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# THE EFFECT OF FOREIGN INTERESTS AND MULTINATIONALS ON TAX AGGRESSIVENESS IN INDONESIA

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**Abstract:** Tax is one of the sources of state revenue and provides a significant contribution to the state treasury. In-Law Number 28 of 2007 Article 1 Paragraph 1 it is stated that tax is a mandatory contribution that is forced and levied from individuals or entities for the state. Taxes levied by the state are used to realize the general benefit for both the state and the people. The realization of the usefulness of paying taxes can be seen by the growing growth of facilities and infrastructure throughout Indonesia purpose of this study was to determine the effect of the characteristics of multinational companies on tax aggressiveness. the characteristics of multinational companies include foreign interests, as indicated by foreign ownership, and foreign ownership; and oversees company operations (multinationality) in companies listed on the Indonesia Stock Exchange for the 2016-2019 period. This study uses a quantitative method by applying statistical calculations. The number of data samples in this study was 280 data from all companies listed on the IDX and used the purposive sampling technique for sample selection. The tests used to analyze this consist of model testing, classical assumption test, panel data regression test, coefficient of determination test, simultaneous test (f test), and partial test (t-test). The test results show that multinationality has an effect on tax aggressiveness, foreign and foreign ownership has no effect on tax aggressiveness.
**Keywords:** Tax Aggressiveness, Foreign Ownership, Foreign Directors, Multinationality.

## INTRODUCTION

Tax is one of the sources of state revenue and provides a significant contribution to the state treasury. In-Law Number 28 of 2007 Article 1 Paragraph 1 it is stated that tax is a mandatory contribution that is forced and levied from individuals or entities for the state. Taxes levied by the state are used to realize the general benefit for both the state and the people. The realization of the usefulness of paying taxes can be seen by the growing growth of facilities and infrastructure throughout Indonesia.

The importance of tax collection makes the government continue to strive to improve the tax system to improve state revenue from tax payments. All policies have been designed by the government to ensure that taxpayers comply with their tax payments and reporting. The survey, which was re-conducted using the International Center For Policy Research (ICPR) and International Center For Tax Development (ICTD) databases by UN universities for research by Ernesto Criveli (International Monetary Fund) in 2016, stated that of 30 countries, Indonesia ranks 11th with US$6.48 billion loss due to tax evasion (Yulyanah & Kusumastuti, 2019). The main role of taxes in state revenue receipts is not proportional to the realization of tax revenues. During the last four years, 2016-2019, the realization of DGT's (Directorate General of Taxation) tax

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revenues has not reached the set target. Tax revenue in 2016 was only 82%, but continues to increase over the next two years. Reached 90% in 2017 and increased to 92% in 2018. However, tax revenue in 2019 decreased by 84%. This shows that DGT's (Directorate General of Taxation) tax revenue has not been optimal.

**Table 1. DGT Tax Receipt**

| Description | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|
| Target | 1.355 | 1.283 | 1.424 | 1.577 |
| Realization | 1.105 | 1.151 | 1.313 | 1.332 |
| Attainment (%) | 82% | 90% | 92% | 84% |

Source: DGT Performance Report 2016-2019

Not yet optimal tax revenue can be caused by several factors, namely the lack of awareness of taxpayers to comply in paying taxes, the occurrence of tax evasion, and there are sectors of tax revenue that have not been maximized. Taxpayers who play a major role in tax revenue are corporate taxpayers (companies). The tax paid by corporate taxpayers comes from the profits generated during the current year. For this reason, many companies are aggressively manipulating their financial statements to minimize tax payments to the state. Tax planning both legally (tax avoidance) and illegally (tax evasion) by manipulating taxable income in financial statements is tax aggressiveness (Frank, 2009).

