

TAX AGGRESSIVENESS: FINANCIAL STATEMENT AGGRESSIVENESS AND MANAGERIAL OWNERSHIP IN BANKING COMPANIES IN INDONESIA

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Abstract

The study was conducted to reveal the interaction between financial statement aggressiveness, managerial ownership, and tax aggressiveness. Through SEM-PLS analysis, using Warp-PLS V.8.0 software to obtain test results for each research variable. The study found a positive interaction between financial statement aggressiveness and managerial ownership on tax aggressiveness, indicating that companies exhibit higher levels of aggressiveness in preparing financial statements through creative accounting practices, earlier recognition of revenue, significant deferral of expenses, and the adoption of aggressive strategies in tax obligations. Furthermore, the higher the proportion of shares owned by company managers, the more likely the company is to adopt aggressive strategies. Therefore, this study emphasizes the importance of oversight by financial sector institutions such as the Financial Services Authority and the Directorate General of Taxes, as well as strengthening corporate governance to prevent risky aggressive practices and maintain the stability of the national financial system.

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Penelitian ini dilakukan untuk mengungkap interaksi antara agresivitas laporan keuangan, kepemilikan manajerial, dan agresivitas pajak. Melalui analisis SEM-PLS, menggunakan software Warp-PLS V.8.0 untuk memperoleh hasil pengujian pada masing-masing variabel penelitian. Penelitian ini menemukan adanya interaksi positif antara agresivitas laporan keuangan dan kepemilikan manajerial terhadap agresivitas pajak, yang mengindikasikan bahwa perusahaan menunjukkan tingkat agresivitas yang lebih tinggi dalam menyusun laporan keuangan melalui praktik akuntansi yang kreatif, pengakuan pendapatan lebih awal, penangguhan biaya yang signifikan, dan penerapan strategi agresif dalam kewajiban perpajakan. Selanjutnya, semakin tinggi proporsi saham yang dimiliki oleh manajer perusahaan, maka semakin besar kemungkinan perusahaan tersebut menerapkan strategi agresif. Oleh karena itu, penelitian ini menekankan pentingnya pengawasan oleh lembaga sektor keuangan seperti Otoritas Jasa Keuangan dan Direktorat Jenderal Pajak, serta penguatan tata kelola perusahaan untuk mencegah praktik agresif yang berisiko dan menjaga stabilitas sistem keuangan nasional.



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INTRODUCTION

The Government of the Republic of Indonesia still records less than optimal tax revenue. Data from the Ministry of Finance indicate that in 2022 the ratio of tax revenue to gross domestic product reached 10.39 percent, an increase of 1.27 percentage points from the previous year's 9.12 percent. However, this figure remains below the global average of 13.5 percent as reported by the National Development Planning Agency (Rizaty, 2023).

A contributing factor to Indonesia's low tax performance lies in corporate tax avoidance practices. Evidence from Meltzer and Richard suggests that such activities are a principal reason for weak tax yields in developing nations (Besley & Persson, 2014). Generally referred to as tax aggressiveness, companies engage in planning measures to reduce their tax obligations. This involves manipulating taxable income through legal methods known as tax avoidance or through illicit means known as tax evasion (Frank et al., 2009; Krisnugraha et al., 2022). The more legal gaps a company exploits or the greater the savings attained, the higher its level of tax aggressiveness. Such conduct can undermine state revenue by obstructing the tax collection process.

The Government of the Republic of Indonesia still faces suboptimal tax revenue. The Ministry of Finance noted that the ratio of tax revenue to Indonesia's gross domestic product (GDP) in 2022 was 10.39%. Compared to the previous year's figure of 9.12%, this percentage increased by 1.27 percentage points. Despite this increase, Indonesia's tax ratio remains lower than the global average. Bappenas notes that the average tax ratio worldwide is 13.5% (Rizaty, 2023).

One of the reasons for Indonesia's low tax revenue compared to the average tax ratio worldwide is the practice of tax avoidance by businesses. As explained by Meltzer and Richard in 1981, one of the key factors causing low tax revenue performance in developing countries is tax avoidance activities (Besley & Persson, 2014).

