes that the performance of tax management changes was influenced by profitability, leverage, capital intensity ratio, independent commissioners, company size, and tax facilities. However, 60.3% of the influence remains unexplained by these factors. The F-statistic further concludes a simultaneous influence on tax management, evident from the significance value of 0.000, less than the probability level of 0.05.

Table 2 Hypothesis t-test

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig
	B	Std.Error	Beta		
(Constant)	0.020	0.162		0.122	0.904
ROA	-0.664	0.247	-0.299	-2.688	0.009
DER	0.049	0.022	0.299	2.231	0.029
CIR	-0.001	0.054	-0.002	-0.014	0.989
Independent Commissioner	-0.005	0.092	-0.005	-0.052	0.959
Firm Size	0.009	0.006	0.236	1.527	0.132
Tax Facilities	-0.073	0.019	-0.447	-3.786	0.000

The findings showed that profitability had a negative effect on tax management (Table 2). This finding is consistent with Afifah and Hasymi (2020), Noviatna et al. (2021), and Pratiwi (2019). The negative effect in the findings proves that increased entity profitability will be able to reduce its tax liabilities, meaning that the entity's tax management (ETR) value will be lower. The low ETR value indicates that the entity has been able to implement tax management effectively through profitability factors to minimize its tax liabilities, thereby reducing the potential for fraudulent and aggressive tax behavior and increasing entity compliance in fulfilling its tax obligations.

Based on the study by Afifah and Hasymi (2020), the negative effect is due to high profitability influenced by entity income that is not subject to taxation being included as taxable objects, such as when retained earnings and ownership of shares are distributed in the form of dividends with a minimum percentage of 25%, as well as replacements or rewards involving service activities distributed in the form of goods or benefits.

Profitability serves as a strong indicator of efficient management practices, reflecting their ability to generate profits while utilizing assets effectively. Higher profitability generally translates to a larger tax base, influencing the amount of tax owed by the entity. However, companies may utilize sophisticated tax planning strategies to reduce their tax liability by leveraging profits or utilizing non-taxable income. This can ultimately decrease the actual tax burden borne by the company.

Then, the findings of leverage had a positive effect on tax management. This finding is in line with Dewianawati and Setiawan (2021), Suryarini and Erwanti (2022), Afifah and Hasymi (2020), and Sinaga and Sukartha (2018). The positive influence of these findings reflects an increase in leverage in the entity, which will have an impact on a large increase in the company's tax obligations, which means a high tax management value (ETR), so that the implementation of good tax management needs to be improved by the company in minimizing its tax obligations because if the tax is charged to the entity becomes larger, the potential for tax fraud will be greater.

The entity's high debt results in quite large debt interest and has an impact on increasing tax costs. According to Sinaga and Sukartha (2018), the increase in interest costs, which is in line with the increase in tax costs, is caused by entities using the entity's liabilities for investment purposes in the form of fixed assets and used to support the entity's operational activities so as to obtain business income and have an impact on increasing the entity's profits.

An entity that has a large amount of debt but still pays tax obligations at a high rate means that the size of the obligation cannot reduce the tax rate charged to the entity. The entity's large tax obligations have the potential to encourage managers to implement aggressive tax behavior, so effective tax planning must be emphasized in the entity, and minimizing external funds should done so that the entity does not experience significant losses. A high level of leverage indicates that the entity's finances are not yet stable, so there is a risk of debt that the entity is unable to pay.

Furthermore, the findings revealed that the capital intensity ratio did not affect tax management. These findings align with Afrianti et al. (2022), Noviatna et al. (2021), and Afifah and Hasymi (2020). CIR does not influence tax management, according to Suryarini and Erwanti (2022), because the method used by managers to calculate fixed assets is the same as regulated in the tax law so that companies do not use fiscal corrections in calculating fixed asset depreciation in reporting taxation. This is because the calculation of authority depreciation and the entity's depreciation calculation have the same value so that depreciation costs have not played a role in reducing the entity's tax costs.

The depreciation methodology employed by entities adheres to the guidelines delineated in Article 11 of the Income Tax Law. Entities utilizing this approach adjust their financial position prior to computing depreciation expenses, thereby circumventing fiscal reconciliation and impeding effective tax management implementation.

Meanwhile, the independent commissioner's findings did not affect tax management. These findings are consistent with Noviatna et al. (2021), proving that the existence of independent commissioners is only to fulfill regulatory requirements and has no impact on the entity's procedures or taxation, so taxation procedures carried out by internal parties have not been properly monitored and taxation has become weak.