The practice of corporate tax aggressiveness is closely related to foreign interests. Foreign interests can be demonstrated by the ownership structure and composition of the board of directors which are dominated by foreigners (Salihu, Annuar, & Obid, 2015). The increasingly rapid growth of economic globalization has an impact on increasing investment between countries or Foreign Direct Investment (FDI), so that many developed countries invest in developing countries to increase profits. The large proportion of share ownership by foreign parties can be beneficial for them to exercise control over policymaking. This advantage affects managerial performance with the aim that investors get a lot of dividends by practicing tax avoidance so that companies can minimize tax costs. The results of previous research conducted by (Nainggolan, 2019) states that foreign ownership harms tax aggressiveness, while research (Salihu, Annuar, & Obid, 2015), (Putri & Mulyani, 2020) states that foreign ownership harms tax aggressiveness, while research.

Tax avoidance can be caused by the existence of internal factors in the governance of a company carried out by the directors. The Board of Directors is an important leadership figure in making decisions regarding strategic planning (Setiyanto & Hidayat, 2017). according to (Nainggolan, 2019) foreign directors can influence the company in carrying out tax aggressiveness. Different from research (Wen, Cui, & Ke, 2020) which shows a negative relationship between foreign directors on tax avoidance.

The condition and condition of the company is influenced by several factors to take tax avoidance actions. One of the factors is multinationality. Multinational companies that operate across countries usually have subsidiaries or have special relationships with companies in other countries. Companies like this have the possibility

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of doing tax avoidance by looking at the comparison of tax rates and carrying out the practice of transferring company profits from one country to another with low tax rates.

**Agency Theory**

Agency theory is a theory that explains the relationship between principals or shareholders and agents, namely company management. This theory describes the existence of a conflict of interest in the company that arises between the ownership and control relationship of a company. According to (Hidayanti, 2013) the separation between company owners or shareholders with agents or company management is expected to have an impact on the company's business development, but this poses a risk of conflict between owners and management or what is commonly called agency conflict.

Agency conflict arises because there are differences in desires between owners and management. The owner of the company wants high profits while management does not, management does not want high profits to avoid the huge tax burden paid to the state. As a result of this ambiguity problem, management tries to take advantage of the differences in regulations and tax rates between countries.

**Cost and Benefit Theory**

Cost and benefit theory, is the theory of decision making based on consideration of the consequences that will arise (Dreze, 1987). Tax avoidance is an activity that requires consideration of costs and benefits. Tax avoidance is not necessary if the costs caused by the practice of tax avoidance outweigh the benefits. One of the benefits of tax avoidance practices is the increased cash flow savings for the company (Salihu, Annuar, & Obid, 2015). Then for management, the benefits of tax avoidance are increased bonuses and incentives. This also affects costs in the future, such as fees for tax accountants and auditors, then poses a risk to the continuity of the company's operations, if the general public has a high awareness of the company (Salihu I. O., 2013). In addition, the risk of costs arising from tax evasion can be in the form of sanctions from the tax authorities (Salihu I. O., 2013).

**Tax Aggressiveness**

Tax aggressiveness is an action taken by a company to reduce its tax obligations, while according to some previous researchers, tax aggressiveness is an action that has the aim of minimizing the company's taxable profit through tax planning either legally (avoidance) or illegally (evasion) (Frank, 2009). Tax aggressiveness is an action that not only comes from the non-compliance of taxpayers with tax regulations but also comes from austerity activities following applicable regulations. (Rusydi, 2014).

Tax aggressiveness carried out by companies can be measured using the Effective Tax Rate (ETR) proxy. According to (Lanis, 2011) ETR is the most common proxy used to measure tax aggressiveness. A low ETR value can be used as an indicator of tax aggressiveness, this is due to the reduction of taxable income by the company while maintaining the company's financial profit.

**Foreign Ownership**

The company's ownership structure arises as a result of the comparison of the number of company shareholders. A company can be owned by individuals, the wider

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community, the government, foreign parties or people within the company (Tamba, 2009). In the ownership structure, there are several forms of ownership, one of which is foreign ownership. Foreign ownership arises because of foreign investment which according to Law Number 25 of 2007 article 1 paragraph 6 concerning Investment is defined as an investment activity to conduct business in the territory of the Republic of Indonesia carried out by foreign investment, both using fully foreign capital and foreign investment. in association with domestic investors. Because transfer pricing is a transaction made by a company with a foreign party, foreign shareholders who have control in the company influence the company's decision to transfer pricing (Jatiningrum, 2004).