Tax avoidance can be referred to as tax aggressiveness. Tax aggressiveness is practiced by companies to reduce the tax burden paid through various tax planning strategies. Corporate tax aggressiveness is an act of manipulating taxable income through tax planning, either using legal means (tax avoidance) or illegal means (tax evasion) (Frank et al., 2009; Krisnugraha et al., 2022). The more loopholes that are used or the greater the potential savings for the company, the more aggressive the company is considered to be in terms of taxation. Tax aggressiveness can be detrimental to the state because it can hinder the tax collection process and cause a reduction in state revenue.

In Indonesia, the sector suspected of being aggressive in tax avoidance is the banking sector. The tax avoidance case involving Panin Bank, as reported by online news (NN, 2016) on November 24, 2021, involved the Examination and Collection Division of the Directorate General of Taxes conducting an audit of Panin Bank. The risk analysis revealed a potential tax liability for Panin Bank for the 2016 tax year amounting to Rp81,653,154,805.

From the audit results, including the General Ledger, interest calculations, and calculations of provisions for the write-off of productive assets (PPAP), an underpayment of taxes was found amounting to Rp926,263,445,392. Similarly, PT Bank Permata engaged in tax evasion by transferring its receivables from Pelita to Molucca and calculating them as losses (write-offs). In this case, Permata will avoid income tax (PPh) of 25% in accordance with Article 17(2)(a) of the Income Tax Law (Kontan.co.id, 2018).

Companies engage in tax aggressiveness due to various factors, one of which is Financial Statement Aggressiveness. Several factors motivate companies to engage in Financial Statement Aggressiveness practices, such as bonus incentives, long-term debt agreements, politics, meeting investor expectations, and reputation (Scott, 2015). To maintain a good reputation among stakeholders or to secure funding from investors or shareholders, companies tend to report high profits. Companies may also avoid taxes by utilizing Financial Statement Aggressiveness practices related to management discretion in accrual-based profit policies (Dechow et al., 1995; Healy & Wahlen, 2005; Jones, 1991).

Several studies have examined the connection between financial reporting aggressiveness and prior tax behavior in Indonesia. Findings from previous research indicate a significant

positive association between the two variables, suggesting that companies often take advantage of gaps between accounting standards and tax regulations to reduce their tax burden. This pattern is supported by the work of (Kamila, 2017; Krismonika & Tartilla, 2020; Pradhana, A. Z., & Nugrahanto, 2021; Ridha & Martani, 2014; Yunistiyani & Tahar, 2017). However, a contrasting result was reported by (Geraldina, 2013), who identified a negative relationship between financial reporting aggressiveness and tax aggressiveness. In light of these differing conclusions, the present study aims to revisit and further explore this inconsistency within the Indonesian setting.

Tax aggressiveness is also influenced by managerial ownership structure. In studies conducted by (Chen et al., 2010; Mafrolla & D'Amico, 2016; Sihombing & Mulyadi, 2023; Steijvers & Niskanen, 2014), it was shown that the proportion of managerial share ownership influences managerial incentives in making tax planning decisions. Higher managerial ownership tends to align managers' interests with those of shareholders, thereby reducing agency conflicts and thus limiting aggressive tax practices (Healy & Wahlen, 2005). However, a very large level of managerial ownership can also create entrenchment problems, where managers dare to take aggressive risks for short-term personal gain (Steijvers & Niskanen, 2014). Thus, the effect of managerial ownership on tax aggressiveness has not been fully consistent, especially in the Indonesian banking sector, and needs to be studied further.

Grounded in the observed phenomenon, the core issue addressed in this study is the inconsistency found in previous research and the ongoing practice of tax aggressiveness among banking companies in Indonesia. From this, a key research question emerges: do financial statement aggressiveness and managerial ownership influence tax aggressiveness in Indonesia's banking sector? In response, this study aims to examine and assess the impact of financial statement aggressiveness and managerial ownership on tax aggressiveness within banking firms.

