

Tax Aggressiveness: Financial Distress and Risk Management Committee



Dewi Prastiwi¹, Mariana²

^{1,2}Universitas Negeri Surabaya & Ketintang Surabaya

ABSTRACT: This study aims to examine the effect of financial distress and the Risk Management Committee on tax aggressiveness. This study uses quantitative and secondary data in the form of data on manufacturing companies listed on the Indonesia Stock Exchange during the period 2013 to 2019. The results show that 1) financial distress has a negative effect on tax aggressiveness, which means that financial distress actually reduces the company's tax aggressiveness efforts. Maintaining the company's positive reputation through compliance with regulations is seen as more important to maintain the company's viability than the benefits of short-term funding 2) The Risk Management Committee does not affect the company's supervision in carrying out tax aggressiveness in financial distress conditions.

KEYWORDS: Financial Distress; Risk Management Committee; Tax aggressiveness

I. INTRODUCTION

According to Edwards et al., (2012) and Richardson et al., (2015) one of the causes of companies doing tax aggressiveness is because of financial distress conditions. Under normal conditions, the company will implement a tax avoidance strategy if 1) the marginal benefit (reduction of tax debt) exceeds the marginal cost; 2) implementation of tax avoidance strategy does not lead to an increase in the company's financial burden (Shackelford and Shevlin, 2001; Scholes et al., 2005). However, in financial distress, companies increase tax avoidance as an effort to obtain funds if external funding sources are considered more "expensive"

Financial distress is a condition of significant financial decline as the beginning of more serious financial problems such as liquidation or bankruptcy (Platt and Platt; 2002). Companies experiencing financial distress are in a condition of financial difficulty and access to external funding. We predict that companies in financial distress will be more aggressive in saving taxes to generate additional internal funding and cash tax savings, as a reaction to increasing financial constraints. From a theoretical point of view, cash tax savings can be viewed as a source of funding. This is because traditional sources of debt and equity financing often become more expensive or more difficult to access during periods of financial distress. Funds can be "earned" through tax planning by reducing reported taxable income or increasing tax credits. This can reduce cash taxes paid, given the income tax burden is a significant cash outflow. The negative reputation of tax aggressiveness, which was previously seen as too expensive for companies to implement, has become more attractive and feasible for companies (Edwards et al., 2012).

Financial distress encourages companies to use tax planning as a source of funding for several reasons. First, unlike other cost-cutting techniques (e.g., reducing advertising, research and development, capital expenditures, staffing), reducing taxes is less likely to affect a firm's operations (Edwards et al., 2016). Second, empirical evidence shows that companies tend to have additional opportunities to make cash tax savings through tax deferral based tax planning strategies. Third, anecdotal evidence shows that cash is "king" during periods of financial distress and companies with limited funding sources use tax planning as a source of cash (Leone 2008; Trinz 2014).

At the same time, the company's management considers that the risk of audits by tax authorities or reputational damage due to the release of audit media, is less significant during periods of financial distress so that companies show an increase in tax aggressiveness during that period (Richardson et al., 2015). In particular, financial distress can encourage companies to take a more aggressive attitude in reducing corporate tax obligations. Tax savings are seen as providing much-needed capital to finance the company's current operations, maintain credit ratings and maintain the status quo of debt covenants or even to reduce the risk of bankruptcy (Brondolo, 2009). However, some studies show different results. Some research results state that financial distress does not encourage companies to do tax aggressiveness. Tax aggressiveness is actually seen as a very risky effort for

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companies to obtain funding sources (Nugroho & Firmansyah, 2018; Octaviani & Sofie, 2019; Dhamara & Violita, 2018; Ahdiyah, 2021; and Maulan et al., 2018). In a state of financial distress, the company actually tries to improve the company's image, one of which is by complying with tax regulations in order to increase the trust of stakeholders and creditors.

