

GOOD CORPORATE GOVERNANCE, CAPITAL INTENSITY, PROFITABILITY, AND FINANCIAL DISTRESS: THEIR INFLUENCE ON TAX AGGRESSIVENESS

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Abstract

Purpose: This study examines the influence of Good Corporate Governance (GCG), capital intensity, profitability, and financial distress on tax aggressiveness in property and real estate companies listed on the Indonesia Stock Exchange (IDX) from 2020 to 2024.

Design/Methodology/Approach: A quantitative method was applied using multiple linear regression to test the proposed hypotheses. GCG was proxied by independent commissioners, audit committees, and institutional ownership.

Findings: The results indicate that GCG, capital intensity, and financial distress have no significant effect on tax aggressiveness, while profitability has a negative and significant effect. The findings suggest that higher profitability reduces the tendency for aggressive tax behavior.

Practical Implications: The study emphasizes the importance of strengthening governance mechanisms and transparency to prevent opportunistic tax practices.

Originality/Value: This research contributes to the understanding of how corporate governance and firm characteristics affect tax aggressiveness in emerging markets.

Keywords: Good Corporate Governance; Capital Intensity; Profitability; Financial Distress; Tax Aggressiveness

INTRODUCTION

The property and real estate sector in Indonesia plays a vital role in supporting national economic growth, particularly in meeting the public's increasing demand for housing. The sector continues to expand, driven by investment potential and long-term

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economic prospects. Nevertheless, it has also experienced significant volatility, especially during the COVID-19 pandemic. According to Qolbi (2020), since early 2020 the property, real estate, and construction stock index recorded its steepest decline of 19.69% year-to-date, with 58 of 97 listed stocks declining, 24 increasing, and 15 remaining unchanged. Despite this contraction, the sector remains a central contributor to employment, fiscal stability, and state revenue through taxation.

Tax revenue, as presented in Table 1, demonstrates the government's consistent effort to optimise fiscal capacity for sustainable development.

Table 1. Contribution of Tax Revenue to State Revenue 2020–2024 (in Trillions)

Year	Target	Realisation	Percentage
2020	1,198.82	1,070.00	84.00
2021	1,229.58	1,277.53	103.90
2022	1,484.96	1,568.87	105.65
2023	1,718.03	1,671.37	97.28
2024	1,988.88	1,688.93	84.92

Source: data processed by researchers (2024)

From a corporate standpoint, tax represents a mandatory obligation that directly reduces net income. Consequently, many companies strive to minimise their tax burden through various approaches, both in accordance with regulations and beyond, in pursuit of higher profit targets (Endaryati et al., 2021). Such behaviour is often reflected in tax aggressiveness, encompassing both tax avoidance and tax evasion practices aimed at reducing tax liabilities (Issah & Rodrigues, 2021). Empirical evidence of such behaviour has emerged in Indonesia, for instance, PT Ciputra Development Tbk, which concealed assets worth approximately Rp19.7 trillion to evade taxes (Putri & Nuswandari, 2023), and PT Metropolitan Land Tbk, which was involved in tax evasion for four consecutive years from 2017 to 2020 (Rahmawati & Nurcahyani, 2024). These cases illustrate the persistence of aggressive tax practices and highlight the importance of identifying the underlying factors influencing corporate tax behaviour.

One of the key determinants influencing tax aggressiveness is Good Corporate Governance (GCG). Inadequate governance mechanisms can enable opportunistic managerial behaviour, including aggressive tax strategies (Astika & Asalam, 2023). GCG structures such as independent commissioners, audit committees, and institutional ownership are expected to mitigate such tendencies through effective monitoring and accountability (Cahyono & Saraswati, 2022; Yuliani et al., 2021). However, empirical evidence remains inconclusive. Some studies indicate that independent commissioners and audit committees significantly affect tax aggressiveness (Muzaimi & Parinduri, 2022; E.G & Murtanto, 2021; Puteri, 2024), while others find no significant relationship (Vanesali & Kristanto, 2020; Yuliani et al., 2021). Similarly, the role of institutional ownership has yielded mixed findings, where some studies demonstrate its constraining

effect on tax aggressiveness (Suhartonoputri & Mahmudi, 2018), whereas others find it insignificant (Rennath & Trisnawati, 2023).

