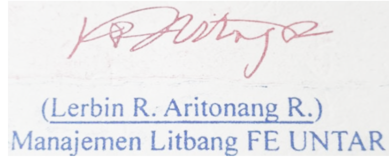

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PLS3 on data of all manufacturing companies with purposive samples between 2015 and 2017. This study reveals that accounting irregularities have no effect on tax aggressiveness in the periods before and after the tax-amnesty. Keywords: accounting irregularities, tax aggressiveness, tax amnesty 1. INTRODUCTION Tax aggressiveness from global companies that occurred in the European Union is estimated to cause losses to the European Union of € 1 trillion or as much as IDR 12,000 trillion in 2012. At the end of 2012, the British tax-body HM Revenue and Customs (HMRC) found an effort to tax aggressiveness carried out and structured by a global company that is a coffee shop franchisor originating from the United States, Starbucks. The British Parliament found the franchisor's financial statements stating a loss of ₤ 112 million or equivalent to IDR 1.7 trillion during 2008-2010 and did not pay corporate income-tax in 2011. In 2012, Starbucks had to increase tax payments to the British government by € 20 million after paying taxes of € 8.6 million [12]. Tax aggressiveness also occurs in the internet giant from the United States, Google. Google's revenue in Indonesia is estimated to reach trillions of Rupiah, but the Google Company has not paid taxes on transactions that have been carried out in Indonesia. In November 30th, 2017, the Directorate General of Taxes (DGT) of the Indonesia Ministry of Finance stated that Google has paid its 2015 tax obligations consisting of Value-Added Tax and Income Tax. According to Ken Dwijugiasteadi as the General Director of Taxes at that time, the amount of tax paid by Google was in accordance with the provisions and there was no deduction from the amount of tax that had to be paid by Google. Muhammad Haniv, as Head of the Jakarta Regional Directorate General of Taxes Office at the time, said that Google's 2016 tax payments would be made in the next self- assessment in accordance with applicable tax provisions [13]. From this phenomenon, it was concluded that Starbucks and Google's corporate-tax problems were caused by the aggressive tax-planning practices. This is based on Darussalam's opinion from the Danny Darussalam Tax Center (DDTC) [14]. The tax itself has a very important role in the life of the state, especially in continuing the national development, because tax is a source of revenue for the state which is used to finance the majority of state expenditures. On the other hand, for companies, taxes are a burden that must be paid by them to the state which will reduce their profit and net income in the period. Thus, these conditions will not infrequently lead to companies looking for loopholes or ways to reduce the tax burden that must be paid and be aggressive in taxation as the wishes of shareholders [2]. [3] suggested that tax aggressiveness is the act of manipulating taxable income through tax planning, using a method that is more aggressive than the tax avoidance method which is still considered legal. However, it is still not indicated as an illegal way (tax evasion). Aggressive tax reporting is closely related to aggressive financial reporting through accounting irregularities. [9] stated that companies are considered to be carrying out aggressive tax reporting, if they use more loopholes or more savings made in taxation. Numbers of studies on tax aggressiveness, including [3] and [7] concluded that the aggressiveness of financial reporting has a positive and significant effect on tax aggressiveness. However, this study is different, because this study compares the momentum before the tax amnesty and after the tax amnesty in 2016. This research on tax aggressiveness was carried out, because it observed the performance of the Indonesian government in tightening the tax regulations, especially in tax revenue so that this research was conducted with the aim to find out the level of tax aggressiveness in Indonesia among manufacturing companies listed in the Indonesia Stock Exchange (IDX) before and after the tax amnesty that will have an impact on tax revenue in Indonesia. Based on the background of the problems above, the current problem is that companies are increasingly aggressive in reducing corporate-tax burdens so that the identification of problems in this study is to determine the effect of accounting irregularities on company aggressiveness. 30 The selection of the consumption industry sector as the sample in this study is because manufacturing companies still dominate the economy in Indonesia. 