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Effect of Financial Distress, Capital Intensity, and Corporate Social Responsibility on Tax Aggressiveness (Study on Manufacturing Companies Listed on the Indonesia Stock Exchange in 2019-2024)

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Abstract

The purpose of this study was to determine whether financial distress, capital intensity and corporate social responsibility affect tax aggressiveness. The theory used in this study is the theory of agency. This study uses secondary data obtained using the method of document study. The population in this study is all manufacturing companies listed on the Indonesia Stock Exchange during the period 2019-2024. Sample selection in this study using purposive sampling method. The number of companies that have this criterion is 17 companies. Multiple linear regression analysis technique used as a data analysis technique using SPSS version 25. The results showed that financial distress has a negative and significant effect on tax aggressiveness. Capital intensity has a positive and significant effect on tax aggressiveness. Corporate social responsibility has a negative and significant effect on tax aggressiveness. Financial distress, capital intensity and corporate social responsibility simulatedly affect tax aggressiveness. In previous studies provide inconsistent results so this research is important to do in order to find results that are relevant to the current policy.

Keywords

Financial Distress; Capital Intensity; Corporate Social Responsibility; Agresivitas Pajak

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1. INTRODUCTION

Indonesia is a vast country and is also the 4th most populous country in the world. Indonesia also has a very abundant natural wealth income and is also located in a fairly strategic geographical condition where this area of Indonesia is a traffic trade area between the world. This situation is very interesting for various companies to establish their business in Indonesia, both domestic companies and foreign companies. The existence of these companies is certainly a distinct advantage for Indonesia because it can increase state revenue, especially from the tax sector. Taxes are one of the most important sources of state income for the economy of our country and are the main source of state income. Taxes as one of the sources of state revenue derived from mandatory contributions raktyat its provisions set

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in Article 23A of the Constitution of 1945 Amendment III. Article 23A of the 1945 Constitution reads "taxes and other levies that are coercive for state purposes stipulated in the law". The payment of taxes is proof of tax devotion and a form of real contribution to the state, the payment of taxes has become such an obligation that a violation of it will be subject to legal sanctions.

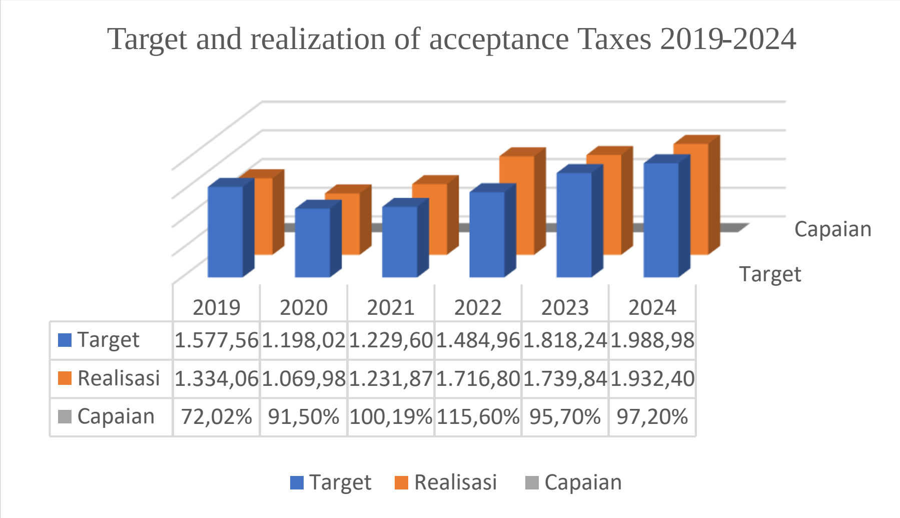
Taxes are useful for the Indonesian government and society and are one of the basic foundations of the economy so that the government needs to evaluate successfully for various things that have an impact on the size of tax revenues from the community so that the government can make rules and regulations that are more efficient and better, one of which is the consideration of increasing tax rates is not always directly proportional to the increase in taxes received from the community. Taxes for the government and of course for the survival of the state of Indonesia diakatan taxes as the backbone of state revenue. Therefore, it is important for the government to know the factors that affect tax receipts so that it can make more appropriate regulations for tax provisions (Hartarto, 2021). Taxes are useful for the Indonesian government and society and are one of the basic foundations of the economy so that the government needs to evaluate successfully for various things that have an impact on the size of tax revenues from the community so that the government can make rules and regulations that are more efficient and better, one of which is the consideration of increasing tax rates is not always directly proportional to the increase in taxes received from the community. Taxes for the government and of course for the survival of the state of Indonesia diakatan taxes as the backbone of state revenue. Therefore, it is important for the government to know the factors that affect tax receipts so that it can make more appropriate regulations for tax provisions.