In agency theory by Jensen and Meckling in Syakura and Baridwan (2014) there is an inequality of information mastery between shareholders (principals) and management (agents). The existence of this information asymmetry can motivate agents to carry out tax aggressiveness by violating applicable tax regulations. Good Corporate Governance is a control mechanism that balances the interests of the principal and agent. Good Corporate Governance plays an important role in monitoring the tax planning procedure scheme (Boussaidi & Hamed, 2015). Good Corporate Governance is implemented through the main and supporting organs. The main organs of corporations in Indonesia consist of the General Meeting of Shareholders (GMS), the Board of Commissioners, and the Board of Directors. Meanwhile, the supporting organs consist of committees under the supervision and responsibility of the Board of Commissioners, such as the audit committee, risk management committee, etc.

Supervision by the Risk Management Committee is carried out to minimize the company's risk due to policies or decisions of agents in seeking funding sources. With the existence of RMC either separately or within the Audit Committee, in every formulation of corporate strategy carried out by the Board of Commissioners along with management and stakeholders, it will ensure effective and efficient results, including tax management policies. Several studies have been conducted to examine the effect of Good Corporate Governance on Tax Aggressiveness. Minnick & Noga (2010) show that the implementation of the GCG mechanism has a varying direction of relationship to tax payments. Many things affect corporate governance such as the number of directors, age of the CEO, independent directors, etc. Prastiwi (2018) states that Good Corporate Governance can be an independent variable or moderate the effect of earnings management on tax aggressiveness. Similar results were also stated by Darmawan & Sukartha (2014). However, Octaviani & Sofie's research (2019) shows different results, Good Corporate Governance has no effect on tax aggressiveness because the supervisory function does not run optimally. Corporate governance will be better if there is better supervision from management. This better oversight can take the form of an audit committee within the management structure or an independent board member (Armstrong et al., 2015). Meanwhile, there are also those who examine the GCG organ on tax aggressiveness, as done by Deslandes et al., (2020) which states that there is a positive influence between the audit committee and tax aggressiveness. However, the results of Rachmadianti et al., (2021) show that the audit committee has no effect on tax aggressiveness.

Based on the research gap, this study aims to examine the effect of financial distress and the Risk Management Committee on tax aggressiveness. This research was conducted in the period from 2013 to 2019. This period saw the global economic crisis, where in 2013 the rupiah also weakened to around 18%. Then the JCI in 2013 also fell by 20% or far when compared to 2018 which was only 5-7%. Although this study has similarities with the research of Edwards et al., (2016) and Law & Mills, (2015) which examined the effects of tax payments from financial distress both micro and macro, this study seeks to provide additional explanations for the existence of a risk management committee in controlling corporate tax aggressiveness to obtain funding sources in financial distress conditions.

II. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

A. Deterrence Theory

Deterrence theory states that a person's behavior is influenced by the paradigm of benefits, costs, and risks that arise from each action that will be chosen (Damayanti & Prastiwi, 2017). Referring to this theory, then in every decision making including funding decisions, a manager will consider: what and how much benefit is obtained, how much is the cost and how likely is the risk to be borne. In a condition of financial distress, the agent will try to save the company's survival by seeking fresh sources of funds. Various financing alternatives must be considered and selected on a policy with a minimum cost. Companies have a tendency to save the company first and then fulfill other obligations, including taxes

B. Financial Distress and Tax Aggressiveness

Financial distress or Financial Distress is a problem that needs to be considered by the company. Platt and Platt (2002) define Financial Distress as a stage of declining financial condition that is so significant that it can be identified as the beginning of more serious financial problems such as liquidation or bankruptcy. According to Altman and Hotchkiss (2005), Financial Distress occurs before bankruptcy and starts from the inability to fulfill its obligations, especially obligations of a short-term nature, including liquidity obligations, as well as liabilities in the solvency category. Financial difficulties are divided into two types, the first is economic failure that occurs due to the company's failure to cover the company's operating costs. The second is financial failure caused by technical insolvency or a situation where the company fails to pay its maturing obligations even though the assets owned are greater than the total debt owned. Technical insolvency is a bankruptcy situation where the company fails or is no

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longer able to fulfill its obligations to debtors because the company experiences a shortage or insufficient funds to continue its business so that the company's economic goals cannot be achieved.