2. LITERATURE REVIEW Agency theory [6] is explained as a relationship that arises because of a contract between the principal and the agent. The principal (owner) gives a job to the agent (manager). The parties are the shareholders, and the agents are the company's management. The essence of this agency relationship is the separation of functions between shareholders and company’s management. A company is an organization consisting of several shareholders who control their own company and some are entrusted to a management / manager. Shareholders who control their own company will be able to meet all their needs and desires through the performance generated by themselves. Conversely, if a shareholder entrusts the company to management, it can cause the agency problems. Agency problem is a condition that occurs between shareholders and management within a company, in which there are differences in goals and interests between them. In addition, management as a party within the company has more complete information than do shareholders as outsiders. Agency problems that occur between shareholders and management in a company are because shareholders cannot monitor the activities carried out by managers daily, so shareholders cannot ensure that managers have worked in accordance with their interests. Shareholders also do not have enough information about the performance of managers, while managers have more information, both about their capacity and work environment, as well as information about the company as a whole. This shows that the information held by shareholders and managers becomes unbalanced (there are information asymmetries). This unbalanced information creates an opportunity for management to take advantage of the limited information possessed by shareholders by acting not in accordance with the wishes of the shareholders whereas such actions can be categorized as moral hazard. For example, when the bonuses that will be obtained by managers are sourced from accounting profits, the manager will increase accounting profits so that the bonus received by the manager will be greater and shareholder wealth will decrease. Moral hazard is a type of information asymmetry in which some parties can observe their own actions in a business transaction, while others can not [10]. 2.1 Tax Aggressiveness Tax aggressiveness is a common thing among large and small companies throughout the world. The company considers tax as an additional cost that can reduce its profits. The purpose of conducting tax aggressiveness is to minimize the corporate-taxes, where such actions can be detrimental to the government but favored by the owners and managers. It was said by [1] that companies are involved in various forms of tax planning to reduce the estimated tax-liabilities. According to [2] and [3], tax aggressiveness is a corporate action aimed at reducing taxable-income through legal tax planning (tax avoidance) or illegal tax planning (tax evasion). Tax planning is considered illegal, but there are still many companies that reduce the burden of income tax, so they are considered to be more aggressive towards tax planning. Expenses must have a contribution to income, but in reality, it is the income that contributes to the taxes, so the correlation is reversed. This is just like dividends that are not an expense, because dividends are the distribution of the company's prosperity to shareholders. Therefore, companies tend to make various tax evasion or savings in order to increase the value of the company [4]. According to [2], there are several benefits obtained from tax-aggressiveness measures, in which both of the the benefits are obtained by shareholders and management. The first benefit is the tax savings paid by company to the government, which causes the portion enjoyed by shareholders become greater due to the tax-saving action. The second benefit is the existence of compensation or bonuses given by shareholders to managers for the tax-aggressiveness actions taken by management that provide benefits for shareholders. The third benefit is the opportunity for management to make rent extraction which is to maximize personal profit, but not shareholders' profit in the form of aggressive financial statement preparation. In addition to benefiting from the tax-saving activities, the loss from the tax aggressiveness for the company is the possibility to get sanctions from the tax office in the form of fines, as well as a decline in the company's stock price, because other shareholders are aware of tax aggressiveness actions taken by the management. This happens because for the government, tax aggressiveness is an action that will reduce state revenue from the tax sector [2]. 2.2 Accounting Irregularities Accounting irregularities is a term of accounting practice that is not in accordance with the law and the practice of accounting professional rules that deliberately have the intention to deceive. Accounting irregularities are misstatements in the financial statements, when important information in the financial statements is omitted. The company must issue periodic financial statements as a form of accountability to shareholders. The financial statement component becomes the center of attention and is used as a reference in evaluating the company's performance through the company's profit figure, whereas information on the company's profit-level is relatively easy to obtain and is able to produce economic value at present and in the future [7]. The management's activities in increasing the company's profit can be done through earnings management, which is appropriate or not in accordance with