Fluctuations in tax revenues, as reflected in the state budget data, indicate that there are significant challenges in the optimization of tax revenues. One of the main issues contributing to these fluctuations is the not-yet-ideal corporate tax compliance. This phenomenon is often due to various strategies used by companies to minimize their tax burden. One of the most prominent strategies is tax aggressiveness, where companies legally but aggressively exploit legal loopholes and regulatory differences to reduce the amount of tax payable. This practice, while not necessarily illegal, can substantially hurt state revenues and weaken the function of taxes as a vital instrument in financing national development. Therefore, it is important to conduct in-depth research on the factors that drive tax aggressiveness so that the government can formulate more effective policies to improve tax revenue compliance and stability.

In Indonesia, APBN funds are from three sources of revenue including tax revenues, non-tax revenues, and Grant receipts, the largest source of APBN funds in Indonesia is from tax revenues. The government uses APBN funds to implement its programs with the aim of encouraging economic growth through the development of infrastructure, public assets, and other public facilities, this step is taken to improve the welfare of the Indonesian people, therefore tax revenues in the APBN must be maintained and improved continuously. The following receipt of state budget funds derived from taxes :

Picture 1

Realization and Target of tax revenue in 2019-2024



Source : Kementrian Keuangan Republik Indonesia (kemenkeu.go.id)

Figure 1 shows that in recent years the realisation of tax revenue in Indonesia has shown significant fluctuations, the Ministry of Finance (kemenkeu) recorded a target of tax revenue in 2019 reaching 1,577.56 trillion but the realisation only reached 1,334. 06 trillion,the capaianya was only 72.02% an early indication of problems in tax collection,one of the possibilities due to corporate tax evasion. In 2020 the covid-19 pandemic hit the target was drastically lowered to 1,198.02 trillion and the realization of 1,069. 98 trillion,the cap increased by 91.50% but nominally the revenue decreased,many companies suffered losses. In 2021, there was a target economic recovery and the realization was almost balanced and even the realization exceeded the target of 100.19%. In 2022, the realization exceeded the target of 115.60%, this happened due to the economic recovery and the implementation of the new policy (HPP law), but this does not necessarily reflect a reduction in corporate tax aggressiveness as a whole. In 2023-2024 there was a decrease below the target again despite the achievement of 95-97%. This shows that tax compliance in Indonesia still faces challenges, one of which is in the form of tax aggressiveness carried out by companies. According to (Supriyati & Hapsari, 2021) optimizing tax realization is very important so that the country gets maximum income, but in practice tax realization does not always run smoothly and faces several challenges. One of the challenges faced is the difficulty of taxpayers in paying, reporting, and complying with tax rules, this causes the realization of taxes to be less than the maximum. Differences in the interests of the state and taxpayers are one of the reasons for tax realization to be less than maximum and this indicates Tax Resistance (Wulandari, 2022).

In the teachings of islam, tax law is an important discussion, especially in relation to justice and social responsibility. Some scholars argue that taxes are not permissible if they are burdensome to the people or are not based on clear reasons. But on the other hand, there are also many scholars who allow taxes as long as they are not contrary to sharia principles, done fairly and used for the benefit of the people. As friman Allah in the Qur'an:

وَلَا تَأْكُلُوْٓا اَمْوَالَكُمْ بَيْنَكُمْ بِالْبَاطِلِ وَتُدْلُوْا بِهَآ اِلَى الْحُكَّامِ لِتَأْكُلُوْا فَرِيْقًا مِّنْ اَمْوَالِ النَّاسِ بِالْاِثْمِ وَاَنْتُمْ تَعْلَمُوْنَ ١٨٨

Do not devour the wealth of any of you unjustly and do not bring it to the judges in order that you may devour the wealth of others unjustly, while you know. [Q.S Al-Baqarah : 188]. The above verse affirms that all forms of unfair profit-taking including tax evasion that harm the public interest are contrary to Islamic values, therefore paying taxes honestly is part of a muslim's moral responsibility to maintain justice and public benefit. This is supported by Islamic economic literature that distinguishes between zakat as a specific obligation of worship and taxes as an instrument of state policy to achieve maslahah (public benefit). Therefore, paying taxes honestly is part of a Muslim's moral responsibility to uphold justice and the welfare of society. The scholars also view that tax aggressiveness aimed at minimizing contributions to the state is contrary to Islamic values of justice because it directly reduces contributions to the public interest. This concept is in line with Maqasid Syariah, which is the main purpose of Islamic law, one of which is to preserve property, where contributions through fair taxes play a role in ensuring a more equitable and sustainable distribution of wealth for society.