According to Hatianah (2017) Financial Distress is influenced by various factors, both internal and external to the company. Internal factors that affect Financial Distress are cash flow difficulties, the size of the company's debts, poor corporate governance and losses experienced by the company in operating activities for several years. The external factors that affect financial distress are more macroeconomic in nature and have a direct or indirect influence on the stock price, either directly or indirectly, like the combined price.

Bulow (1978) argues that in conditions of financial distress, there is a shift in behavior that can exacerbate conflicts between shareholders and creditors. Rational creditors will transfer risk by setting a high price on the company's debt with the belief that shareholders will still choose even though the risk is high. This causes a high cost of capital for companies experiencing financial difficulties, thus encouraging managers to take risks by carrying out corporate tax aggressiveness (Edwards et al., 2013). This is supported by the results of research by Brondolo (2009) which states that tax saving is able to provide the funds needed for current operations, maintain credit ratings, and maintain the status quo or debt covenants and mitigate the risk of bankruptcy. Companies experiencing financial difficulties become more tax aggressive because companies have fewer options for obtaining cash, considering that the tax burden is a significant cash outflow for the company. At the same time, the company's management considers that the risk of audits by tax authorities or reputational damage released by the audit media is less significant during periods of financial distress.

The company's aggressive policy in seeking alternative sources of funding in conditions of financial distress is in line with the deterrence theory by Yitzhaki (1974). This theory states that the behavior of individuals or entities is influenced by the paradigm of benefits, costs and risks of each action that will be chosen. According to this theory, tax aggressiveness behavior is influenced by consideration of the benefits and costs that must be borne by the company if the company has to seek external funding sources, the inability to finance its operational activities and the risk of tax audits. This is also supported by Doran's research (2009) which finds that taxpayers will avoid taxes to the extent that the benefits of evasion (unpaid amount) exceed the costs to be paid if embezzlement is detected (tax plus fines and the possibility of being detected). Based on this, the hypothesis is formulated:

H1: Financial distress conditions can increase corporate tax aggressiveness.

C. Agency Theory

Agency theory is the main theoretical framework for most research on Good Corporate Governance. The issue of differences in interests between principal and agent is an important subject for all economic entities because of the separation of ownership and control. Agency conflict arises from the separation of ownership and management, which is carried out by the CEO of the company, which causes a loss of value for shareholders. The nature and extent of agency conflict can affect the level of tax aggressiveness (Boussaidi & Hamed, 2015).

D. Risk management

According to COSO ERM – Integrated Framework, risk management is a process that is influenced by the Board of Directors, management and other personnel within the entity, which is applied to strategy formation and throughout the company. Risk management is designed to identify potential events that could affect the entity, manage risk in line with the entity's risk appetite, and provide reasonable assurance about the achievement of the entity's objectives." (crmsindonesia.org). In the risk management framework, COSO ERM requires companies to be able to determine in advance the company's goals, which consist of four categories, namely strategic, operations, reporting, and legal compliance. Strategic means goals that support and align with the company's mission. Operations related to the effectiveness and efficiency of the use of company resources. The reporting in question is the reliability of the reporting. And the last is legal compliance which means compliance with applicable laws and regulations. In this study, compliance is related to obedience in complying with applicable tax laws in Indonesia.

Financial distress conditions require a more stringent supervisory function in determining policy strategies to overcome long-term and short-term financial difficulties. The supervisory function is needed to ensure that the company's policy strategy does not violate the regulations. As stated in the previous section, in financial distress the company has difficulty getting cash to meet the company's operational needs, so the company is motivated to do tax aggressiveness if the marginal benefit obtained is greater than the marginal cost to be borne. On the other hand, the indirect effect of changes in tax aggressiveness will complicate business transactions, lack of information transparency, and low firm value (Prasiwi, 2015). These various potential risks need to be managed so that they can be mitigated so that they do not have a negative impact on the company.