**Foreign Directors**

A foreign director is a foreigner who serves as a director in a company in Indonesia and has an important role in making decisions for the company. According to Ararat et al in (Saputra, 2019) foreign directors can bring diverse opinions and perspectives such as language, religion, education, culture and professionalism that differ between countries. Therefore, foreign directors are suspected of influencing company policies. According to Law No. 40 of 2007 concerning limited liability companies, the board of directors is a corporate body that carries out its duties by acting on behalf of the interests and objectives of the company and representing the company inside and outside the court as mandated by shareholders appointed at the GMS(General Meeting of Shareholders) following the articles of association.

**Multinational**

Multinational is a concept used to measure the level of involvement of a company in international business. According to (Suandy, 2016) multinational companies are companies that operate across borders between countries and are bound by special relationships, in the form of subsidiaries, branch companies, agents, and so on because there is equity participation, management control or the use of technology aimed at minimizing taxes.

In addition to providing positive benefits between countries in the world, the increasing and growing number of multinational companies also harms the fiscal authorities in their efforts to secure state revenues from the tax sector. In this case, doing tax avoidance, multinational companies often do transfer pricing. This is done by multinational companies so that in their obligation to pay fewer taxes, by increasing or decreasing prices between domestic and foreign companies that have special relationships. In addition to transfer pricing, multinational companies also use tax havens to outsmart so that their tax obligations are getting smaller.

**Control Variable**

**Company Size**

Company size is a company characteristic that affects the payment of income tax results. The size of the company is grouped based on the size of the company, the larger the company, the higher the company's operating activities. The tendency to do tax

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avoidance will be even greater if the size of the company is also large, this is indicated by the existence of a low Effective Tax Rate (Richardson, 2007).

## METHODS

This study uses quantitative methods. Quantitative research is research using statistical calculations to find the relationship between variables. While in data collection, this research uses documentation techniques. The sources of data used in this study is secondary data. Secondary data is data obtained through intermediary media. The data used is obtained from the IDX official website (www.idx.co.id) or from data that has been processed by the annual financial report for 2016-2019.

### Population

The population is a collection of all subjects or research objects that have certain qualities and characteristics, which will later be researched and determined to be studied and then drawn conclusions. The population in this study were all companies listed on the IDX for the 2016-2019 period.

### Sample

The sample is a small part of the research population which is taken in a certain way that has certain characteristics to represent the population. The sample selection method in this study used purposive sampling or sample selection based on certain criteria. The samples needed in this study were based on the following criteria:

1. Companies listed on the Indonesia Stock Exchange before January 1, 2016 to December 31, 2019.
2. Not a company engaged in an industry that has special tax provisions, for example, a company in the finance, construction, property and real estate, agriculture, and mining industries.
3. Issuing audited annual financial reports for the period 2016-2019 with the end of the financial reporting period 31 December 2019.
4. Using the rupiah currency in the financial statements.
5. Data regarding the variables to be studied are available in full in the company's financial statements from 2016 to 2019.
6. Have a positive profit.

Based on the criteria set out in this study, 70 companies were taken as research samples so the number of samples in this study was 280 data.

## RESULTS AND DISCUSSION

### Deskriptive Statistics

Descriptive statistics are used to find out the description or description of the research variables. The purpose of descriptive statistics is to present general data in a more informative way.

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**Table 2. Deskriptive Statistics**