Resistance to taxes and this is almost done by all registered taxpayers who are divided into two, namely passive resistance and active resistance. Passive resistance is an obstacle that makes it difficult to collect taxes and has a close relationship with the economic structure. While active resistance is all efforts and actions that are directly shown to the government with the aim of avoiding taxes. Between the two Tax Resistance is more dominating active tax resistance that can be realized in the form of tax aggressiveness. Tax aggressiveness is the actions taken by the company to reduce its tax liabilities such actions are taxable income engineering carried out by the company through tax planning activities. Tax aggressiveness is an action that is considered socially irresponsible, many companies will look for ways to minimize the cost of taxes to be paid. For companies to pay taxes also facilitate their business operations, but there are companies that consider that taxes are a burden that can reduce the amount of profit generated, if the company pays taxes that are high enough, the company will experience losses therefore many companies avoid taxes. The companies that contribute the most in terms of tax payments other than in the mining, finance and plantation sectors are manufacturing companies (Asana, 2021). Manufacturing companies are companies that process raw materials into semi-finished goods or finished goods and have a longer business process, namely with the production process first before the sales process.

The practice of tax evasion by multinational companies such as PT Toba Pulp Lestari (TPL) is a clear example of tax aggressiveness, which is a strategy that is legally valid but takes advantage of loopholes in tax regulations to minimize tax liabilities. TPL is suspected of manipulating export documents by reporting low-value products (BHKP) to the Indonesian government, even though the products actually exported and received by affiliated companies in China are high-value products (DW). Based on investigation reports and trade data, there is a significant difference of up to Rp15.4 trillion between the export value reported by TPL and the data recorded by UN Comtrade. This indicates the existence of a price transfer scheme to divert profits abroad, which has an impact on state losses and shows weaknesses in the cross-border tax supervision system.

According to (Setyoningrum & Zulaikha, 2020) this tax aggressiveness not only has an impact on the company itself but also has an impact on the economy as a whole. tax evasion can reduce state revenues which can affect the quality of public services such as education and health, in addition, companies that engage in tax aggressiveness can create market instability where companies that comply with their tax obligations must compete with companies that pay less tax. There are several factors that are thought to have an influence on tax aggressiveness including financial distress, capital intensity, and corporate social responsibility. The first factor that affects tax aggressiveness is financial distress. Financial distress is a condition when a company experiences financial difficulties so that it is unable to pay its obligations when due but the company can still operate and carry out its business activities (Supandi et al., 2022). Financial distress can affect the level of tax aggressiveness because when a company is experiencing financial difficulties one way that can be done is to reduce the tax burden by implementing a tax aggressiveness strategy (Yantine & Rahayuningsih, 2023). Companies experiencing financial difficulties tend to be more aggressive in reducing their tax burden (Astika & Asalam, 2023). Research conducted by (Wesly & Kuntadi, 2021) and (Alafiah et al., 2020) shows that financial distress affects tax aggressiveness. while research conducted by (Amelia et al., 2023) and (Supandi et al., 2022) showed that financial distress had no effect on tax aggressiveness.

The next factor that affects tax aggressiveness is capital intensity or what is often referred to as the capital intensity ratio. Capital intensity is the percentage of various types of capital used by a company to manage its financial strategy to help the company determine the combination of debt and equity that can improve the company optimally (Mufit & Handayani, 2025). Companies with larger capital tend to have a greater chance of avoiding taxes, as companies that invest in fixed assets will experience a higher depreciation burden, which can ultimately increase the company's tax liability (Prasetyo & Wulandari, 2021). Many companies that have fixed assets and inventory are often associated with capital intensity, the size of the wealth owned by a company can be seen from its fixed assets the greater the company's investment in fixed assets the higher the depreciation expense that must be borne, the expense will reduce the company's profits and will have a bad impact (Setiawan & Bayu Putra, 2024). According to (Ramdhania & Kinasih, 2021) and (Setiawati & Sunarmi, 2024) capital intensity has no effect on tax aggressiveness. Meanwhile, according to (Utomo & Fitria, 2020) capital intensity negatively affects tax aggressiveness. While research conducted by (Nadhifah, 2023) shows that capital intensity has a significant effect on tax aggressiveness.