generally accepted accounting principles. These activities can be categorized as financial reporting aggressiveness which are accounting irregularities. [8] also suggested that the evidence for earnings management from descriptive research is to look at the following indications: (a) rarely - low loss, (b) general - low income, (c) rarely - slight decrease in earnings, (d) general - a slight increase in profit, (e) a lot - meet even exceeding a few consensus forecasting numbers, and (f) rarely - miss the consensus forecasting number. Previously, [8] also suggested that the majority of cases of misuse of earnings management were in the form of lying, especially to external accountants of the company or banker, misstatement, and did not disclose important material facts. Examples provided by the SEC that leads to jail-risk include: disposing of copies of invoices, creating fake documents, inserting fake items in inventory, fake bookkeeping, reversing the date of the agreement, changing the time / time on the computer, and legal documents being scanned for then changed. 2.3. Hypothesis Development Companies as taxpayer agencies often do not comply with applicable tax regulations with the aim of making tax savings, even more so with the agency problems that can trigger tax savings [6]. The company as a public entity is required to make periodic financial statements as a form of corporate responsibility to its shareholders. The financial statement component that is the center of attention and used as a reference for evaluating company performance is the company's profit, because the information on the level of company’s profit is relatively easy to obtain and considered capable of producing economic value at present and in the future. The importance of earnings for the users of financial statements makes the company’s management tends to report large profits to satisfy the users of financial statements. The activities to increase corporate profits through earnings management are carried out by the company’s management, whether appropriate or not in accordance with the applicable accounting principles, are known as financial reporting aggressiveness [3]. The aggressiveness of financial reporting in this study will be further discussed in terms of accounting irregularities. Accounting irregularities is a term of accounting practice that is not in accordance with the law and the practice of accounting professional rules that deliberately have the intention to deceive. Accounting irregularities are misstatements in the financial statements, or important information that is omitted whereas this action can be carried out with earnings management, whether appropriate or not in accordance with the applicable accounting principles. The more management carries out earnings management, then it can be said that the more companies conduct accounting irregularities. It can be concluded that earnings management is part of the accounting irregularities. Companies that conduct a lot of accounting irregularities are considered as those with the most tax aggressiveness. Accounting irregularities actions can be done through earnings management. The company's management conducts earnings management by reducing the value of the company's taxable-income, so that the tax paid by the company becomes less and the profits earned by the company and its shareholders become even greater. Therefore, accounting irregularities are thought to have a relationship with tax aggressiveness. Agency theory is a relationship that arises because of a contract between the shareholders and management. Agency problems will arise, if shareholders entrust their company to management, and information asymmetry occurs between the two parties. Information asymmetry between management and shareholders occurs, because the information held by each party is not balanced. Therefore, management can act not in accordance with the wishes of the shareholders, which means that the management performs moral hazard by utilizing the information asymmetry. Accounting irregularities are misstatements in financial statements that can be done through earnings management actions. Earnings management is used to manipulate the financial statements. Management performs earnings management by reducing the company's taxable-income, so that the taxes to be paid by the company become smaller and the profits earned by the company and its shareholders become larger. The more earnings management done by management in reducing the company's taxable income, the company is considered more aggressive in taxation. Therefore, it can be concluded that accounting irregularities have a positive effect on tax aggressiveness. Research related to accounting irregularities has been conducted in Indonesia by [7] who tested the aggressiveness of financial reporting on tax aggressiveness. The results show that there was a positive and significant correlation between earnings management and tax management. On the other hand, there was a study conducted by [5] about the effect of accounting irregularities on tax aggressiveness, whose results show that accounting irregularities has a positive, but not significant, effect on tax aggressiveness. Based on the results of previous studies, that have not been consistent, the hypothesis developed in this study is: H1: Accounting irregularities have a positive and significant effect on tax aggressiveness. 