| | Y | X1 | X2 | X3 | X4 |
|---|---|---|---|---|---|
| Mean | 0.252269 | 0.403571 | 0.120329 | 0.278571 | 285960.3 |
| Median | 0.250200 | 0.000000 | 0.000000 | 0.000000 | 285392.0 |
| Maximum | 0.412100 | 1.000000 | 0.833300 | 1.000000 | 334945.0 |
| Minimum | 0.094500 | 0.000000 | 0.000000 | 0.000000 | 249476.0 |
| Std. Dev. | 0.065613 | 0.491492 | 0.200852 | 0.449099 | 15485.11 |
| Skewness | 0.143161 | 0.393094 | 1.572871 | 0.987868 | 0.543019 |
| Kurtosis | 2.901042 | 1.154523 | 4.450114 | 1.975882 | 3.412183 |
| Jarque-Bera | 1.070686 | 46.94524 | 139.9828 | 57.77737 | 15.74267 |
| Probability | 0.585468 | 0.000000 | 0.000000 | 0.000000 | 0.000382 |
| Sum | 70.63520 | 113.0000 | 33.69220 | 78.00000 | 80068896 |
| Sum Sq. Dev. | 1.201132 | 67.39643 | 11.25528 | 56.27143 | 6.69E+10 |
| Observations | 280 | 280 | 280 | 280 | 280 |

Source: EViews processing 2022

Based on the results of descriptive statistical analysis as follows:

1. Foreign Ownership (X1), has a minimum value of 0, and a maximum value of foreign ownership of 1. The average value of foreign ownership is 0.403571, while the standard deviation of 0.491492 illustrates that the spread of data from the foreign ownership variable is equal to 0.491492 of 280 data.
2. The number of foreign directors (X2), has a minimum value of 0, and the maximum value of the number of foreign directors is 0.833300. The average value of the number of foreign directors is 0.120329, while the standard deviation of 0.20852 illustrates that the spread of data from the variable number of foreign directors is 0.20852 of 280 data.
3. Multinational (X3), has a minimum value of 0, and a maximum value of multinationality of 1. The average value of multinationality is 0.278571, while the standard deviation of 0.449099 illustrates that the spread of data from the multinationality variable is 0.449099 from 280 data.
4. Company size (X4), has a minimum value of 249,476, and a maximum value of 334,945 company size. The average value of the company size is 285,960.3, while the standard deviation of 15,485.11 illustrates that the spread of data from the company size variable is 15,485.11 from 280 data.

**Panel Data Regression Model Selection**

Panel data regression can be done through three analytical models, namely Common Effect Model (CEM), Fixed Effect Model (FEM), and Random Effect Model (REM). To determine the right model in estimating the panel data regression, several tests can be carried out, namely the Chow test, which is used to select the more appropriate model to use between common effects or fixed effects, then the Hausman test is used to select the more appropriate model to use between fixed or random effects.

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effect, and the Lagrange multiplier test is used to select the more appropriate model to use between random effects or common effects.

## Chow Test Results

The Chow test is a test to determine the most appropriate common effect or fixed effect model used in estimating panel data. If the chi-square probability 0.05, it means that H0 is rejected or the model chosen is a fixed effect and needs to be continued with the Hausman test.

**Table 3. Chow Test Results**

Redundant Fixed Effects Tests
Equation: Untitled
Test cross-section fixed effects

| Effects Test | Statistic | d.f. | Prob. |
|---|---|---|---|
| Cross-section F | 3.048269 | (69,206) | 0.0000 |
| Cross-section Chi-square | 197.008954 | 69 | 0.0000 |

Source: EViews processing 2022

The results in table 3 show that the probability of the chi-square of 0.0000 is lower than 0.05. So according to the decision criteria, this model uses a fixed effect. So it is necessary to carry out further tests, namely the Hausman test to determine which model is better between the fixed effect or random effect models used.

## Hausman Test Results

The Hausman test is a test to determine which fixed effect or random effect model is the most appropriate to use in estimating panel data. To determine the results of the Hausman test is to assess the probability of the cross-section, if < 0.05 then the model used is a fixed effect, but if the probability > 0.05 then the model used is a random effect.

**Table 4. Hausman Test Results**

Correlated Random Effects - Hausman Test
Equation: Untitled
Test cross-section random effects

| Test Summary | Chi-Sq. Statistic | Chi-Sq. d.f. | Prob. |
|---|---|---|---|
| Cross-section random | 2.580989 | 4 | 0.6302 |

Source: EViews processing 2022

The results of table 4 show that the chi-square probability value of 0.6302 is greater than 0.05. So according to the decision criteria, this model uses random effects. So it is necessary to carry out further tests, namely the Lagrange Multiplier test to

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determine which model is better between the common effect or random effect models used.