The scholarly contribution of this research lies in providing empirical evidence regarding the role of financial reporting behavior and managerial ownership in influencing tax aggressiveness in Indonesian banking companies. The findings are intended to offer practical insights for investors and capital market participants, particularly in evaluating financial statements as part of their investment decision-making process. Additionally, the outcomes are expected to serve as a useful reference for tax authorities in identifying and responding to tax avoidance practices in the banking industry.

Tax Aggressiveness in Agency Theory

The relationship between managers and shareholders can lead to agency problems, which arise when conflicts of interest emerge due to differing objectives. While shareholders seek to maximize the value of their investment, managers may prioritize personal gains or other goals that do not always align with shareholder interests. This divergence creates potential for agency conflicts in the decision-making process. To address this conflict, significant agency costs are required to reduce moral hazard and information asymmetry, enabling managers to align their activities as closely as possible with shareholder interests (Meckling & Jensen, 1976).

As a tax-paying entity, companies often seek to minimize tax burdens to achieve higher post-tax profits (Yunistiyani & Tahar, 2017). Such actions occur due to a misalignment of interests between stakeholders and management. This divergence encourages managers to take steps aimed at meeting stakeholder expectations, including efforts to reduce reported profits as a way to lower tax liabilities. These efforts may involve both lawful strategies and those that cross legal boundaries, a practice commonly known as tax aggressiveness.

As explained by Frank et al. (2009) and Callahan et al. (2023), tax aggressiveness refers to efforts made by companies to reduce taxable income through various tax planning strategies, which may include both tax avoidance and tax evasion. This behavior can arise either from non-compliance with tax obligations or from attempts to save on taxes within the boundaries of existing regulations. Companies that exploit regulatory loopholes to reduce their tax burden are considered to be engaging in tax aggressiveness, even if they do not violate existing rules (Kamila, 2017; Pradhana, A. Z., & Nugrahanto, 2021) states that to reduce tax payments, companies can increase the amount of expenses incurred or reduce their income.

The way to determine whether a company is engaging in tax aggressiveness is by using the Effective Tax Rate (ETR) proxy measurement scale. The Effective Tax Rate is the most commonly used proxy by researchers or experts (Allen et al., 2016; Lanis & Richardson, 2012). The ETR proxy measurement is considered an indicator of tax aggressiveness activities carried out by a company if it has an ETR value close to zero. If a company's ETR value is lower, then its level of tax aggressiveness is higher. A low ETR value indicates that the company's income tax burden is smaller than its pre-tax income. Previous studies that have used this proxy include Indrajati et al. (2017); Krisnugraha et al. (2022); Puspitasari et al. (2021); Putri & Lahaya (2023); Rahmadani et al. (2020); Shintya Devi & Krisna Dewi (2019); Susanto et al. (2022), with the formula being:

$$ETR = \frac{\text{Tax Expense}}{\text{Pretax Income}}$$

Financial Statement Aggressiveness and Tax Aggressiveness

Financial Statement Aggressiveness in this discussion refers to profit management with the aim of increasing profits in ways that may or may not comply with Generally Accepted Accounting Standards. Therefore, in this discussion, Financial Statement Aggressiveness has the same context as profit management aimed at increasing profits.

Financial reporting is an action taken by a company to increase or decrease profits, either legally or illegally, depending on the objectives to be achieved. For the benefit of stakeholders and shareholders, companies strive to present large profits in financial statements to attract the interest of investors, creditors, suppliers, and other interested parties. On the other hand, the amount of profit reported also affects the amount of tax the company must pay to the government. On one hand, when companies become more aggressive in preparing financial statements by reducing company profits by increasing company expenses through tax management. By reducing taxable profits, this will result in financial reporting costs because the reported income becomes lower and, conversely, expenses become higher, so the taxes paid will be lower. In this case, it can indicate that the company is aggressive toward taxes. Previous studies conducted by (Kamila, 2017; Krismonika & Tartilla, 2020; Pradhana, A. Z., & Nugrahanto, 2021; Ridha & Martani, 2014; Yunistiyani & Tahar, 2017), consistently indicate a strong positive relationship between financial reporting aggressiveness and tax aggressiveness. Drawing upon this empirical evidence and the observed practices in the field, the following hypothesis is formulated:

H1: Financial reporting aggressiveness positively influences tax aggressiveness in banking companies operating in Indonesia.