The next factor that affects tax aggressiveness is Corporate Social Responsibility (CSR). CSR disclosure is a process of delivering information to show social responsibility, the level of Company awareness of the importance of CSR implementation in its operations can vary from company to company (Adrai & Perkasa, 2024). If companies realize the importance of CSR they will also understand how important the contribution of companies in paying taxes as part of their social responsibility (Nur Rahman & Uliya Sari, 2024). Each company has a different way of expressing CSR activities in their operations, if the company considers that CSR is important then the company will also appreciate the importance of contributing to taxes. CSR activities carried out by companies aim to be similar to tax responsibility, namely to improve welfare and show concern for social conditions around (Firdayanti & Kiswanto, 2020). CSR disclosures inevitably incur costs for companies because companies need to spend funds to carry out their responsibilities. The way the company manages these costs will also affect the calculation of tax revenue which will affect the amount of tax revenue (Wijaya & Santi, 2021). Companies are starting to take steps to reduce taxes in a more aggressive manner in order to avoid both costs. Such behavior is clearly not in accordance with existing norms in society, therefore, in order to hide such actions and change the views of society, the company seeks to fulfill its social obligations in a more significant way to society. Several previous studies have shown different results of the relationship between CSR to corporate aggressiveness. According to (Adharani & Junaidi, 2022) and (Vitaloka et al., 2023) CSR has no effect on tax aggressiveness. Meanwhile, research (Puspita & Putra, 2020) shows that CSR has a significant negative effect on tax aggressiveness. Research conducted by (Muniroh, 2018) shows that CSR has a positive effect on tax aggressiveness.

Seeing the inconsistency of the results of previous studies makes research iterested in reraising the topic of tax aggressiveness, but also tax aggressiveness is a very unique problem to be studied because tax aggressiveness is an activity that is contrary to the government that is able to reduce state revenue but on the other hand tax aggressiveness can be done by not violating the law. What distinguishes this study from previous research is that the First previous researchers generally use variables such as leverage, profitability, or company size as factors that affect taxes, in this study using financial distress, capital intensity and CSR variables simulatedly, most researchers only use two of these three variables or examine them separately. The second difference lies in the object and year of study. Some previous studies used non-manufacturing companies or mixed up entire sectors. This study specifically focuses on manufacturing sector companies listed on the Indonesia Stock Exchange. The reason for choosing a manufacturing company is because a manufacturing company is a large-scale company if compared with other companies so that it can compare companies with other companies and conduct research from 2019-2024, namely for 6 years because the greater the time span studied, the more accurate the research results.

Thus, the purpose of this study is to test and analyze empirically the effect of financial distress, capital intensity, and corporate social responsibility (CSR) on tax aggressiveness in manufacturing companies listed on the Indonesia Stock Exchange (IDX) during the period 2019-2024. This study aims to provide evidence on factors that encourage manufacturing companies to take tax aggressiveness actions, both from internal financial conditions and corporate social commitments. Specifically, the study will identify whether companies in financial hardship tend to be more aggressive in their tax practices, the extent to which capital intensity influences corporate tax decisions, and whether commitment to CSR can reduce or actually have no impact on the level of tax aggressiveness. The results of the study are expected to contribute to regulators in formulating more effective tax policies and for academics and practitioners in understanding the dynamics of corporate tax behavior.

2. METHODS

This research method uses quantitative methods, quantitative methods are structured scientific research on the parts and phenomena and their relationships. Quantitative research can also be interpreted as research that focuses on measuring and analyzing cause-and-effect relationships between various variables (Hardani, 2020). Quantitative research focuses more on numerical data processed using statistical methods to measure how much influence each factor has on tax aggressiveness (Wulandari, 2022). This type of research is descriptive which aims to describe or provide a clear picture of the phenomenon being examined without trying to change or manipulate existing variables. descriptive approach is the nature of research that describes a phenomenon accurately using data collected through a systematic process (Sahir, 2022). Population is the overall element in the study includes objects and subjects with certain characteristics and characteristics. The population in this study is all manufacturing companies listed on the Indonesia Stock Exchange (IDX) during the period 2019-2024 as many as 102 population. Sempel is part of the number and characteristics possessed by the population the method used for sampling is purposive sampling, namely sample selection is carried out by selecting a sample that is not random which is determined by several criteria that have been set, so that members of the population who do not match the criteria will be eliminated. The criteria set forth in the study are as follows:

1. The number of manufacturing companies listed on the IDX for the period 2019-2024. There are 228 manufacturing companies.
2. Manufacturing companies that are not listed on the IDX successively for the period 2019-2024. As many as 50 companies.
3. Companies that did not report finances during the 2019-2024 Research year. A total of 44 companies.
4. Manufacturing companies that issue financial statements in currencies other than rupiah for the period 2019-2024. A total of 30 companies
5. Manufacturing companies that suffered losses in the 2019-2024 Research year. A total of 35 companies.
6. Manufacturing companies that do not have variable completeness as a whole during the 2019-2024 period. A total of 52 companies

Based on the results of these criteria, 17 manufacturing companies listed on the Indonesia Stock Exchange in 2019-2024 were obtained.