**Lagrange Multiplier Test Results**

The Lagrange multiplier test is a test to determine which random effect or common effect model is most appropriate to use in estimating panel data. To determine the results of the Lagrange multiplier test, assess the Breusch-Pagan cross-section, if > 0.05 then the common effects model is selected, if the Breusch-Pagan cross-section value is < 0.05 then the random-effects model is selected.

**Table 5. Lagrange Multiplier Test Results**

Lagrange Multiplier Tests for Random Effects
Null hypotheses: No effects
Alternative hypotheses: Two-sided (Breusch-Pagan) and one-sided (all others) alternatives

| | Test Hypothesis | | |
|---|---|---|---|
| | Cross-section | Time | Both |
| Breusch-Pagan | 46.18860<br>(0.0000) | 0.628942<br>(0.4277) | 46.81754<br>(0.0000) |
| Honda | 6.796219<br>(0.0000) | -0.793058<br>(0.7861) | 4.244876<br>(0.0000) |
| King-Wu | 6.796219<br>(0.0000) | -0.793058<br>(0.7861) | 0.610912<br>(0.2706) |
| Standardized Honda | 7.237091<br>(0.0000) | -0.515966<br>(0.6971) | -1.232324<br>(0.8911) |
| Standardized King-Wu | 7.237091<br>(0.0000) | -0.515966<br>(0.6971) | -2.041141<br>(0.9794) |
| Gourieroux, et al. | -- | -- | 46.18860<br>(0.0000) |

Source: EViews processing 2022

The results of table 5 show that the Breusch-Pagan Cross Section value is 0.00 < 0.05, so the Random Effect Model (REM) is more appropriate to be used to estimate the panel data regression.

**Classic assumption test**

**Normality test**

The normality test was conducted to test whether the residual values were normally distributed. To see whether the residuals are normally distributed or not, it can be known by comparing the Jarque-Bera (JB) value and the Chi-Square table value. If the probability value is above 0.05 then the data is normally distributed, but if the probability value is below 0.05 then the data is not normally distributed.

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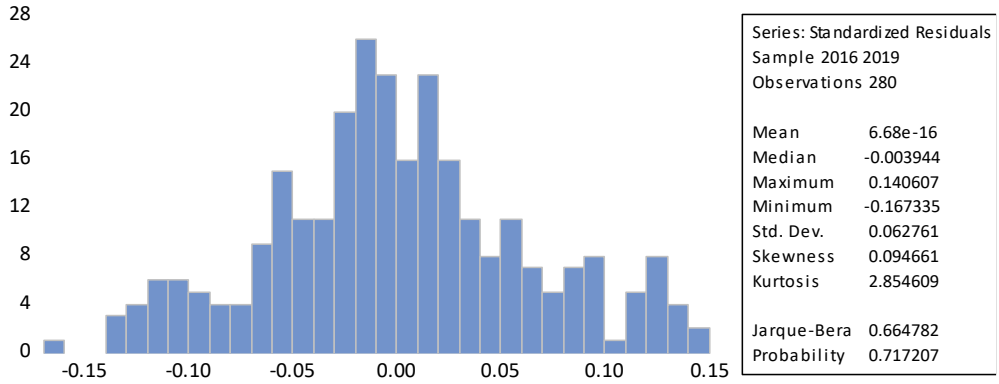


**Figure 1. Normality test Results**
Source: EViews processing 2022

Based on the results above, it can be seen that the Jarque-Bera value is 0.664782 with a probability of 0.717207 which is greater than 0.05, so it is stated that the data is normally distributed.

## Multicollinearity Test

Multicollinearity test is used to test whether there is a relationship between the independent variables. Multicollinearity itself is a condition where there is a perfect or close linear relationship between independent variables in a regression model. A regression model is said to be good if there is no correlation between the independent variables. Multicollinearity can be known by looking at the Variance Inflation Factor (VIF) value if the VIF value 10 then it is stated that there is no multicollinearity.