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Agency theory by Jensen and Meckling in Syakura and Baridwan (2014) there is an inequality of information mastery between shareholders (principals) and management (agents). The existence of this information asymmetry can motivate agents to carry out tax aggressiveness by violating applicable tax regulations. The agent tends to think about the short-term interests of the company by trying to save the company's finances as an indicator of management performance.

Supervision carried out by the Risk Management Committee is carried out to minimize the company's risk due to policies or decisions of agents in seeking funding sources. Sources of funding from tax aggressiveness activities in times of financial distress pose a reputational risk for the company in the long term which can reduce the level of investor confidence. With the existence of a separate Risk Management Committee or within the Audit Committee, the formulation of corporate strategy carried out by the Board of Commissioners along with management and stakeholders will ensure effective and efficient results, including tax management policies. Deslandes et.al., (2020) stated that there was a positive influence between the audit committee and tax aggressiveness, while Richardson et al. (2014) in their research explained that if a company establishes an effective risk management and internal control system, it is less likely to be tax aggressive. Based on these reasons, a hypothesis is formulated:

H2: The risk management committee can reduce the level of tax aggressiveness

III. RESEARCH METHODS

This study uses quantitative and secondary data in the form of data on manufacturing companies listed on the Indonesia Stock Exchange during the period 2013 to 2019 which were obtained from the website www.idx.co.id. Manufacturing companies are used as the unit of analysis because these companies are the ones most affected by the global crisis. Manufacturing companies convert raw materials into finished goods and market them to all consumers, including foreign consumers. In the event of a global economic crisis, there will be a decrease in export sales turnover and an increase in production costs due to an increase in the price of raw materials sourced from imports as a trigger for financial distress. The sampling method is taken from the population of manufacturing companies listed on the Indonesia Stock Exchange using purposive sampling. The purposive sampling method is a sampling technique with certain considerations (Sugiyono, 2013:85). The sample was selected based on the suitability of the characteristics with the specified sample criteria in order to obtain a representative sample. The criteria used in sampling are:

- a. Manufacturing companies listed on the Indonesia Stock Exchange in 2013-2019
- b. Companies that publish complete annual reports and financial reports
- c. During the observation period, the company never experienced a loss.

A. Operational Definition and Measurement of Variables

The independent variables used in this study are financial distress and the Risk Management Committee (RCM) which are defined and measured as follows:

- a. Financial distress is a decline in the company's financial condition prior to bankruptcy or liquidation. As measured by financial ratios. Measurement of financial distress based on Altman Z Score. The formula of the analysis model is the modified Z Score equation (Altman; 1995):

$$Z = 6.56 X1 + 3.26 X2 + 6.72 X3 + 1.05 X4$$

Where :

Z : Financial Distress index

X1 : Working Capital/Total Assets

X2 : Retained Earnings/Total Assets

X3 : Earnings Before Interest and Taxes/Total Assets

X4 : Book Value of Equity/Book Value of total liabilities

The classification of healthy and bankrupt companies is based on the Z-score of the Modified Altman model, namely:

- 1) If the Z value <1.1, it includes companies experiencing financial distress.
 - 2) If the value is $1.1 < Z < 2.6$ then it is a gray area (it cannot be determined whether the company is healthy or experiencing financial distress).
 - 3) If the Z value > 2.6, it is a company that does not experience financial distress.
- b. Risk Management Committee is a committee that manages and assesses uncertainty related to threats or a series of company activities including, risk assessment, developing strategies to manage and mitigate risk by using resource management. The existence of the Risk Management Committee in this study was measured using the measurement proxy used by Subramaniam et al (2009), namely the dummy variable. A value of 1 if the company has and discloses how the

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establishment of a risk management committee is either independent or separate from the Audit Committee or is included in the Audit Committee, otherwise the value is 0.