Definition and operational variables

Dependent Variable

The dependent variable or often referred to as the dependent variable according to Sugiyono (2019) the dependent variable is a variable that is influenced or that becomes a result due to the existence of an independent variable. The dependent variable used in this study is tax aggressiveness. Tax aggressiveness is an action designed to reduce tax revenues through tax planning, including by using legal and illegal methods. Tax aggressiveness can be measured by utilizing the effective tax rate (ETR). ETR represents the actual rate applicable to income tax liabilities where it can be seen through how much tax will be paid. The higher the ETR, the lower the level of tax aggressiveness carried out by the company (Prastyatini & Trivita, 2023). This study has a variable tax aggressiveness given the notation AP, following the results of research that has been studied (Sugeng et al., 2020). In this study, the Effective Tax Rate (ETR) was chosen as a proxy to measure tax aggressiveness because ETR is able to reflect the actual tax rate paid by the company to profit before tax. The lower the value of the ETR, the higher the level of corporate tax aggressiveness, which indicates that the company managed to minimize its tax liabilities through various strategies. Tax aggressiveness variable (AP) can be measured through the following formula:

$$ETR = \frac{Income\ Tax\ Expense}{Income\ Before\ Tax}$$

Independent Variable

Financial Distress

Financial distress is a condition when a company experiences financial difficulties until it is unable to pay its obligations due to lack of funds. According to (Sari et al., 2022) financial distress generally occurs when a company's financial condition continues to deteriorate for several years. The measurement used to calculate financial distress is the Altman Z-Score. This Model is appropriate when used in developing countries and can be used in manufacturing and non-manufacturing industries because it provides a high level of accuracy and reliability. The measurements are as follows:

$$Z = 0{,}717XI + 0{,}847X2 + 3.107X3 + 0.420X4 + 0.998X5$$

Capital Intensity

Capital intensity or capital intensity is an investment activity carried out by a company related to investments in fixed assets. Fixed assets (fixed assets) are long-term assets that relatively have permanent properties such as machinery, equipment, buildings and land (Efrinal & Chandra, 2020). Capital intensity or fixed asset intensity ratio is a comparison between the company's total fixed assets and its total assets, this ratio shows the proportion of fixed assets to the company's total assets (Rusli, 2021). Capital intensity is measured using the ratio between net fixed assets divided by total assets, or it can be formulated as follows:

$$CI = \frac{\text{Total Fixed Assets}}{Total\ Assets}$$

Corporate Social Responsibility

Corporate Social Responsibility is a long-term commitment of the business world to act ethically and contribute to the development of the local economic community and society in general and improve the standard of living of its workers (Sima et al., 2023). CSR is measured by the index of Corporate Social Responsibility Disclosure Index (CSRDI) results of content analysis, based on indicators GRI (Global Reporting Initiative)-G4 which consists of 91 items. The CSR score is calculated by assigning a value of 1 if an item is disclosed, 0 otherwise, then adding them up and dividing by 91. GRI indicator was chosen because it is an international rule that has been followed by companies in the world (Novarina et al., 2020). Formulated as follows:

$$CSRDIj = \frac{\sum xij}{nj} x100\%$$

Data Analysis Techniques

This study adopts a quantitative approach by using multiple linear regression analysis to examine the effect of financial distress, capital intensity, and corporate social responsibility (CSR) variables on tax aggressiveness. Before regression analysis, descriptive analysis is performed to obtain an overview of the data and followed by classical assumptions such as normality, multicollinearity, and heteroscedasticity to ensure the regression model is valid. Multiple linear regression analysis is used to test the effect of the independent variables simultaneously (F test) and partial (t test), and measure the ability of the model to explain the variation of the dependent variable through the coefficient of determination. The entire process of data processing and analysis is carried out using SPSS software version 25.

3. FINDINGS AND DISCUSSION

Descriptive Analysis Results

Table 1. Descriptive Analysis Test Results

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Financial Distress	102	.9102	6.8186	2.797176	1.3942028
Capital Intensity	102	.0159	.7904	.398329	.2013731
CSR	102	.1538	.6813	.412196	.1092107
Agresivitas Pajak	102	.0195	.6297	.243882	.0919745
Valid N (listwise)	102				

Source: Data processed by SPSS 25

Based on the results of the above descriptive analysis test involving 102 data studied for each variable. It is known that the variable financial distress has a minimum value of 0.9102 and a maximum value of 6.8186 with an average of 2.797176. Capital intensity has a minimum value of 0.0159 and a maximum value of 0.7904 with an average of 0.7904. Corporate Social Responsibility has a minimum value of 0.1538 and a maximum value of 0.6813 with an average of 0.412196. Tax aggressiveness has a minimum value of 0.0195 and a maximum value of 0.6297 with an average of 0.243882.