The lack of influence exerted by independent commissioners on tax management can be attributed to the relatively low ownership proportion of independent commissioners in entities. This shortfall leads to suboptimal examination and observation of entity performance, norms, and transparency in tax management, potentially fostering opportunistic behavior by management.

Viewed through the lens of compliance theory, it becomes apparent that the mere presence of independent commissioners fails to incentivize entities to adhere to tax regulations or ensure fair fulfillment of tax obligations. This inadequacy stems from the insufficient scrutiny of independent commissioners regarding tax management. As posited by Hidayat et al. (2021), the assignment of independent commissioners is only to carry out applicable regulations, and not all members can reflect their independence. This has an impact on less than optimal supervision of internal party actions, and the audit function does not run as it should.

The findings also revealed that firm size did not affect tax management. These findings agree with Kalbuana et al. (2020) and Pratiwi (2019). Firm size does not influence tax management because the large scale of the entity will attract the attention of the public and tax authorities. Large entities are considered to have a greater ability to gain large profits and fulfill taxation without utilizing the entity's assets. It is predicted that there will be a connection between political cost practices and managing taxation. This results in relatively higher entity taxation and a lack of entity intention to carry out tax management correctly and effectively.

According to Pratiwi (2019), the size of a company does not influence tax management because the internal parties of the entity do not utilize assets for investment implementation to gain incentives from government officials to obtain tax deductions regulated in tax provisions Act No. 36 of 2008. Regarding this matter, large entities do not utilize their assets for tax purposes because the qualifications specified in the law are complex to meet, leading to suboptimal entity intentions in obtaining tax deductions.

Moreover, this study found a negative impact of tax facilities on tax management practices, aligning with previous research by Suryarini and Erwanti (2022) and Afifah and Hasymi (2020). This suggests that tax facilities effectively reduce the entity's tax burden, reflected in a lower effective tax rate (ETR). A lower ETR signifies the successful utilization of government-provided tax incentives, potentially reducing the company's reliance on aggressive tax strategies and enhancing corporate compliance in fulfilling tax obligations. By incentivizing responsible tax behavior, tax facilities may ultimately discourage deviant practices that could lead to sanctions.

According to Afifah and Hasymi (2020), favorable tax rates obtained through effective tax management motivate entities to retain the incentives they receive**.** This adherence to regulations stems from the desire to avoid penalties and maintain benefits. Hence, entities become more cautious in their decision-making to safeguard continued access to these incentives.

From a compliance theory perspective, tax facilities appear to promote consistent tax compliance. Proper utilization of these facilities leads to percentage tax deductions and, consequently, lower tax liabilities. By alleviating the nominal tax burden on entities, the potential for fraudulent violations of corporate tax regulations might decrease.

Conclusion

This study examined the influence of various factors on tax management practices. The findings indicated that profitability and tax facilities exerted a negative impact on tax management. Conversely, leverage exhibited a positive association with tax management. Furthermore, the capital intensity ratio, independent commissioners, and firm size were not found to influence tax management practices significantly in this study. The practical implications of research from the findings of profitability and tax facilities have a negative effect on tax management, proving that entities utilize profits and intensify taxation well to obtain a reduction in their tax obligations. This will encourage entities to comply with paying taxes because the amount of tax borne does not burden the entity. The entity's intention to fulfill its tax responsibilities will increase, and the implementation of effective tax planning can minimize the potential for fraudulent tax violations. Apart from that, leverage has a positive effect on tax management, showing that entities need to make debt efficient and be careful in taking tax policies to minimize deviations from tax regulations and losses.

This study recognizes its limitations, primarily the focus on a specific set of variables, which might exclude other relevant influences. This was reflected in the coefficient of determination, highlighting the need for further exploration in future research. However, this research paves the way for further investigation by highlighting areas for potential improvement. Future studies could consider re-examining the role of tax facilities. While this study identified a negative influence, the relatively low utilization rate of tax facilities by the studied companies may limit the generalizability of this finding. Repeating the analysis with a population from sectors where tax facilities are more prevalent could offer a more comprehensive understanding of their impact. Furthermore, by exploring other influential factors, such as acknowledging the moderate coefficient of determination (39.7%), future research could benefit from investigating additional factors potentially contributing to tax management practices. Expanding the pool of variables considered might offer a more holistic perspective on corporate tax behavior. The study's strength lies in its systematic analysis of various factors contributing to tax management practices, which provides valuable insights for both academics and practitioners.

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Conflicts of Interest

The authors declare no conflict of interest. The funders had no role in the design of the study; in the collection, analyses, or interpretation of data; in the writing of the manuscript, or in the decision to publish the results.