3. RESEARCH METHOD The population as the subject of this study are all manufacturing companies listed in the Indonesia Stock Exchange (IDX) in the consumer goods sector during 2015- 2017. The period used in this study is 2015 as the observation period before the tax amnesty, and 2017 as the observation period after the tax amnesty. The sample selection was done by using purposive-sampling method, namely the selection of samples with certain criteria that are tailored to the objectives or research problems. The sample selection criteria used in this study are: 1) Companies that did not experience an Initial Public Offering (IPO), delisting, or relisting during the 2015- 2017 period. 2) Companies that did not experience a merger during the 2015-2017 period. 3) Companies that did not move from the manufacturing sector to other sectors during the 2015-2017 period. 4) Companies that are not State-Owned Enterprises (SOEs), because according to the Minister of SOEs held at the time by Mr. Sofyan Djalil, the SOE Tabel 1

The Variables Used in This Study companies did not take tax-avoidance actions including tax aggressiveness, because they are very compliant in paying taxes [11]. In this study, the variables used consist of an independent variable, namely accounting irregularities and a dependent variable, tax aggressiveness, as well as two control variables of leverage and profitability as shown in Table 1 below. No Variable Indicator Scale 1 Accounting Irregularities (AI) (Hashim et al., 2016) $AI = -4.840 + (CLLI + CLI + ALI + LCI + CCLI$ + Ratio $LCAI + LVCI + LALA)$ where: $NRt\ CLLI = RNaRlet{-}rt_1\ Ralert{-}_1$ where: DSRI = Days Sales receiveable Index NR = Net Receiveable $(Ralert{-}_1{-}\ CNGRt{-}_1)\ CLI = (\ RaleRartle{-}rtC{-}N_1GRt\ )\ Ralert$ where: GMI = Gross Margin Index 1 − $CAt{+}NNCt\ {+}Recrririert\ AALI = RArt\ CAt{-}_1{+}NNCt{-}_1{+}Recrrirert{-}_1$ 1 − $RArt{-}_1$ where: AQI = Asset Quality Index CA = Current Assets TAs = Total Aset $Laldsr\ LLCI = Laldsr{-}_1$ where: SGI = Sales Growth Index $Cenreciarinnt{-}_1\ CCLI = NNCt{-}C_1e{+}nCreenciraerciinanrtinnt{-}_1$ where: $NNCt + Cenreciarinnt$ DEPI = Depreciation Index $RGACt\ LCAI = RRGaAlCetr{-}t_1\ Ralert{-}_1$ where: SGAI = Selling General and Administrative Expense Index SGAE = Sales General and Administrative Expenses $CLt\ {+}RLRCt\ LVCI = CLt{-}_1\ R{+}ARrLtRCt{-}_1\ RArt{-}_1$ where: LVGI = Leverage Index CL = Current Liabilities TLTD = Total Long Term Debt $ICCLr - CCCLr\ LALA =$ where: LAs TATA = Total Accruals to Total Assets IFCO = Income from Continuing Operations 2 Tax Amnesty 3 Leverage (LEV) (Djeni et al., 2016) 4 Profitability (EARN) (Hashim et al., 2016) 5 Tax aggressiveness (TAgg) (Frank et al., 2009) CFFO = Cash Flow from Operations Score 0 = before entering the tax amnesty program Score 1 = after participating in the tax amnesty program $Llsal\ liaailisids\ LCV = Llsal\ Assdss\ CALL = CAL$ where: $LLLAL\ ALLCLL$ EAT = Earnings After Tax $LCLLCICCir = \alpha_0 + \alpha_1\ ILLALCir + \alpha_2 LIir + \alpha_3 CLLCir + \alpha_4 \Delta LLLir + \varepsilon ir$ whereas: PERMDIFF = permanent different INTANG = intangible assets MI = profit / loss for non controlling interest. CSTE = current tax ΔNOL =fiscal loss compensation εit = DTAX The equation of multiple linear regression that will be used in this study is as follow: $LAggir = \alpha$ + ß1$AIir$ + ß2$LCVir$ + ß3$CALLir$ Note: + ß4$dLAlldssyi$ + εir TAgg = Aggressive corporate tax i year t AI = Accounting company irregularities i year t LEV = Company leverage i year t EARN = Company profitability i year t dTAmnesty = Dummy variable year of tax amnesty 4. RESULTS This study discusses the influence of accounting irregularities on corporate tax aggressiveness before and after the tax amnesty. The research subject that will be used Nominal Ratio Ratio Ratio in this study is in the form of secondary data derived from the financial statements of manufacturing companies listed in the Stock Exchange during the year of 2015 and 2017 periods. There are currently 129 manufacturing companies listed in the IDX. From the 129 companies, a sample selection was done by using purposive-sampling method so that we obtained 115 samples times 2 periods, thus the total observation is 230 data. The financial statement data used in this research was obtained from the IDX website, namely www.idx.co.id. In this research, the descriptive statistical tests were carried out which aimed to describe the variables of the research by using SPSS version 23. These descriptive statistical tests calculate the minimum, maximum, mean, and standard deviation values. Following are the results of descriptive statistical tests for each variable as presented in Table 2. Tabel 2 The Descriptive Statistical Test Results for the Period of 2015 and 2017 Minimum Maximum Mean Std. Deviation AI LEV EARN DTAX -4835.26 .04 -.28 -.20 -4821.74 4.98 .37 .36 -4832.45 .58 .03 .00 1.69 .57 .09 .05 N 115 AI LEV EARN DTAX -4851.63 .08 -.38 -.20 -4789.42 5.07 .72 3.49 -4832.45 .57 .04 .00 4.75 .57 .11 .45 N 115 Source: Results of Data Processing Using SPSS 21.0. Based on Table 2 for the period before the tax amnesty (2015), the independent variable AI has a minimum value of -4835.26 originating from PT Jakarta Kyoei Steel Works Tbk in 2015, and -4851.63 for PT Keramika Indonesia