Managerial Ownership and Tax Aggressiveness

Managerial ownership refers to the percentage of a company's shares held by its managers or key executives, which serves to align their interests more closely with the company's long-term goals. As stated by Meckling and Jensen (1976), a higher level of managerial ownership reduces the likelihood of agency conflicts between managers and shareholders. This is because managers with ownership stakes are more likely to act prudently in making strategic decisions, including those related to tax policies. However, Steijvers & Niskanen (2014) emphasize that at very high levels of managerial ownership, managers may behave opportunistically (entrenchment), taking more aggressive risks in tax planning for short-term personal gain.

Ridha and Martani (2014) found that companies with a moderate degree of managerial ownership generally exhibit lower levels of tax aggressiveness. This behavior is attributed to managerial concerns over reputational risk and increased scrutiny from regulators, prompting more cautious approaches in managing tax-related decisions. Conversely, in companies where managers hold a very large stake (e.g., > 20%), the incentive to pursue aggressive tax gains increases because they have broader control over fiscal strategy.

Several empirical studies across various industries show mixed results. Chen et al. (2010) observe that higher levels of managerial ownership are associated with reduced tax sheltering activities in manufacturing firms. However, findings by Mafrolla and D'Amico (2016) as well

as Steijvers and Niskanen (2014) suggest that beyond a certain threshold, managers may engage in tax aggressiveness to enhance short-term stock value, even at the expense of long-term company performance. Given these differing outcomes, particularly across sectors, the relationship between managerial ownership and tax aggressiveness in Indonesia's banking industry warrants further empirical investigation.

H2: Managerial ownership has a negative effect on tax aggressiveness in banking companies in Indonesia.

The conceptual and testing processes are based on the figure below.

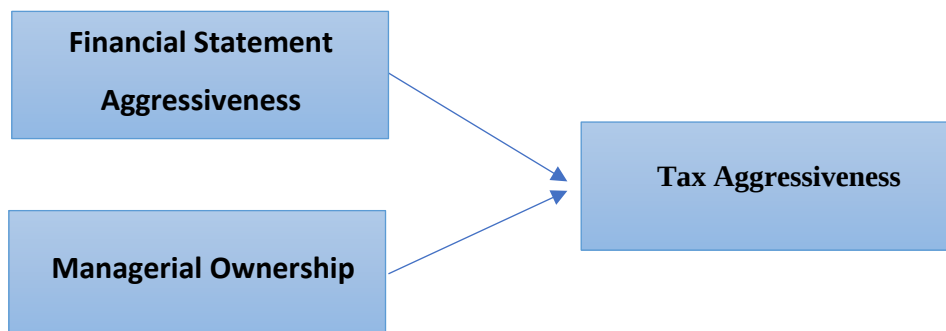


Figure 1. Research Construct

RESEARCH METHOD

Types and Sources of Research Data

The data used in this study is quantitative in nature. Quantitative analysis will be conducted using the annual financial statements of banking companies listed on the Indonesia Stock Exchange (IDX) during the period 2018 to 2022. The research utilizes secondary data obtained from publicly available sources, specifically the official IDX website (www.idx.co.id). The data is measured using a ratio scale, allowing for numerical comparison and statistical analysis. The indicators for each research variable are outlined in Table 1 below.

Let me know if you'd like help formatting Table 1 or refining this for a methodology chapter.

Table 1. Samples Criteria

Variable	Variable Concepts	Indicator	Scale
Financial Report Aggressiveness (X1)	An aggregate of business activities to plan, price, distribute and promote goods and services that satisfy the needs of existing and potential buyers.	Discretionary accrual	Rasio
Managerial Ownership (X2)	Most of the ownership is owned by the company's founding managerial/family and holds more than 20% of the company's outstanding shares.	Managerial Ownership Percentage	Rasio
Going Concern Principle (Y)	An action that has the aim of minimizing the company's taxable profit through tax planning, either by means of tax avoidance (legal) or tax evasion (illegal) (Frank et al., 2009).	Effectiv Tax Rate (ETR)	Rasio

The population in this study consists of banking companies listed on the Indonesia Stock Exchange as of 2023. As of that year, a total of 57 banking sector companies were recorded as being listed on the IDX.