Based on the results of a descriptive analysis of 102 manufacturing companies, the data showed significant variations among the variables studied. The average financial distress value of 2.797176 with a wide range of data (from 0.9102 to 6.8186) indicates that the sample of companies has a variety of financial conditions, ranging from stable to potentially difficult. The average capital intensity (0.398329) indicates that the average fixed assets of the company in the sample are relatively moderate. Meanwhile, the average value of Corporate Social Responsibility (CSR) of 0.412196 shows that in general, the level of disclosure of corporate social responsibility in the sample is at a fairly consistent level, although with a range that is not too wide. Finally, the average value of tax aggressiveness (0.243882) implies that on average, the companies in the sample show a not very high level of tax aggressiveness, although there remain companies with a more extreme level of tax aggressiveness (0.6297 maximum). This diversity of data is important as a basis for further regression analysis, where we can see how the independent variables (financial distress, capital intensity, and CSR) specifically affect variation in tax aggressiveness.

Classical Assumption Test

Normality Test

Table 2. Normalitis Test Results

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		102
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	.01941524
Most Extreme Differences	Absolute	.082
	Positive	.082
	Negative	-.065
Test Statistic		.082
Asymp. Sig. (2-tailed)		.090[c]

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

Source: Data processed by SPSS 25

Normality test results on variable m using Kolmogorov - smirnov test showed the value of Asymmp. Sig (2-Tailed) is greater than 0.05. It can be concluded that the data in this study can be said to be normally distributed.

Multicollinearity Test

Table 3. Multicollinearity Test Result

Coefficients[a]			
		Collinearity Statistics	
Model		Tolerance	VIF
1	Financial Distress	.841	1.188
	Capital Intensity	.782	1.280
	CSR	.904	1.106

Source: Data processed by SPSS 25

Multicollinearity test results above, the results obtained for variables X1, X2, X3 against variable Y showed Tolerance >0.1 and the value of variance inflation factor (VIF) <10 it can be concluded that there is no multicollinearity problem.

Heteroscedasticity Test

Coefficients[a]						
		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	.024	.006		3.834	.000
	CSR	-.011	.013	-.092	-.884	.379
	FD	-.001	.001	-.128	-1.176	.242
	CI	-.004	.007	-.055	-.492	.624
a. Dependent Variable: ABS_RES						

Source: Data processed by SPSS 25

Heteroscedasticity test results of variables X1, X2, X3 against y does not occur heteroscedasticity problems because the value of GIS >0.05.

Multiple Linear Regression Analysis

Obtained model equation as follows:

Y = a + b1.x1 + b2.x2 + b3.x3+et

Description:

X1 : *Financial Distress*

X2 : *Capital Intensity*

X3 : *Corporate social responsibility*

Y : Tax Aggressiveness

A : Konstanta

b1,b2 : Regression coefficient values

et : Standar error

Table 5. Multiple Linear Regression Analysis Result

Coefficients[a]

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	.268	.009		28.814	.000
	Financial Distress	-.009	.001	-.493	-6.171	.000
	Capital Intensity	.057	.012	.448	4.553	.000
	CSR.1	-.055	.018	-.285	-3.021	.003

a. Dependent Variable: Y.AP

Source: Data processed by SPSS 25

Y = 0.268 + (-0.009) + 0.057 + (-0.055) + et

From the above equation can be concluded as follows:

1. The value of a is a constant (constant) of 0.268 with a positive sign stating that the variable X1, X2, X3 is considered constant then the value of Y is 0.268
2. The value of the regression coefficient X1 of -0.009 is negative (-), it can be interpreted that if the variable X1 increases, the variable Y decreases..
3. The value of the regression coefficient X2 of 0.057 is positive (+), it can be interpreted that if the variable X2 increases, the variable Y also increases.
4. The value of regression coefficient X3 of -0.055 is negative (-), it can be interpreted that if the variable X3 increases, the variable Y decreases.

Based on the results of the regression analysis provided, the real implications of these findings indicate a complex and diverse relationship between certain factors with corporate tax aggressiveness. Overall, this model indicates that without the influence of independent variables, tax aggressiveness has a baseline value of 0.268, which indicates the existence of an existing level of tax aggressiveness. Furthermore, the most significant finding is the inverse relationship between Financial Distress and CSR with tax aggressiveness. This implies that when companies face financial distress, they tend to reduce tax aggressiveness, possibly to avoid additional risks or to focus resources on improving financial conditions. Similarly, companies that have a high level of Corporate Social Responsibility (CSR) tend to exhibit lower tax aggressiveness, indicating an ethical commitment and better compliance with tax obligations. On the contrary, the positive result of the Capital Intensity coefficient indicates that companies with high capital assets tend to be more aggressive in taxes, which can be due to the need to maximize the net profit from their large investments. The practical implication of these findings is that governments and tax regulators can use indicators such as financial hardship, capital intensity, and CSR levels to predict and mitigate the risk of tax aggressiveness, so as to design more targeted policies to improve tax compliance.