Another factor widely examined in tax aggressiveness studies is capital intensity, which reflects the extent of fixed asset investment. Prior research shows contrasting results: Rosani & Andriyanto (2024) found a negative and significant influence on tax aggressiveness, while Asianingrum & Nursyirwan (2024) and Syafrizal & Sugiyanto (2022) demonstrated the opposite. Likewise, profitability has been found to both increase and reduce aggressive tax behaviour, depending on managerial incentives and firm performance (Mustofa et al., 2021; Chandra, 2024; Kusuma Wardani et al., 2022). Furthermore, financial distress—which indicates financial instability—has also been shown to have varying impacts, with some studies suggesting it promotes tax aggressiveness (Alafiah et al., 2022; Nugroho et al., 2020), while others found no significant effect (Pangestu et al., 2024; Astuti & Asalam, 2023).

These inconsistencies among prior findings suggest that the relationship between GCG, firm characteristics, and tax aggressiveness remains empirically unresolved. The divergence may stem from differences in industrial context, research periods, measurement approaches, and governance quality across firms (Wardani & Dodok, 2022; Waladi & Prastiwi, 2022). Therefore, this study aims to empirically examine the effect of Good Corporate Governance, capital intensity, profitability, and financial distress on tax aggressiveness among property and real estate companies listed on the Indonesia Stock Exchange (IDX) for the period 2020–2024.

This research contributes both theoretically and practically. Theoretically, it extends the understanding of tax aggressiveness through the lenses of agency theory, which posits conflicts of interest between managers and shareholders (Jensen & Meckling, 1976, cited in Nugroho et al., 2020), and legitimacy theory, which suggests that corporate behaviour seeks social approval to maintain legitimacy (Issah & Rodrigues, 2021). Practically, it provides insights for regulators and management to strengthen corporate governance mechanisms to ensure fair and transparent tax compliance in Indonesia's property and real estate sector.

LITERATURE REVIEW

Agency theory provides the main theoretical foundation to explain managerial behaviour related to corporate taxation practices. The contractual relationship between principals (shareholders) and agents (managers) generates potential conflicts of interest due to information asymmetry, in which managers possess superior information and may act opportunistically to maximise personal benefits (Syafrizal & Sugiyanto, 2022). Such asymmetry encourages opportunistic actions, including aggressive tax strategies that may not align with shareholders' objectives (Sutanto et al., 2024). Therefore, effective corporate governance mechanisms are necessary to monitor management performance, ensure transparency, and align the interests of agents with those of principals (Wardani & Dodok, 2022).

Tax aggressiveness represents managerial efforts to minimise tax obligations through both legal and illegal means, such as tax avoidance, tax planning, tax deferral, and manipulation of financial reporting (Syahputri & Lakoni, 2024). Under Indonesia's self-assessment system, taxpayers calculate and report taxes independently. Although this approach enhances efficiency and transparency, it also provides opportunities for manipulation. Companies may exploit loopholes in tax regulations, engage in transfer pricing, establish subsidiaries in tax-haven countries, or reclassify expenses to reduce taxable income (Asianingrum & Nursyirwan, 2024). These practices indicate that limited supervision and profit pressures often increase firms' tendency toward aggressive tax behaviour.

Good Corporate Governance (GCG) plays a crucial role in controlling such opportunistic actions by establishing monitoring structures that ensure accountability. Its key elements independent commissioners, audit committees, and institutional ownership are designed to enhance oversight and compliance. Independent commissioners, as non-executive members of the board, provide objective monitoring and ensure that management adheres to prudent and ethical standards (Sihombing et al., 2020; Muslim & Fuadi, 2023). Studies have found that a higher proportion of independent commissioners leads to lower levels of tax aggressiveness (E.G & Murtanto, 2021; Octavianingrum & Mildawati, 2018), implying that independent oversight discourages excessive tax-minimising behaviour.

Similarly, audit committees composed of independent members with accounting and financial expertise serve to reinforce the supervisory function of the board of commissioners (Rahmayanti et al., 2021). Larger and more competent audit committees strengthen internal control and improve financial reporting quality, thus reducing managerial manipulation of tax accounts (Nugroho et al., 2020; Astuti & Asalam, 2023; Ritonga, 2022). The presence of a strong audit committee is therefore expected to reduce tax aggressiveness.