**Table 4. Multicollinearity Test Results**

Variance Inflation Factors
Date: 01/20/22 Time: 03:12
Sample: 1 280
Included observations: 280

| Variable | Coefficient Variance | Uncentered VIF | Centered VIF |
|---|---|---|---|
| C | 0.006514 | 456.8920 | NA |
| X1 | 6.98E-05 | 1.974460 | 1.177625 |
| X2 | 0.000368 | 1.526849 | 1.122518 |
| X3 | 9.37E-05 | 1.830996 | 1.320933 |
| X4 | 8.30E-14 | 477.5485 | 1.391277 |

Source: EViews processing 2022

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Based on the results above, it can be seen that there is no multicollinearity problem, by looking at the Centered VIF value for the eight independent variables, none of which exceeds 10.

**Heteroscedasticity Test**

The heteroscedasticity test is used to test whether the regression model has variance inequality and residuals from one observation to another. The test criteria state that if all the probabilities (Obs*R^2) > 0.05, it can be stated that there is no heteroscedasticity in the regression model.

**Table 5. Heteroscedasticity Test Results**

| Heteroskedasticity Test: Breusch-Pagan-Godfrey<br>Null hypothesis: Homoskedasticity | | | |
|---|---|---|---|
| F-statistic | 0.558757 | Prob. F(42,237) | 0.6928 |
| Obs*R-squared | 2.257317 | Prob. Chi-Square(42) | 0.6889 |
| Scaled explained SS | 2.028230 | Prob. Chi-Square(42) | 0.7306 |

Source: EViews processing 2022

In table 5 above, it is known that if the chi-square probability value from the result of multiplying the number of observation data with R-square is 0.6886 > 0.05, it can be said that there is no multicollinearity in this model.

**Autocorrelation Test**

The autocorrelation test is the relationship between series members of observations sorted by time (time series data) or place (cross-section data) (Gujarati, 2012). A regression that is free from autocorrelation is a good regression model. The autocorrelation test in this study was detected by performing the Durbin Watson Test (D-W Test). If Durbin Watson's results are between dU and 4-dU (dU < d < 4-dU), then the data is stated that there is no autocorrelation. The results of the autocorrelation test can be seen in the table below:

**Table 6. Autocorrelation Test Results**

| Weighted Statistics | | | |
|---|---|---|---|
| R-squared | 0.042741 | Mean dependent var | 0.141194 |
| Adjusted R-squared | 0.028817 | S.D dependent var | 0.051972 |
| S.E. of regression | 0.051217 | Sum squared res id | 0.721384 |
| F-statistic | 3.069625 | Durbin- Watson stat | 2.011166 |
| Prob(F-statistic) | 0.016942 | | |

Source: EViews processing 2022

In the table above, it can be seen that the Durbin Watson value is 2.011166. The number of data (N) = 280 and the number of independent variables plus control (k) = 4.

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Then the value of dL (Durbin Lower) = 1.78245 and dU (Durbin Upper) = 1.82575 so that the 4-dU value is 4 – 1.82575 = 2.17425. Because the value of dw (2.011166) is between dU < d < 4-dU or 1.82575 < 2.011166 < 2.17425, it can be concluded that the regression model has no autocorrelation.

**Hypothesis testing**

**Panel Data Regression Test**

Based on the tests that have been carried out, random effects were chosen as the best model in interpreting panel data regression in this study. Hypothesis testing in this study used panel data regression analysis to determine the effect between the independent variable and the control variable on the dependent variable. The results of panel data regression from the selected random effects model are as follows:

**Table 7. Random Effect Panel Data Regression Test Results**

Dependent Variable: Y
Method: Panel EGLS (Cross-section random effects)
Date: 01/19/22 Time: 16:12
Sample: 2016 2019
Periods included: 4
Cross-sections included: 70
Total panel (balanced) observations: 280
Swamy and Arora estimator of component variances

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---|---|---|---|---|
| C | 0.577728 | 0.112664 | 5.127888 | 0.0000 |
| X1 | 0.013890 | 0.009996 | 1.389523 | 0.1658 |
| X2 | -0.026299 | 0.026110 | -1.007212 | 0.3147 |
| X3 | 0.034338 | 0.012912 | 2.659421 | 0.0083 |
| X4 | -1.18E-06 | 4.01E-07 | -2.945936 | 0.0035 |