The dependent variable used in this study is tax aggressiveness. Tax aggressiveness is defined as an act of manipulation to reduce taxable income through tax planning, both related to tax evasion and tax avoidance (Frank et al., 2009). Referring to the research of Wang (2015) and Chyz (2010), tax aggressiveness in this study is measured by the Effective Tax Rate (ETR) which is calculated by the model:

$$ETR = CTE/EBT \text{ and } ETR_2 = CTE/EBIT$$

Where:

ETR : Effective Tax Rate

CTE : Current Tax Expense

EBT : Earnings Before Tax

EBIT : Earnings Before Interest and Tax is to use this

In this study the authors also include control variables in the regression model to control for other effects that affect tax aggressiveness, such as:

- Company size as measured by the natural log of total assets. Used to control for the effects of economies of scale. Political cost theory argues that large corporations pay high political costs, including income taxes. In contrast, large corporations have greater resources to influence the political process in their favor and to participate in tax planning.
- Leverage as measured by the ratio of long-term debt to total assets. Included as a control variable to proxy the effect of corporate debt incentives in tax planning. Interest tax cuts positively affect corporate tax planning.
- EQINC as measured by the ratio of equity to Ln total assets. included as a control variable because previous research found that firm complexity is positively related to tax aggressiveness
- ROA as measured by the comparison of Operating Net Income with Ln total Assets. used to control the company's growth opportunities.
- CAPINT is measured by the ratio of fixed assets to Ln Total Assets. Entered as a control variable to capture differences in accounting reporting and tax reporting that may affect tax aggressiveness. Capital-intensive companies have an impact on the treatment of depreciation expense differently for tax and financial reporting purposes.

B. Hypothesis Test

Multiple regression analysis (multiple regression analysis) is used to test the effect of two or more independent variables on the dependent variable. Each independent variable was tested to determine the positive or negative relationship of the value of the independent variable. The equations for testing the overall hypothesis in this study are as follows:

$$TA_{it} = a_{0it} + \beta_1 FD_{it} + \beta_2 RMC_{it} + \beta_3 SIZE_{it} + \beta_4 LEV_{it} + \beta_5 EQINC_{it} + \beta_6 CAPINT_{it} + \beta_7 ROA_{it}$$

Description:

TA	: Tax Aggressiveness
a_{0it}	: Constant
$\beta_{1,2,3,4,5,6,7,8,9}$: Variable coefficient
FD	: Financial Distress
RMC	: Risk Management Committee
SIZE	: Company Size
LEV	: Leverage
EQINC	: Equity
CAPINT	: Property, Land and Equipment
ROA	: Return On Assets
e	: Error

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IV. ANALYSIS AND DISCUSSION

A. Descriptive Statistics

The model used in this study is multiple linear regression analysis with the help of SPSS version 22. Before analyzing the data, it is necessary to do descriptive statistical analysis to determine the limits of the regression model. Based on the existing data, the results of descriptive statistics are shown in table 1 below:

Table 1. Descriptive Statistical Results

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
FD	151	.06	5.97	3.0306	1.63601
EC	151	.00	1.00	.2053	.40526
RMC	151	.00	1.00	.9272	.26075
Size	151	12.18	30.58	22.1434	5.24541
LEV	151	.00	.48	.1653	.12020
EQINC	151	.00	.88	.5260	.16539
CAPINT	151	.03	1.01	.4415	.19150
ROA	151	.00	.60	.0990	.11966
TA	151	.00	3.82	.3114	.33382
Valid N (listwise)	151				

Based on table 1, it can be seen that the amount of data processed in this study was 151 data/unit of analysis. The average value for the Financial Distress (FD) variable is 3.0306. The average number of Financial Distress (FD) shows > 2.6 which means that the companies sampled in the observation period on average do not experience Financial Distress. The average value for the Risk Committee Management (RCM) variable is 0.9272. The figure of 0.9272 shows that 92% of the sampled companies have Risk Committee Management (RCM).