Hypothesis Test

Partial t test

Picture 6. Partial t test Result

Coefficients[a]

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	.268	.009		28.814	.000
	Financial Distress	-.009	.001	-.493	-6.171	.000
	Capital Intensity	.057	.012	.448	4.553	.000
	CSR.1	-.055	.018	-.285	-3.021	.003

a. Dependent Variable: Y.AP

Source: Data processed by SPSS 25

1) financial distress variable negative and significant effect on tax aggressiveness

2) variable corporate intensity positive and significant effect on tax aggressiveness

3) CSR variables have a negative and significant effect on tax aggressiveness

Simultaneous f-test

Picture 7. Simultaneous f-test Result

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.030	3	.010	27.825	.000[b]
	Residual	.035	98	.000		
	Total	.066	101			

a. Dependent Variable: Y.AP

b. Predictors: (Constant), CSR.1, Financial Distress, Capital Intensity

Source: Data processed by SPSS 25

Financial distress, corporate intensity, and csr variables simultaneously affect tax aggressiveness seen from the value of f and its significance (<0.05).

Determination test

Picture 8. Determination test Result

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.678[a]	.460	.443	.0190202

a. Predictors: (Constant), CSR.1, Financial Distress, Capital Intensity

b. Dependent Variable: Y.AP

Source: Data processed by SPSS 25

Based on Table 9, the value of the coefficient of determination (R Square) is 0.460. This means that 46.0% of the variation of the dependent variable can be explained by the independent variable. The remaining 54.0% variation (100% - 46%) is explained by other factors outside this research model such as profitability, Leverage and company value. The R Square value of 0.460 is categorized as moderate, because it is between 0.330 and 0.670. This shows that this regression model has a fairly strong predictive ability, but there are still other significant factors that are not included in the model.

Discussion

Effect of Financial Distress on tax aggressiveness

Effect of Financial Distress on tax aggressiveness The results of the t test contained in Table 6 show that financial distress has a efficiency value of -0.009 with a t value of -6.171 and a significance level of 0.000. Because this sifnification value is below the significance limit of 0.05, it can be concluded that financial distress has a negative and significant effect on tax aggressiveness. negative regression coefficients indicate a negative relationship between financial distress and tax aggressiveness. that is, the higher the level of financial difficulties experienced by the company, the lower the company's tendency to tax aggressiveness. This is in line with research (Permata et al., 2021) which states that the greater the level of financial difficulties faced by the company, the tendency of the company to conduct an aggressive tax strategy will decrease.

This can be explained through the agency theory which states that there is a potential conflict of interest between the owner (principal) and the manager (agent). In conditions of financial distress managers tend to be more careful in making decisions that can increase risk, including in terms of taxation. When the company is experiencing financial stress the manager will most likely avoid acts of tax aggressiveness. In Islam, the management of property and business should be based on the principle of prudence (ihtiyat) and avoid actions that are high-risk or detrimental to other parties, including the government and society. Tax aggressiveness, which often involves accounting manipulation or evasion of obligations, can be considered as actions that are not in line with Islamic Business Ethics that uphold justice ('adl), honesty (sidq), and responsibility (amanah). The finding that companies experiencing financial difficulties tend to lower tax aggressiveness is in line with this principle, as it indicates a tendency for managers to be more cautious and risk averse (as explained by agency theory), which is in line with Islamic teachings that advocate wise and unhurried management of assets. In other words, financial hardship indirectly encourages behavior that is more in line with Sharia principles in terms of tax compliance.

Effect of Capital Intensity on tax aggressiveness

The results of the t test contained in Table 6 showed that the capital intensity variable has a positive and significant effect on tax aggressiveness with a coefficient value of 0.057 and a calculated t value of 4.553 and a significance value of 0.000. Which means that the higher the company's capital itensity, the higher the company's tendency to tax aggressiveness. this is in line with research (Zahara et al., 2025) which states that the greater the amount of fixed assets owned by the company, the greater the depreciation costs that can be used to reduce the tax burden. Thus, the company's opportunity to practice tax evasion becomes higher.

This result is in line with agency theory which explains that managers as agents have a tendency to maximize profits for the company as well as themselves. Companies with large fixed assets usually have greater flexibility in tax planning and are better able to exploit tax regulatory gaps. From the perspective of Islamic Economics, the practice of tax aggressiveness, although legal, could be considered unethical or even contrary to sharia principles. In Islam, taxes (or kharaj and jizya in the past) are seen as obligations that must be fulfilled to support the public welfare (maslahah ammah). Attempts to aggressively reduce or avoid paying taxes, while not violating secular law, can be viewed as a form of dishonesty (ghishsh) and detrimental to society at large, as it reduces funds that should be used for development and public services. The principles of Justice ('adl) and honesty (amanah) in Islam assert that business entities must be socially and economically responsible, which includes fulfilling their fiscal obligations without seeking adverse loopholes. Therefore, this study provides a foundation for further discussion of corporate responsibility, not only in terms of legality, but also in terms of ethics and morality, particularly in the context of Islamic Business.