Association Tbk in 2017. The maximum value of AI variable is -4821.74 from PT Pelangi Indah CanindoTbk for the period before the tax amnesty, and PT Jakarta Kyoei Steel Works Tbk is a company that has a maximum value in the AI variable for the period after the tax amnesty. The average value in the period before and after the tax amnesty are the same value, that is equal to -4832.45, which means that companies are not detected doing accounting irregularities in the two observation periods in this study. The standard deviations of AI variables are 1.69 and 4.75, respectively. This value shows that in the period before and after the tax amnesty, the data of companies that carry out accounting irregularities varies greatly in the period after the tax amnesty. Furthermore, the control variables used in this study are (1) LEV has a minimum value derived from PT Inti Agri Resorts Tbk in 2015 which shows that the company used the least debt to finance its assets. The maximum value that comes from PT Asia Pacific Fibers Tbk in 2017 means that the company mostly used debt to finance its assets. The average value shows that in 2015 and 2017, the average company that used debt to finance its assets is still very small. The standard deviation values indicate that the values are the same between 2015 and 2017, so it can be concluded that the LEV variable has homogeneous or non-variable data. (2) EARN which has a minimum value is derived from PT Inti Keramik Alam Asri Industri Tbk. in 2015, which shows that the company had the lowest profit-rate for the year. The maximum value derived from PT Unilever Indonesia Tbk in 2017, means the company had the highest profit-rate in 2017. The standard deviation in 2017 has a value greater than that in 2015. This value indicates that the data from the EARN variable varies greatly. The DTAX dependent variable has a minimum value of - 0.20 originating from PT Mandom Indonesia Tbk in 2015, which shows that in the period before the tax amnesty, the company at least had carried out tax aggressiveness. On the other hand, the maximum value of DTAX is 0.36 which also comes from PT Asia Pacific Fibers Tbk., which shows that the company is the bravest in carrying out tax aggressiveness in the period before tax amnesty. PT Indah Kiat Pulp & Paper Tbk. and PT Prasidha Aneka Niaga Tbk. have the lowest and highest DTAX variable values of -0.20 and 3.49 in the period after the tax amnesty. The average value for the DTAX variable during the period before and after the tax amnesty is 0.00, which indicates that the company in this study has not carried out tax aggressiveness. The standard deviation value of the DTAX variable for the period after the tax amnesty is greater than that of before the tax amnesty. This means that the DTAX variable after the tax amnesty period has very variable data compared to that before the tax amnesty. In contrast to SPSS version 23, using SmartPLS 3.0 will have no difficulty in getting data that is normally distributed. SmartPLS 3.0 uses the bootsraping method or random multiplication so that the assumption of normality will not be a problem. The DTAX determination coefficient shows the result of Adjusted R-Square is 0.008 or equal to 0.8%, which is included in the very weak category. The results of data processing provide an understanding that accounting irregularities, along with the leverage and profitability as control variables, affect the tax aggressiveness variable among the manufacturing companies listed in the IDX before and after the tax amnesty by 0.8%, while the remaining 99.2% is influenced by other variables out of this research model, such as independent commissioner, company size, capital intensity, and corporate social responsibility (CSR). The result of data processing using the blindfolding procedure by SmartPLS show the predictive relevance (Q^2) of -0.041. This result indicates that the structural model in this study has no predictive relevance, because it shows the values less than zero (0) and negative. Next is the result of hypothesis testing in this study, which will be displayed in the research model and the results of bootstrapping processing, in Figure 1 and Table 3 as follows: Source: Data Processing Results Using