Source: EViews processing 2022

Based on the table above, the regression models that can be formed are:

Y = 0.577728 + 0.013890 X1 – 0.026299 X2 + 0.034338 X3 – 1.18E-06 X4 + e

The equation of the panel data regression model above can be explained as follows:

1. 1. A constant value of 0.577728 means that if Foreign Ownership, Number of Foreign Directors, Multinationality, Company Size are fixed (constant), then Tax Aggressiveness is worth 0.577728.
2. 2. Foreign Ownership regression coefficient of 0.013890 states that if the Foreign Ownership variable has an increase of 1% and the other independent variables are constant, then Tax Aggressiveness is predicted to increase by 0.013 %.
3. 3. The regression coefficient for the Number of Foreign Directors is -0.026299 which states that if the variable Number of Foreign Directors has increased by

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1% and the other independent variables are constant, then Tax Aggressiveness is predicted to decrease by -0.026%.

4. 4. Multinationality regression coefficient of 0.034338 states that if the Multinationality variable has an increase of 1% and the other independent variables are constant, then Tax Aggressiveness is predicted to increase by 0.034 %.
5. 5. The regression coefficient of Company Size is -1.18E-06 which states that if the Company Size variable increases by 1% and the other independent variables are constant, then Tax Aggressiveness is predicted to decrease by -1.18%.

**Coefficient of Determination Test**

The coefficient of determination $(R^2)$ is used to determine the percentage of independent variables that together can explain the dependent variable. The value of the coefficient of determination is between zero and one, if the coefficient of determination is 1 then the independent variable can provide the information needed to explain its effect on the dependent variable, while if the value of the coefficient of determination is 0, it means that the independent variable cannot explain its effect on the dependent variable.

**Table 8. Result of Coefficient of Determination**

| Weighted Statistics | | | |
|---|---|---|---|
| R-squared | 0.042741 | Mean dependent var | 0.141194 |
| Adjusted R-squared | 0.028817 | S.D dependent var | 0.051972 |
| S.E. of regression | 0.051217 | Sum squared res id | 0.721384 |
| F-statistic | 3.069625 | Durbin- Watson stat | 2.011166 |
| Prob(F-statistic) | 0.016942 | | |

Source: EViews processing 2022

Based on the table above, it is known that the coefficient of determination (R-square) is 0.042741 or 4.2741%, meaning that the four variables (independent and control variables) used in this study were only able to explain the dependent variable of 4.2741%, the rest 100 %-4,2741% = 95,7259% is another variable that is not used in this study.

**Simultaneous Test (F Test)**

Simultaneous test (F test) is used to show whether all the independent variables referred to in this study have a simultaneous (together) effect on the dependent variable. To find out whether all independent variables can simultaneously influence the dependent variable, it can be seen from the probability value. If the prob value of F-

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Statistics > 0.05 then there is no simultaneous significant effect between the independent variable and the dependent variable. If the prob value of F-Statistics <0.05, then there is a simultaneous significant effect between the independent variable and the dependent variable.

**Table 9. Simultaneous Test Results (F Test)**

| Weighted Statistics | | | |
|---|---|---|---|
| R-squared | 0.042741 | Mean dependent var | 0.141194 |
| Adjusted R-squared | 0.028817 | S.D dependent var | 0.051972 |
| S.E. of regression | 0.051217 | Sum squared res id | 0.721384 |
| F-statistic | 3.069625 | Durbin- Watson stat | 2.011166 |
| Prob(F-statistic) | 0.016942 | | |

Source: EViews processing 2022

Simultaneous test ((F) is shown by the results of the F test value (F-statistics) the value of the tax aggressiveness variable is 3.069625 with a probability value of 0.016942. From these results it can be interpreted if the probability value is 0.016942 <0.05 then all independent variables used simultaneously (together) can influence the dependent variable used.