Institutional ownership also acts as a monitoring mechanism because institutional investors usually have sufficient expertise, voting power, and incentives to supervise management decisions (Yuliani et al., 2021; Pangestu et al., 2024). However, prior empirical evidence is inconclusive. Some studies show that institutional ownership enhances monitoring effectiveness and limits tax aggressiveness (Suhartonoputri & Mahmudi, 2018), whereas others argue that institutional investors may encourage more aggressive tax strategies to maximise short-term financial performance (Muzaimi & Parinduri, 2022; Vanesali & Kristanto, 2020; E.G & Murtanto, 2021). Consequently, the direction of institutional ownership's influence on tax aggressiveness remains ambiguous and requires further examination.

Beyond governance mechanisms, firm-specific characteristics also influence corporate tax behaviour. Capital intensity—the level of investment in fixed assets such as machinery, equipment, buildings, and property—affects the amount of depreciation that can be deducted from taxable income (Rahayu & Kartika, 2021). High capital intensity

may reduce taxable profit and consequently lower tax aggressiveness (Rosani & Andriyanto, 2024; Waladi & Prastiwi, 2022). Yet, other research suggests that capital-intensive firms could exploit depreciation and revaluation policies to engage in tax avoidance (Asianingrum & Nursyirwan, 2024; Syafrizal & Sugiyanto, 2022). Therefore, the relationship between capital intensity and tax aggressiveness may differ depending on managerial discretion and regulatory enforcement.

Profitability, which measures a firm's ability to generate income, may also influence tax aggressiveness. Highly profitable firms tend to face higher tax burdens, thereby increasing incentives for managers to engage in tax planning to maintain earnings levels (Apriliana, 2022; Anggraeni et al., 2023). Prior studies provide mixed evidence: some demonstrate a positive relationship between profitability and tax aggressiveness (Putri & Yuliafitri, 2024; Herlinda & Rahmawati, 2021), while others find no significant effect (Kusuma Wardani et al., 2022). This inconsistency suggests that the effect of profitability depends on managerial ethics and the degree of tax enforcement.

Another financial determinant is financial distress, defined as a condition of declining financial performance or sustained losses that threaten firm continuity (Mardjono & Astutie, 2022). Under financial pressure, firms often seek to reduce expenses, including taxes, to preserve liquidity (Alafiah et al., 2022). Conversely, some studies indicate that financially distressed firms avoid aggressive tax strategies to prevent reputational or legal risks (Permata, 2021; Astika & Asalam, 2023). The dual nature of this relationship implies that financial distress can either weaken or strengthen tax aggressiveness depending on managerial response.

Based on the theoretical and empirical foundations above, Good Corporate Governance mechanisms (independent commissioners, audit committees, and institutional ownership), together with capital intensity, profitability, and financial distress, are expected to influence tax aggressiveness either directly or indirectly. The conceptual relationship among these variables is illustrated in the following framework.

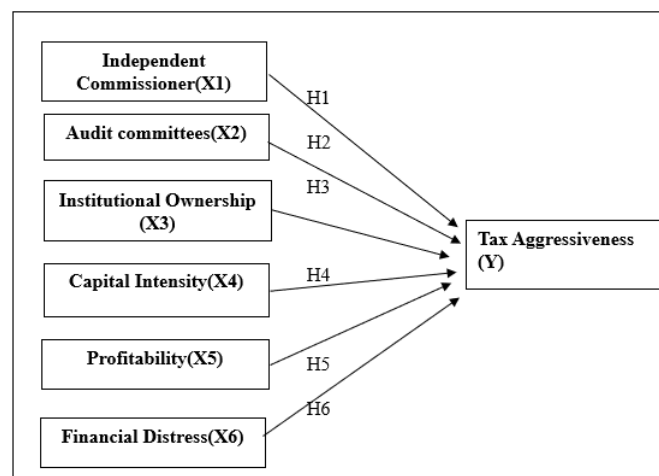


Figure 1: Research Framework
Source: data processed by researchers

Agency theory explains that conflicts of interest arise when managers (agents) act in ways that serve their personal goals rather than those of shareholders (principals). The presence of information asymmetry allows agents to manipulate decisions, including taxation policies, to maximise self-interest. Good Corporate Governance (GCG) mechanisms are therefore essential to align managerial behaviour with shareholder objectives and reduce agency problems (Wardani & Dodok, 2022).

Independent commissioners, as non-executive members of the board, provide objective monitoring and act as a counterbalance to managerial discretion. Their independence enables effective supervision of corporate decision-making, ensuring compliance with ethical standards and reducing opportunistic behaviour related to taxation. Empirical studies demonstrate that companies with a higher proportion of independent commissioners tend to exhibit lower levels of tax aggressiveness (E.G & Murtanto, 2021; Octavianingrum & Mildawati, 2018).