Effect of Corporate Social Responsibility on tax aggressiveness

The results of the t test contained in Table 6 shows that CSR has a coefficient value of -0.005 and a calculated t value of -3.021 and a significant value of 0.003. Which means that the higher the level of CSR implementation by the company, the lower the company's tendency to tax aggressiveness. This is in line with research conducted by (Braditya & Supadmi, 2024) which states that companies with low levels of CSR disclosure tend to be more aggressive in implementing various strategies to reduce the amount of tax to be paid.

These results are in line with agency theory which highlights the potential for conflict between owners and managers. Companies that are active in CSR activities are generally more open to public scrutiny and try to maintain a positive image in the eyes of stakeholders. In addition, companies that are highly committed to CSR usually prioritize compliance with regulations and business ethics which naturally reduces the urge to avoid tax aggressiveness. In Islam, the concept of Corporate Social Responsibility (CSR) is not only seen as a tool to gain legitimacy from society, but as an integral part of a just and ethical muamalah (social interaction). Tax aggressiveness is contrary to the principles of Justice ('adl) and honesty (amanah) in Islam. By avoiding the proper payment of taxes, companies harm not only the state but also Society at large, which should be the main focus in any economic activity. The finding that the higher the level of CSR, the lower the aggressiveness of the tax, aligned with the Islamic view that companies that perform their functions responsibly will comply with the rules and obligations, including paying taxes. This shows that a high awareness of ethics and social responsibility, as emphasized in Islamic teachings, can encourage more transparent and responsible business practices, in line with the goal of maslahah (common welfare) which is at the core of the Islamic economy.

Effect of Financial Distress, Capital Itensity, and CSR on tax aggressiveness

Based on the test results obtained Niali F count of 27.825 with a significance level of 0.000. Because the significance value is smaller than 0.05, it can be concluded that fiancial distress, capital itensity, and CSR in a simulated significant effect on tax aggressiveness. This result shows that the combination of these three variables together can explain the variation in the level of tax aggressiveness carried out by the company. In other words, financial distress, capital itensity, and CSR all have a significant role in shaping corporate tax policy. This is in line with research conducted by (Prameswari & Budyastuti, 2023) and (Firdianti & Damayanti, 2022) although only testing some variables in simulation shows that each variable such as financial distress, capital itensity and CSR has a significant effect on tax aggressiveness.

In the context of agency theory, this reinforces the understanding that the behavior of managers in terms of tax planning is strongly influenced by internal company conditions such as financial distress and capital itensity as well as external pressures such as CSR-related stakeholders. Managers as agents will consider these various factors in determining the extent to which they dare to commit acts of tax aggressiveness.

The implication of this study is that companies tend to practice tax aggressiveness in response to various internal and external conditions. Companies in financial distress may use tax aggressiveness as a strategy to increase cash and improve profitability. Meanwhile, the high capital intensity may encourage companies to look for ways to reduce the tax burden in order to balance the large investments that have been made. The existence of a good CSR implementation can actually trigger tax aggressiveness as an effort to fund these social activities or as compensation for costs incurred. Therefore, this study gives an idea that corporate tax policy does not stand alone, but rather is the result of a complex interaction between financial condition, asset structure, and corporate social responsibility. The findings are important for tax regulators to better understand corporate motivations and develop more effective policies to monitor and prevent tax aggressiveness practices.

4. CONCLUSION

Based on the results of the company's analysis, it can be concluded that financial distress has a negative and significant influence on the aggressiveness of the manufacturing company tax in 2019-2024. Furthermore, capital itensity has a positive and significant influence on the aggressiveness of the manufacturing company tax in 2019-2024. Furthermore, financial distress has a negative and significant influence on the aggressiveness of the manufacturing company tax in 2019-2024. Simulatedly, there is a significant influence of financial distress, capital itensity and CSR on the aggressiveness of manufacturing company tax 2019-2024.

This study has limitations that can be refined by subsequent researchers such as this study is limited by the influence of internal factors, namely financial distress, capital itensity and external factors, namely CSR on the aggressiveness of manufacturing company tax listed on the IDX. Therefore, it is expected that further researchers can examine more deeply using other variables that have not been used in this study such as profitability, company size, leverage, managerial ownership and others.

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