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Influence of Transfer Pricing, CEO Compensation, and Accounting Irregularities on Tax Aggressiveness Estralita Trisnawati¹, Fenny², Herlina Budiono³ Faculty of Economics Tarumanagara University estralitat@fe.untar.ac.id fennydarwin18@gmail.com herlinab@fe.untar.ac.id Abstract: The purpose of this study is to investigate the influence of transfer pricing, chief executive officers' compensation, accounting irregularities on tax aggressiveness. The sample covers manufacturing companies listed on the Indonesian Stock Exchange (IDX) during 2012 – 2016. By using purposive sampling, selected companies data amounted to 115, thus the total sample used in this study is 575. Based on the sample collected, this research uses partial least square method in hypothesis testing. Contrary to prior research, the results of this study indicate that transfer pricing has influence on tax aggressiveness. Meanwhile, chief executive officers' compensation and accounting irregularities have no influence on tax aggressiveness. Keywords: Transfer Pricing, CEO Compensation, Accounting Irregularities, Tax Aggressiveness

1. Introduction It is widely-accepted that taxation is an integral part in Indonesia and contribute a major part to improve the economy and development of this nation, particularly in infrastructure improvement (Trans Java Highway, Trans Sumatera Highway, Probolinggo Port, Komodo Labuan Bajo Airport, Trans Sulawesi Train) and government health programme (BPJS). Tax revenue from this sector can be seen from the realization of this country's revenue and expenditure budget (APBN). According to data from the Ministry of Finance, the realization of APBN from 2012 until the end of 2016 has not reached the target. As of December 31, 2016, the realization only contributed about 87.06% of the revised budget (APBN-P) in 2016. Total revenue which had included tax amnesty programme in 2016 only contributed to 107 trillion (Liputan 6, 2016). If a part of tax amnesty was not included, then its achievement reached a mere Rp 1,448,1 trillion, or equal to 81,07% from total revised budget in 2016. This indicates the realization of its budget in Indonesia has not been optimized yet and might be caused by issues like tax avoidance or tax aggressiveness, namely Base Erosion and Profit Shifting (BEPS). These practices are not only conducted in Indonesia, but they have as well occurred in some other countries for these past few years. This problem has been widely-concerned and eventually gained the attention of the international tax authorities. The Organization for Economic Cooperation and Development (OECD) sought to address this issue by arranging a forum, called, the Global Forum on Transparency and the Exchange of Information for Tax Purposes. One way which was used by the Global Forum to address such practices was with the formation Automatic Exchange of Information (AEOI). Indonesia as a member of the Group of Twenty (G20) and Global Forum has committed to participate in this exchange of information and issued Perppu No. 1 of 2017 and Regulation of the Minister of Finance No. 70 / PMK 03 / 2017 regarding access to financial information for tax purposes (www.kemenkeu.go.id). Taxation may be a burden for most companies, thus they may always try to minimize their tax expense by planning tax avoidance or tax aggressiveness activities. This is not to exclude multinational companies, for example Google, Apple, Amazon, and Starbucks are all trying to minimize their tax burden (CNN Indonesia, 2016). Various researches on tax aggressiveness have been done by previous researchers, however it appears that there were contradictory results. For instance, research conducted by Frank et al. (2009) and Kamila and Martani (2014) indicate that there is a positive and significant influence between the aggressiveness of financial statements and tax aggressiveness. While research conducted by Halioui et al. (2016) showed a significant influence between the compensation of the chief directors and tax aggressiveness, whereas the same study which was conducted by Chee et al. (2017) showed