H1: posits that independent commissioners have a negative and significant effect on tax aggressiveness.

Audit committees serve as an integral element of the GCG structure, responsible for overseeing financial reporting, internal control, and compliance. A larger and more qualified audit committee enhances the effectiveness of supervision and minimises managerial manipulation, including aggressive tax practices (Rahmayanti et al., 2021). Prior research has shown that well-functioning audit committees improve the transparency and accuracy of corporate financial statements, thereby limiting tax aggressiveness (Astuti & Asalam, 2023; Ritonga, 2022).

H2: states that audit committees have a negative and significant effect on tax aggressiveness.

Institutional ownership is another governance mechanism that affects management behaviour. Institutional investors, such as pension funds and insurance companies, typically possess strong analytical capability and influence in managerial decisions. Their presence can either strengthen governance by limiting opportunistic actions or encourage short-term profit maximisation, which may include tax avoidance strategies (Muzaimi & Parinduri, 2022; Vanesali & Kristanto, 2020). Some studies suggest that institutional owners exert pressure on management to improve after-tax profits, which increases tax aggressiveness (E.G & Murtanto, 2021).

H3: proposes that institutional ownership has a positive and significant effect on tax aggressiveness.

Capital intensity reflects the degree to which a firm's assets are invested in fixed capital such as machinery, buildings, or property. High capital intensity generates large depreciation expenses that can reduce taxable income and thus lower tax payments (Rahayu & Kartika, 2021). Firms with higher capital intensity may consequently appear less aggressive in tax management because depreciation acts as a legitimate tax shield (Rosani & Andriyanto, 2024; Waladi & Prastiwi, 2022).

H4: suggests that capital intensity has a negative and significant effect on tax aggressiveness.

Profitability, as an indicator of a firm's ability to generate income, often increases management's incentive to reduce the tax burden and maintain earnings performance (Apriliana, 2022; Anggraeni et al., 2023). Companies with higher profitability have greater taxable income, which can motivate managers to adopt more aggressive tax planning to maximise after-tax profits (Putri & Yuliafitri, 2024; Herlinda & Rahmawati, 2021).

H5: asserts that profitability has a positive and significant effect on tax aggressiveness.

Financial distress describes a situation in which firms experience sustained financial difficulties or liquidity shortages. Under such conditions, management tends to focus on short-term cost reductions, including taxes, to sustain operations (Mardjono & Astutie, 2022; Alafiah et al., 2022). However, companies facing severe financial constraints might also refrain from engaging in aggressive tax behaviour to avoid additional scrutiny or penalties from tax authorities (Permata, 2021; Astika & Asalam, 2023).

H6: proposes that financial distress has a negative and significant effect on tax aggressiveness.

Overall, the development of these six hypotheses rests on the assumption that corporate tax aggressiveness is influenced both by governance mechanisms that control managerial discretion and by financial characteristics that determine the firm's incentives and capacity to manage tax obligations. Strong governance structures are expected to moderate opportunistic tendencies, while financial indicators reflect the firm's operational and strategic pressures that may lead to aggressive or conservative tax practices.

RESEARCH METHODS

This study employs a quantitative research design to empirically examine the effect of Good Corporate Governance, capital intensity, profitability, and financial distress on tax aggressiveness. The research utilises secondary data obtained from the annual reports and financial statements of property and real estate companies listed on the Indonesia Stock Exchange (IDX) during the period 2020–2024.

The population of this study consists of all property and real estate companies listed on the IDX. The sample was selected using the purposive sampling method, which involves determining research samples based on specific criteria relevant to the research objectives. The criteria include: (1) companies consistently listed on the IDX during the observation period from 2020 to 2024, (2) companies publishing complete annual financial reports and corporate governance disclosures, and (3) companies not classified as delisted or suspended during the observation period. These criteria ensure that the selected data are comparable, reliable, and representative of the population.

The study employs multiple linear regression analysis to test the hypotheses and determine the effect of each independent variable on tax aggressiveness. Prior to hypothesis testing, a series of classical assumption tests were conducted, including normality, multicollinearity, heteroskedasticity, and autocorrelation tests, to ensure that the regression model meets statistical assumptions and produces unbiased estimators. Data analysis was carried out using statistical software to obtain accurate and replicable results.