Table 2. Research Sample Determination Procedure

Criteria	Total Companies
Population of Banking Companies listed on the Indonesia Stock Exchange in 2023	57
1. Banking companies that are not listed on the Indonesia Stock Exchange (IDX) in 2019-2023.	0
2. Companies that did not publish annual financial reports during the 2019-2023 period.	0
3. Companies that do not publish financial reports in rupiah (IDR).	0
4. The company has incomplete data that will be needed in the study.	(15)
5. Companies that are not with a positive profit value or experience a loss in the observation period (years 2018-2022).	(14)
Total sample companies	28
Number of observations (28 x 4)	112

This study employed questionnaires and interviews as the primary data collection techniques. Prior to distributing the questionnaires to respondents, the research instruments underwent a series of preliminary tests to ensure their accuracy and consistency. These included reliability testing to assess the internal consistency of the items and validity testing to confirm that the instruments accurately measured the intended variables.

The analytical method applied in this study is multiple linear regression analysis. This method is employed to assess the extent to which the independent variables (X) influence the dependent variable (Y). The multiple linear regression model used in this research is formulated as follows:

$$\text{AgrivTax} = \alpha + \beta_1 \text{AgrivLK} + \beta_2 \text{KepKel} + e$$

Description:

AgrivTax = Tax Aggressiveness

AgrivLK = Financial Statement Aggressiveness

KepKel = Family Ownership

α = Kostanta

$\beta_1 - \beta_k$ = Regression coefficient

e = Error

According to Ghozali (2013), the t-statistical test is used to determine the extent to which an individual independent variable contributes to explaining the variation in the dependent variable. This test is conducted at a significance level of 0.05 ($\alpha = 5\%$). The criteria for accepting or rejecting the hypothesis are as follows: if the calculated t-value (tcount) exceeds the critical value from the t-distribution table (ttable) and the significance value is less than or equal to 0.05, then the independent variable is considered to have a statistically significant effect on the dependent variable.

RESULTS AND DISCUSSION

Results

Structural testing in the SEM-PLS model is conducted to predict the causal relationships between latent variables. This process involves evaluating the path coefficients, which aim to measure the magnitude and significance of the influence exerted by each independent variable on the dependent variable. Furthermore, model fit is assessed to determine the clarity and direction of the relationships between latent constructs, providing insight into the overall structure of the research model. In addition, model evaluation includes the assessment of the coefficient of determination (R-Square), predictive relevance (Q-Square), and hypothesis testing, all of which contribute to determining the explanatory and predictive power of the model being analyzed. R-Square is intended to explain the size in the variance of the dependent variable explained by the independent variable, then Q-Square explains the size of the predictive

relevance of the research model, and hypothesis testing is intended to test the interaction of hexogenous variables and endogenous variables and the significance in the interaction built between research variables.

Table 3. R-Squared and Q-Squared Results

Tax Aggressiveness	Value
R-Squared	0,125
Q-Squared	0,099

Source: WarpPLS 8.0 (2025)

Based on the results of the PLS-SEM analysis, the constructed model explains 12.5% of the variation in tax aggressiveness (ETR) among banking companies in Indonesia, as indicated by the R Square value of 0.125. The model's predictive relevance is demonstrated by a Q Square value of 0.099, suggesting that the exogenous variables possess adequate predictive capacity for explaining ETR beyond the observed sample. Path coefficient analysis shows that managerial ownership (MO) exerts a significant positive influence on tax aggressiveness, with a coefficient value of 0.353 and a p-value below 0.001. This finding reflects a tendency among managers to leverage their ownership stakes to reduce the company's effective tax rate. In contrast, institutional ownership (DAit) does not show a meaningful effect (coefficient = 0.002; p = 0.488), so the hypothesis regarding the role of institutional in moderating tax aggressiveness is rejected.