The average value for the size variable is 22.1434. The average value for the Leverage variable (LVRG) is 0.1653. The average value for the Equity variable (EQINC) is 0.5260. The average value for the Return on Assets (ROA) variable is 0.990. The average value for the Property, Land and Equipment (CAPINT) variable is 0.4415. The average value for the Tax Aggressiveness (TA) variable is 0.3114. The average value of tax aggressiveness is 0.3114, indicating that the sample companies tend not to do tax aggressiveness. The applicable corporate tax rate during the observation period is 25%. The company is identified as being tax aggressive if the ETR value is less than 0.25, which means that the tax rate paid is lower than the corporate tax rate stipulated in the income tax law.

After testing the classical assumptions, the next step is to test the hypothesis. The tests carried out include the simultaneous significant test (F statistic test), the coefficient of determination test (R²) and the partial test (t statistical test). The F statistical test is used to see whether all the independent variables included in the model have a simultaneous (simultaneous) effect on the dependent variable (Ghozali, 2011). With a significance level of 0.05 (5%), the results of the F test are obtained as shown in table 2:

Table 2. F Test Results

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2.277	7	.325	3.221	.003 ^b
	Residual	14.438	143	.101		
	Total	16.715	150			

a. Dependent Variable: TA

b. Predictors: (Constant), ROA, RMC, EQINC, CAPINT, Size, LEV, FD

Based on the results of the F test, the significance value is 0.003. The significance value of the test results is less than 0.05 which can be concluded that all financial distress and risk management committee variables simultaneously (together) affect tax aggressiveness. While the results of the coefficient of determination test are obtained as shown in table 3:

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Table 3. Coefficient of Determination Test Results

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.369 ^a	.136	.094	.31775

a. Predictors: (Constant), ROA, RMC, EQINC, CAPINT, Size, LEV, FD

The coefficient of determination (R²) is used to measure how far the model's ability to explain variations in independent variables (Ghozali, 2011). Based on the test results, the coefficient of determination is 13.6%. This value describes the variation of the independent variable in a model. Based on this value, this model is only able to explain 13.6% in predicting tax aggressiveness, while 86.4% is explained by other variables.

Statistical t test is used to determine how far the influence of one independent variable individually in explaining the variation of the dependent variable (Ghozali, 2011). With a significance level of 0.05 (5%), the results of testing the first hypothesis are shown in table 4 below:

Table 4. T Test Results

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.723	.205		3.520	.001
	FD	-.087	.028	-.427	-3.131	.002
	RMC	-.028	.108	-.022	-.260	.795
	Size	-.009	.005	-.141	-1.648	.101
	LEV	.269	.267	.097	1.009	.315
	EQINC	.603	.259	.299	2.323	.022
	CAPINT	-.678	.184	-.389	-3.688	.000
	ROA	.143	.302	.051	.472	.638

a. Dependent Variable: TA

The results of the t-test of the first hypothesis show a significance of <0.05, which means that there is an influence between financial distress and tax aggressiveness. However, when viewed from the negative Beta value, the value of the financial distress variable has an inverse relationship with the value of tax aggressiveness. The smaller the value of financial distress, the higher the value of tax aggressiveness or vice versa, the greater the value of financial distress, the smaller the value of tax aggressiveness. The value of financial distress that is getting smaller or <1.1 indicates that the company is experiencing financial difficulties. On the other hand, a higher ETR value indicates that the company does not carry out tax aggressiveness. Based on this, financial distress actually reduces the level of tax aggressiveness, which means rejecting the first hypothesis.