RESULTS

This study examined 92 property and real estate companies listed on the Indonesia Stock Exchange (IDX) during 2020–2024. After applying the purposive sampling criteria companies that consistently published complete financial reports throughout the observation period and did not experience losses the final sample consisted of 43 companies, producing 215 firm-year observations. These observations formed the basis for the statistical analysis.

Descriptive statistics were used to summarise the data distribution of each variable before conducting regression analysis.

Table 2. Descriptive Statistics

Variable	N	Minimum	Maximum	Mean	Std. Deviation
Independent Commissioners	215	0.13	0.40	0.219	0.059
Audit Committee	215	3.00	4.00	3.051	0.221
Institutional Ownership	215	0.00	1.00	0.722	0.209
Capital Intensity	215	0.09	1706.63	19.970	121.981
Profitability	215	-0.38	2.90	0.043	0.206
Financial Distress	215	1.00	3.00	1.428	0.751
Tax Aggressiveness	215	-5.90	0.56	-0.147	0.586

Source: Data processed using SPSS 22

The mean values of independent commissioners, audit committees, institutional ownership, and financial distress exceed their respective standard deviations, indicating stable data distribution and low variability. In contrast, capital intensity and profitability display higher variability, implying greater heterogeneity among firms in terms of operational efficiency and fixed-asset investments.

Before hypothesis testing, classical assumption tests were performed to ensure the reliability of the regression model. The normality test initially produced a significance value of 0.00 (< 0.05), indicating non-normal data distribution. After applying a natural logarithm transformation, the significance improved to 0.200 (> 0.05), confirming normality. Multicollinearity was not detected, as all tolerance values exceeded 0.10 and all VIF values were below 10. The scatterplot results also indicated the absence of

heteroscedasticity, while the Durbin–Watson statistic of 1.805—falling between 1.796 and 2.249—confirmed that no autocorrelation problem was present.

The multiple linear regression analysis was conducted to evaluate the influence of each independent variable on tax aggressiveness.

Table 3. Multiple Regression Results

Variable	Coefficient (B)	Std. Error	t- Statistic	Sig.
Constant	-11.242	2.596	-4.331	0.000
Independent Commissioners (Ln_KOM)	-0.785	0.562	-1.397	0.164
Audit Committee (Ln_KA)	4.065	1.978	2.055	0.042
Institutional Ownership (Ln_KI)	-0.501	0.329	-1.524	0.130
Capital Intensity (Ln_CI)	-0.236	0.108	-2.184	0.031
Profitability (Ln_PROF)	-0.616	0.111	-5.567	0.000
Financial Distress (Ln_FD)	-0.043	0.456	-0.094	0.925

Source: Data processed using SPSS 22.

The regression model obtained is expressed as follows:

$$\text{Tax Aggressiveness} = -11.242 - 0.785(\text{IC}) + 4.065(\text{AC}) - 0.501(\text{IO}) - 0.236(\text{CI}) - 0.616(\text{PROF}) - 0.043(\text{FD}) + e$$

The coefficient of determination (R^2) test was then performed to measure the explanatory power of the model.

Table 4. Coefficient of Determination

Model	R	R Square	Adjusted R Square	Std. Error	Durbin–Watson
1	0.478	0.229	0.198	1.663	1.805

Source: Data processed using SPSS 22.

The adjusted R^2 value of 0.198 indicates that 19.8% of the variation in tax aggressiveness can be explained by the independent variables, while 80.2% is influenced by other factors not included in the model. The F-test produced a significance value of 0.000 (< 0.05) and an F-statistic of 7.373, which is greater than the critical value of 2.10, confirming that all independent variables jointly have a significant effect on tax aggressiveness.

Individually, the results of the t-test show that independent commissioners do not have a significant effect on tax aggressiveness, as the p-value is 0.164. This suggests that the monitoring function of independent commissioners in the sampled firms is largely formal and lacks substantial impact on tax policies. The audit committee has a positive and significant influence, indicated by a p-value of 0.042, implying that a larger or more active audit committee does not necessarily constrain tax aggressiveness and may even

be associated with permissive attitudes toward aggressive tax management. Institutional ownership is found to be statistically insignificant ($p = 0.130$), suggesting that the proportion of institutional shareholding in the property and real estate sector remains too small to affect corporate tax decisions.