Table 4. Model Fit Results

Indicator	Value	Criteria	Description
Average-Path-Coefficient-(APC)	0,178 P <0,008	P <0,05	Fulfilled
Average-R-Squared-(ARS)	0,125 P <0,033	P <0,05	Fulfilled
Average-adjusted-R-Squared-(AARS)	0,112 P <0,044	P <0,05	Fulfilled
Average-full-collinearity-VIF-(AFVIF)	1,003	Accept on <=5, Ideal <=3	Ideal
Average-Block-VIF-(AVIF)	1,004	Accept on <=5, Ideal <=3	Ideal

Source: WarpPLS 8.0 (2025)

In evaluating model fit, all quality indicators satisfy the recommended statistical thresholds. The Average Path Coefficient (APC) is 0.178 with a p-value of 0.008, the Average R Squared (ARS) is 0.125 with a p-value of 0.033, and the Average Adjusted R Squared (AARS) is 0.112 with a p-value of 0.044. These values confirm the structural adequacy of the model. Furthermore, the Variance Inflation Factors—AVIF and AFVIF—are 1.003 and 1.004, respectively, both well below the critical value of 3.3. This indicates that multicollinearity is not a concern within the model's constructs. Overall, these findings corroborate the hypothesis that financial statement aggressiveness, particularly through increased managerial ownership is the main driver of tax aggressiveness practices in the Indonesian banking sector, while institutional ownership appears to have less influence on such behavior.

Table 5. Hypothesis Test Result

Hypothesis	Path Coefficient	P-Value	Description
MO (X1) => ETR (Y)	0.353	<0.001	Accepted
DAit (X2) => ETR (Y)	0.002	0.488	Rejected

Source: WarpPLS 8.0 (2024)

Discussion

Financial Statement Aggressiveness on Tax Aggressiveness

The findings of this study demonstrate a positive and statistically significant relationship between financial statement aggressiveness and tax aggressiveness among banking companies in Indonesia. These findings suggest that the higher the level of aggressiveness in financial statement preparation, as reflected in management's efforts to increase accounting profits through various reporting techniques, the greater the tendency for companies to engage in tax aggressiveness.

Theoretically, this relationship can be explained through agency theory (Jensen & Meckling, 1976), which states that there is a conflict of interest between managers and company owners. Management has an incentive to maximize profits to demonstrate good performance, but at the same time is also driven to reduce tax burdens in order to increase net profits. These two interests drive dual aggressiveness: both in financial reporting (financial reporting aggressiveness) and in tax strategy (tax aggressiveness).

This result is consistent with the findings of (Frank et al., 2009), who noted that firms demonstrating high levels of financial reporting aggressiveness also tend to adopt aggressive tax positions. They observed that “firms that exhibit greater financial reporting aggressiveness are also more likely to engage in aggressive tax positions.” In the context of the banking industry, which operates under close regulatory supervision, this reinforces the importance of maintaining transparency and ethical reporting practices to safeguard public confidence and ensure the stability of the financial system.

The results of this study are also consistent with previous research conducted by (Kamila, 2017; Krismonika & Tartilla, 2020; Pradhana & Nugrahanto, 2021; Ridha & Martani, 2014; Yunistiyani & Tahar, 2017), which found a significant positive influence between financial reporting aggressiveness and tax aggressiveness. This finding reflects inconsistencies between accounting profit and taxable profit, creating opportunities for management to engage in manipulation in both reporting and tax obligations. For example, companies may use accounting estimates such as loan loss provisions to adjust profits while also leveraging specific tax provisions to reduce taxable income.

However, it should be noted that this practice of double aggressiveness carries long-term risks, both to the company's reputation and to potential sanctions from tax authorities and the market. Therefore, strengthening regulations and implementing good corporate governance are crucial to controlling such aggressive practices.