SmartPLS 3.0 Figure 1 The Result of Research Model Table 3 Path Coefficient and p-Values Sample (O) Mean (M) Original Sample Standard Deviation T Statistics (STDEV) (O/STDEV) p-Values VIF AI → DTAX 0.146 0.114 0.147 0.990 0.323 1,039 LEV →DTAX 0.067 0.095 EARN →DTAX 0.001 0.000 dTAmnesty→ $CLAX$ 0.006 -0.076 Source: Data Bootstrapping Processing Results Using SmartPLS 3.0. Based on Table 3, it can be seen that the accounting irregularities variable has t-statistics value of 0.990 and p- value of 0.323. This result shows that the value of t-statistics is less than t-table (0.990 < 1.64) and the p-value is greater than 0.05, thus H_1 was rejected. This means that accounting irregularities do not affect the tax aggressiveness. This result is also the same for the tax-amnesty variable, whereas the t-statistics value is less than t-table (0.032 < 1.64) and the p-value is greater than 0.05. The control variables in Table 3 are leverage and profitability. Based on Table 3, leverage and profitability has t-statistics values less than t-table and the p-values are greater than 0.05. This means that the leverage and profitability as control variables do not affect tax aggressiveness. 5. DISCUSSION The discussion in this study is about the effect of accounting irregularities on tax aggressiveness with leverage and profitability as control variables. This research was conducted among manufacturing companies listed in the IDX during the periods before and after the tax amnesty. The result shows that the t-statistics value of 0.990 (greater than 1.64), means that H1 was rejected. Thus, it can be concluded that accounting irregularities do not affect the tax aggressiveness. The result of this hypothesis test is consistent with the research conducted by [5] about the effect of accounting irregularities on tax aggressiveness, whereas the research concluded that accounting irregularities do not positively affect tax aggressiveness. However, the result of this study does not support the research conducted by [7] about the aggressiveness of financial reporting on tax aggressiveness, which concluded that the aggressiveness of financial reporting has a positive and significant effect on tax aggressiveness. The result of this study is supported from the calculations based on Table 2, which can be concluded that the average company sampled in this study did not conduct the accounting irregularities. This can be seen from the average value of the AI variable, which shows a negative value, whereas the company that is indicated conducting the accounting irregularities has a positive value in the AI variable. The result of this study is also in line with the research results of [15], which revealed that accounting irregularities with tax aggressiveness are still different in terms of users of the objectives and targets of financial reporting and tax reporting. The purpose of accounting deviation is to satisfy the users of financial statements whereas management will report the profits of large companies through earnings management, whether or not they are in accordance with the applicable accounting principles. 0.097 0.685 0.034 0.030 0.197 0.032 0.493 1,213 0.976 1,185 0.974 Meanwhile, the purpose of conducting tax aggressiveness is to reduce the taxable-income so that the tax that must be paid by the company becomes smaller [5]. Both accounting irregularities and tax aggressiveness are unethical behaviors, and utilize the information asymmetry between shareholders and management. 6. CONCLUSIONS This study aimed to obtain empirical evidence about accounting irregularities that significantly influence tax aggressiveness in the period before and after the tax- amnesty. However, this study has not obtained an empirical evidence that accounting irregularities have an influence on tax aggressiveness in such periods. This research contained with several limitations such as: a. The data analysis and hypothesis test in this study used the SmartPLS 3.0 program, because the data used in this study was not normally distributed. So, it did not meet the test criteria when using the SPSS version 23. b. The observation period is still very short, namely only 1 period before the tax amnesty (2015) and 1 period after the tax amnesty (2017). Based on the existing limitations, the suggestions that can be given to further researchers are: a. Increasing the sample amount by adding more sectors, such as trade, services, investment, mining, banking, agriculture, and so on. b. Adding independent variables in the study or adding control variables that are considered to have an influence on tax aggressiveness, that have not been tested in this study, in order to increase the value of R- Square, such as company size, social responsibility, capital intensity, inventory intensity, independent commissioner, Operating Lease Expense, Free Cash Flow, and so on. ACKNOWLEDGMENTS This work was supported by The Institution of Research and Community-Engagement Services (LPPM) of Universitas Tarumanagara. Authors would like to thank to The Director of LPPM and also The Dean of Faculty of Economics and Business, Universitas Tarumanagara. REFERENCES [1] Balakrishnan, K., Blouin, J.& Guay, W. (2017). Tax Aggressiveness and Corporate Transparency [2] Chen, S., Chen, X., Cheng, Q. & Shevlin, T. (2010). Are Family Firms More TaxAggressive Than Non- family Firms? Journal of Financial Economics, 91, (1), 41-61. Research Collection School of Accountancy. 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