Capital intensity negatively and significantly affects tax aggressiveness, with a p -value of 0.031, indicating that firms with higher fixed-asset investments tend to experience larger depreciation expenses that reduce taxable income and lower incentives for aggressive tax planning. Profitability also demonstrates a significant negative relationship ($p = 0.000$), showing that highly profitable firms are less likely to engage in aggressive tax avoidance, possibly due to reputational and compliance considerations. Financial distress is found to be insignificant ($p = 0.925$), indicating that distressed firms do not systematically alter their tax behaviour in response to financial difficulties.

Overall, the findings suggest that only the audit committee, capital intensity, and profitability significantly affect tax aggressiveness. The positive association between audit committees and aggressive tax practices implies a weak governance function, while the negative effects of capital intensity and profitability highlight that firms with larger tangible investments and stable profits tend to adopt more conservative tax strategies. The relatively low adjusted R^2 indicates that tax aggressiveness may also be influenced by other corporate characteristics, such as leverage, firm size, and managerial ownership, which were not examined in this model.

DISCUSSION

The results of this study provide important evidence regarding the role of corporate governance and financial indicators in influencing tax aggressiveness among property and real estate companies listed on the Indonesia Stock Exchange during 2020–2024. The findings align partially with the assumptions of Agency Theory, which explains that the separation of ownership and control often creates conflicts of interest between principals and agents. When management, as the agent, has access to superior information compared to shareholders, as the principal, opportunistic behaviour such as tax aggressiveness may arise in order to maximise managerial utility at the expense of corporate transparency and compliance (Syafri & Sugiyanto, 2022; Sutanto et al., 2024).

The empirical results show that the presence of independent commissioners does not significantly influence tax aggressiveness. This finding implies that the supervisory function of independent commissioners within the property and real estate sector tends to be symbolic rather than effective. Independent commissioners in many Indonesian firms are often appointed merely to fulfil regulatory requirements rather than to enhance governance quality. Their limited authority and lack of technical expertise in taxation reduce their capacity to restrain aggressive financial behaviour. This finding is consistent with the results of Maulana and Pramono (2024), Cahyono and Saraswati (2022), and Maryam Amini and Darmansyah (2025), who also concluded that independent

commissioners often act as formalities in corporate governance structures rather than as active participants in decision-making. From an agency perspective, this condition reinforces the information asymmetry between management and shareholders, thereby diminishing the monitoring effectiveness that is central to Agency Theory's preventive function against opportunistic acts.

The audit committee, on the other hand, exhibits a positive and significant effect on tax aggressiveness, which is contrary to the initial hypothesis. Ideally, audit committees serve as a key mechanism to oversee the accuracy and integrity of financial reporting, including compliance with tax regulations. However, in practice, the positive association suggests that audit committees in several firms may be ineffective in curbing managerial opportunism or may even legitimise tax minimisation strategies under the justification of efficiency. This paradox indicates a governance distortion, where the audit committee becomes part of management's strategic rationalisation for reducing tax burdens rather than an independent control entity. This result is aligned with previous findings by Meilinda and Indriani (2024) and Febriansyah and Oktafiani (2021), which emphasised that audit committees with insufficient independence or inadequate professional capacity tend to fail in restraining aggressive financial practices. In the context of Agency Theory, this outcome signifies that the expected monitoring function of the audit committee may instead exacerbate agency problems when institutional checks and balances are weak.

Institutional ownership is also found to have no significant influence on tax aggressiveness. This suggests that institutional investors, despite being expected to enforce discipline through their voting power, may not exercise effective oversight in this industry. In property and real estate firms, institutional ownership proportions are often small or fragmented, limiting their ability to influence corporate policies directly. Moreover, many institutional investors prioritise short-term returns rather than engaging in governance activism, thereby diminishing their capacity to act as effective monitors. This finding supports the conclusions of Yuliani et al. (2021) and Putri and Andriyani (2020), who reported that institutional ownership does not always translate into stronger governance or ethical tax conduct. This result also indicates that the monitoring effect anticipated in Agency Theory does not necessarily materialise in sectors with weak shareholder coalitions or in markets where institutional investors have passive investment orientations.