**Partial Test (t-Test)**

A partial test (t-test) is used to test the effect of the independent variable partially on the dependent variable. This test is done by looking at the probability value. To see how far one independent variable individually explains the variation of the dependent variable, it can be done in two ways, namely: If Prob. > 0,05 then $H_0$ is accepted, If Prob. < 0,05 then $H_0$ is rejected

Notes:

$H_0$ = independent variable does not affect the dependent variable

$H_1$ = independent variable affects the dependent variable

**Table 10. Partial Test Results (t-Test)**

Dependent Variable: Y
Method: Panel EGLS (Cross-section random effects)
Date: 01/19/22 Time: 16:12
Sample: 2016 2019
Periods included: 4
Cross-sections included: 70
Total panel (balanced) observations: 280
Swamy and Arora estimator of component variances

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---|---|---|---|---|
| C | 0.577728 | 0.112664 | 5.127888 | 0.0000 |

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| | | | | |
|---|---|---|---|---|
| X1 | 0.013890 | 0.009996 | 1.389523 | 0.1658 |
| X2 | -0.026299 | 0.026110 | -1.007212 | 0.3147 |
| X3 | 0.034338 | 0.012912 | 2.659421 | 0.0083 |
| X4 | -1.18E-06 | 4.01E-07 | -2.945936 | 0.0035 |

Source: EViews processing 2022

1. The Effect of Foreign Ownership on Tax Aggressiveness
   The first hypothesis states that foreign ownership has a positive effect on tax aggressiveness. Based on the table above, it is known that the X1 coefficient is 0.013890 with a positive direction and the probability is 0.1658 > 0.05. Then H_0 is accepted and H_1 is rejected, meaning that foreign ownership does not affect tax aggressiveness or the first hypothesis is rejected.
2. The Influence of the Proportion of Foreign Directors on Tax Aggressiveness
   The second hypothesis states that foreign directors have a positive influence on tax aggressiveness. Based on the table above, it is known that the X2 coefficient is -0.026299 with a negative direction and a probability of 0.3147 > 0.05. Then H_0 is accepted and H_1 is rejected, meaning that the number of foreign directors does not affect tax aggressiveness or the second hypothesis is rejected.
3. The Effect of Multinationality on Tax Aggressiveness
   The third hypothesis states that multinationality has a positive effect on tax aggressiveness. Based on the table above, it is known that the X4 coefficient is 0.034338 with a positive direction and a probability of 0.0083 <0.05. Then H_1 is accepted and H_0 is rejected, meaning that multinationality in the company has a significant positive effect on tax aggressiveness or the third hypothesis is accepted.
4. The Effect of Control Variables (Company Size) on Tax Aggressiveness Based on the table above, it is known that the X6 coefficient is -1.18 with a negative direction and a probability of 0.0035 <0.05. Then H_1 is accepted and H_0 is rejected, meaning that company size harms tax aggressiveness.

## CONCLUSION

Partial foreign ownership does not affect tax aggressiveness, because tax aggressiveness has costs in the form of legal risks and company reputation and this is considered to have a greater effect than the benefits obtained by aggressive tax practices and owners tend to aim to get long term value from the company so that owners will seek to encourage corporate management agencies to implement better corporate governance.

The proportion of foreign directors partially does not affect tax aggressiveness, because foreign directors who are equipped with more knowledge and competence will seek to obtain short-term value from the company so that foreign directors have a greater intention to engage in tax aggressiveness. Meanwhile, because foreign owners have the intention to obtain long-term value from the company, foreign owners will avoid aggressive tax practices so that the company avoids tax exposure.

Multinational partially affects tax aggressiveness. This shows that the more foreign operations a company has, the easier it will be to manage the financial structure

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of the company. In other words, multinational companies that have many operations in foreign countries will carry out more complex transactions and will then make it more difficult to detect that the company has evaded tax.

Firm size as a control variable partially has a significant effect on tax aggressiveness. This shows that the larger the size of the company, the smaller the ETR, which indicates the company is doing tax aggressiveness. The larger the size of the company, the company can use its resources (assets) to make a tax plan

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