Financial distress conditions do not encourage companies to do tax aggressiveness. Tax aggressiveness is actually seen as a very risky effort for companies to obtain funding sources. The results of this study are in accordance with the research of Nugroho & Firmansyah, 2018; Octaviani & Sofie, 2019; Dhamara & Violita, 2018; Ahdiyah, 2021; and Maulan et al., 2018. In accordance with deterrence theory, in a state of financial distress the company will actually avoid activities that violate the law that can affect the company's reputation. The benefits obtained from tax aggressiveness are seen as smaller than the costs to be paid by the company. The company views other alternative solutions to meet the company's funding needs in addition to tax aggressiveness. According to Dwijayanti (2010) companies experiencing financial distress can take two solutions, namely:

- Debt restructuring by asking for an extension of time from creditors for debt repayment until the company has sufficient cash to pay off debt.
- Carry out management changes by replacing management with more competent people.

The next reason, in a state of financial distress, the company experiencing financial difficulties can be caused by a decrease in sales turnover. So that the tax paid will also decrease along with a decrease in turnover. This causes companies not to be compelled to do tax aggressiveness because the taxes paid are relatively small.

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The results of this study are not in line with Marwa & Wahyudi (2018); Pujirahayu (2020); Sadjiarto et al.,(2020); Maulana et al., (2018) and Richardson et al., (2015) who found that financial distress had a positive effect on tax aggressiveness because companies experiencing financial distress tended to face problems related to increased costs, decreased access to cost sources, and did not able to pay credit when it is due so that managers tend to look for solutions by doing tax aggressiveness. This difference could be due to differences in characteristics between the companies used in the research sample

The results of the second hypothesis test show that the risk management committee has no effect on tax aggressiveness with a sig value > 0.05. The existence of differences in the mastery of information between the principle and the agent in a company can motivate the agent to carry out tax aggressiveness by violating the applicable tax regulations. Supervision carried out by the Risk Management Committee is carried out to minimize the company's risks, including, due to policies or decisions of agents in seeking funding sources. Financial distress conditions require a more stringent supervisory function in determining policy strategies to overcome long-term and short-term financial difficulties. The supervisory function is needed to ensure that the company's policy strategy does not violate the regulations. With the existence of a separate Risk Management Committee or within the Audit Committee, the formulation of corporate strategy carried out by the Board of Commissioners along with management and stakeholders will ensure effective and efficient results, including tax management policies.

However, the results of this study indicate that in conditions of financial distress, the risk management committee has no effect on tax aggressiveness. This is in line with the results of the first hypothesis test that financial distress has a negative effect on tax aggressiveness. In a condition of financial distress, management or the agent understands that it is too risky to obtain additional funding through tax aggressiveness, so that the Risk Management Committee function has no effect in controlling the company's decisions in determining the source of financing. If the company has been indicated to carry out tax aggressiveness, then the opportunity for inspection is great. As a consequence of the audit, besides the company must provide the documents requested by the audit, the company must also serve processes such as interviews, data clarification carried out by the tax examiner. This is a time cost as well as a psychological cost for the company.

The results of this study reject the research results of Richardson et al (2014) which in their research explains that if a company forms an effective risk management and internal control system, it is less likely to be tax aggressive. The difference in results is due to differences in the phenomenon and location of the research carried out as well as the condition of the company in Indonesia. Meanwhile, for testing control variables, all have no effect except CAPINT.

CONCLUSION

Based on the results of the analysis and hypothesis testing, it can be concluded that: 1) financial distress has a negative effect on tax aggressiveness, which means that financial distress actually reduces the company's tax aggressiveness efforts. Maintaining the company's positive reputation through compliance with regulations is seen as more important to maintain the company's survival than the benefits of short-term funding. 2) The Risk Management Committee has no effect on the company's supervision of tax aggressiveness in conditions of financial distress. The agent's understanding of the risk of tax aggressiveness efforts as a source of funding in financial distress makes the function of the Risk Management Committee not affect the company's funding decision making.

Based on the limitations of this study, where the observation period was only carried out throughout 2013 to 2019 due to the availability of data, it is recommended that further research can be carried out in a longer period, which can capture the economic crisis conditions in 1998, 2008 and 2013. , to test the strength of hypothesis development, it can be done using tax aggressiveness proxies other than ETR, such as CETR, GAAP ETR, etc.

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