Capital intensity has a negative and significant impact on tax aggressiveness, indicating that firms with higher investments in tangible assets are less likely to engage in aggressive tax practices. The depreciation expense associated with fixed assets provides a natural tax shield that legally reduces taxable income, thereby lessening the incentive for management to manipulate tax obligations. This finding supports prior research by Muzaimi and Parinduri (2022) and Rifai and Atiningsih (2019), which also demonstrated that capital-intensive firms tend to show more conservative tax behaviour. From a theoretical perspective, this outcome aligns with Agency Theory in the sense that when legitimate accounting mechanisms already reduce tax liabilities, managers have

fewer opportunities or incentives to exploit information asymmetries through aggressive tax strategies.

Profitability exhibits a negative and significant effect on tax aggressiveness, showing that firms with stronger financial performance tend to adopt less aggressive tax positions. This finding suggests that highly profitable firms are more sensitive to reputational considerations and regulatory scrutiny. Maintaining investor confidence and corporate legitimacy often outweighs the marginal benefits of tax minimisation. This result is consistent with studies by Sidik and Suhono (2020) and Heru Harmadi Sudibyo (2022), who found that firms with higher profitability typically display greater compliance and transparency in their tax reporting. From an agency standpoint, this relationship indicates that profitability reduces managerial opportunism, as successful performance lowers the need to conceal inefficiencies or manipulate financial outcomes through aggressive tax behaviour.

Financial distress, however, shows no significant effect on tax aggressiveness. Although firms in financial difficulty theoretically have stronger incentives to engage in aggressive tax planning to conserve cash flows, the empirical results indicate otherwise. This can be explained by the “grey area” condition experienced by most firms, where financial distress was moderate rather than severe. In such cases, firms may prioritise operational recovery over tax management strategies. Additionally, firms under distress often face greater scrutiny from auditors and regulators, which limits their capacity to engage in aggressive practices. The findings of Febriyanto and Laurensius (2022) and Amelia et al. (2023) similarly suggest that financial distress does not significantly drive aggressive tax behaviour, indicating that the relationship between financial constraints and tax strategy is contingent upon firm-specific governance structures and managerial risk tolerance.

Taken together, these findings reinforce the complexity of tax decision-making within the framework of Agency Theory. While corporate governance mechanisms such as independent commissioners and audit committees are theoretically designed to mitigate agency conflicts, their effectiveness in practice is shaped by contextual and structural factors within firms. The mixed results suggest that formal governance mechanisms alone are insufficient to curb tax aggressiveness without substantive independence, expertise, and accountability. Similarly, financial variables such as profitability and capital intensity demonstrate that legitimate operational and structural factors can reduce the need for aggressive tax planning. The overall evidence confirms that the interaction between governance quality and financial condition determines the extent of managerial discretion in tax-related decision-making. Strengthening board independence, audit effectiveness, and institutional monitoring is therefore essential to ensuring that corporate governance mechanisms function as genuine instruments for transparency and compliance rather than symbolic formalities.

CONCLUSION AND RECOMMENDATIONS

This study empirically examined the influence of Good Corporate Governance—proxied by independent commissioners, audit committees, and institutional ownership—as well as capital intensity, profitability, and financial distress on tax aggressiveness among property and real estate companies listed on the Indonesia Stock Exchange during 2020–2024. The findings demonstrate that independent commissioners and institutional ownership do not significantly influence tax aggressiveness, while audit committees exhibit a positive and significant association, suggesting that governance mechanisms may not always function effectively as monitoring instruments. In contrast, capital intensity and profitability show negative and significant relationships with tax aggressiveness, indicating that firms with higher tangible investments and stronger performance tend to adopt more conservative tax behaviour. Financial distress does not appear to alter corporate tax strategies, reflecting the dominance of structural and regulatory constraints in shaping managerial discretion.

Theoretically, these findings confirm the partial relevance of Agency Theory in explaining corporate tax behaviour. While governance mechanisms are expected to mitigate opportunistic actions, their ineffectiveness in this context reveals the persistence of information asymmetry and weak enforcement of oversight functions. The results also extend existing literature by demonstrating that operational characteristics, such as profitability and asset intensity, exert a stronger influence on tax behaviour than formal governance structures. Practically, the findings underscore the importance of strengthening the independence and technical competence of audit committees and commissioners to ensure substantive, not symbolic, governance. Policymakers and regulators are advised to enhance enforcement of corporate governance codes and integrate tax-compliance indicators into governance assessment frameworks. Future studies are recommended to incorporate moderating variables such as firm size, leverage, or managerial ownership, and to employ longitudinal or panel-data approaches that capture dynamic behavioural shifts in corporate tax strategies.

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