The positive correlation between these two forms of aggressiveness is also explained by (Badertscher et al., 2013), who state that managers use freedom in accounting estimates to manipulate profits (e.g., through loan loss provisions) and simultaneously exploit tax loopholes to reduce tax burdens.

From a practical standpoint, the findings suggest that financial statement aggressiveness may be used as an early warning indicator for potential tax avoidance behavior. In the Indonesian context, this has important implications for regulatory bodies such as the Directorate General of Taxes (DJP) and the Financial Services Authority (OJK), particularly because the banking sector plays a strategic role in supporting the national economy and maintaining financial system integrity. Significant discrepancies between accounting profits and taxable profits need to be monitored more closely as an early warning signal of tax avoidance practices.

Managerial Ownership and Tax Aggressiveness

The results of this study reveal that managerial ownership has a positive and significant influence on tax aggressiveness among banking companies in Indonesia. This suggests that as the proportion of shares held by managers increases, so does their inclination to engage in tax avoidance strategies or exhibit more aggressive tax behavior.

From a theoretical perspective, this aligns with agency theory as proposed by (Jensen & Meckling, 1976), which posits that conflicts of interest between managers (agents) and shareholders (principals) may be mitigated when managers hold equity in the firm. By becoming partial owners, managers are incentivized to align their actions with the company's objectives, as they share in both the risks and rewards of corporate decisions. However, in this context, their ownership may also encourage behavior aimed at maximizing short-term financial performance through aggressive tax planning. However, on the other hand, high managerial ownership also allows management to exert greater control over strategic decisions, including designing aggressive tax policies to maximize the company's net profit after taxes.

This research is also supported by (Steijvers & Niskanen, 2014), who found that companies with a more distributed ownership structure among managers are more likely to take aggressive tax positions, especially when internal control systems are ineffective. In the context of banking companies in Indonesia, this emphasizes the importance of strong corporate governance to prevent abuse of authority by management.

High managerial ownership can create conditions where managers feel justified in taking high fiscal risks, as they will directly enjoy the results. As stated by (Ridha & Martani, 2014), tax avoidance is often a deliberate strategy used by management to streamline tax burdens and increase net profits, which ultimately increases stock value.

In Indonesia's banking sector, which is tightly regulated and overseen by the Financial Services Authority and the Directorate General of Taxes, this finding carries important implications. It reveals a potential conflict between the drive for managerial efficiency and the responsibility to maintain compliance with tax obligations. When managers hold ownership stakes, their incentive to improve company performance may lead to tax strategies that, while beneficial to the firm, could challenge regulatory expectations and undermine fiscal transparency. While tax aggressiveness may enhance short-term financial efficiency, it also increases the risk of audits and penalties from tax authorities in the future. Therefore, internal oversight mechanisms and good corporate governance (GCG) practices are crucial to balancing management interests with legal compliance.

This finding also demonstrates that in the banking ownership structure in Indonesia, management ownership can be a factor that encourages companies to adopt aggressive tax strategies. However, these strategies must remain within the bounds of legal compliance and not violate the principle of transparency, which is highly valued in the financial industry.

CONCLUSION

Based on the findings of this study, it is concluded that the aggressiveness in preparing financial statements has a positive and meaningful influence on the aggressiveness of tax practices in banking companies in Indonesia. This result suggests that when companies engage in practices such as adjusting accounting estimates, recognizing income earlier than it is earned, or postponing the recording of expenses, they are also more inclined to apply aggressive approaches in meeting their tax responsibilities.

The findings of this study conclude that managerial ownership has a positive and significant influence on tax aggressiveness in banking companies in Indonesia. This suggests

that when a larger portion of company shares is held by management, there is a stronger tendency for the company to implement aggressive strategies in managing its tax obligations.

The implications of these findings emphasize the importance of integrated oversight between the financial sector supervisory agency (OJK) and the tax authority (DJP), as well as the need to strengthen corporate governance to prevent risky aggressive practices from leading to manipulations that harm public interests and the stability of the national financial system. Internal oversight and the implementation of good corporate governance are also essential to control aggressive tax practices driven by managerial ownership structures.

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