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Impact of CEO Nationality, Gender Diversity, Ownership Concentration, and Audit Quality on Tax Aggressiveness

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Abstract

This research investigates the influence of CEO nationality, gender diversity within the board of directors, concentrated ownership, and audit quality on tax aggressiveness. The research is a quantitative approach using data from 10 mining sector entities listed on the Indonesia Stock Exchange over the period from 2014 to 2023. The sample consists of 99 observations selected through purposive sampling. The findings indicate that gender diversity on the board of directors and concentrated ownership significantly influence tax aggressiveness, where CEO nationality and audit quality do not have a significant effect. These results highlight the crucial role of internal corporate factors, such as board composition and ownership structure, in shaping tax policies. The insights from this research are expected to inform stakeholders in developing more effective tax policies.

Keywords: CEO Nationality, Gender Diversity, Audit Quality, Tax Aggressiveness.

Abstrak

Penelitian ini mengkaji pengaruh kewarganegaraan CEO, keberagaman gender dalam dewan direksi, kepemilikan terkonsentrasi, dan kualitas audit terhadap agresivitas pajak. Pendekatan kuantitatif digunakan dengan data dari 10 perusahaan sektor pertambangan yang tercatat di Bursa Efek Indonesia selama periode 2014 hingga 2023. Sampel terdiri dari 99 observasi yang dipilih melalui metode *purposive sampling*. Hasil penelitian menunjukkan bahwa keberagaman gender dalam dewan direksi serta kepemilikan terkonsentrasi memiliki pengaruh yang signifikan terhadap agresivitas pajak, sedangkan kewarganegaraan CEO dan kualitas audit tidak memiliki pengaruh yang signifikan. Temuan ini menegaskan bahwa faktor internal, seperti komposisi dewan dan struktur kepemilikan, memainkan peran penting dalam kebijakan pajak. Melalui penelitian ini, pemangku kepentingan diharapkan memperoleh wawasan yang dapat mendukung perumusan kebijakan pajak yang lebih optimal.

Kata Kunci: Kewarganegaraan CEO, Diversitas Gender, Kualitas Audit, Agresivitas Pajak

1. INTRODUCTION

Tax plays a crucial role in national economic development as the primary source of state revenue that supports public welfare (Ernawati and Suryarini, 2024). According to Law No. 28 of 2007, tax is a mandatory contribution imposed on individuals and business entities by the state, coercive in nature, and does not provide direct compensation. Given its significance, tax compliance is essential for ensuring sustainable national development.

However, in practice, tax revenue often falls short of targets. Indonesia's tax revenue and targets from 2008 to 2023, where deficits were recorded in most years except 2008, 2021, 2022, and 2023. The 2008 surplus was driven by the sunset policy, while the 2021 to 2023 achievements were influenced by factors such as reduced tax targets in 2021 and a surge in commodity prices due to the Russia-Ukraine war from 2022 to 2023 (CNBC, 2024).

Corporations generally perceive taxes as a financial burden that should be minimized. Consequently, many firms engage in tax planning strategies, one of which is tax aggressiveness. Lenz (2020) defines tax aggressiveness as a legal tax avoidance practice, but when excessively executed, it may lead to illegal tax evasion. Several high-profile cases in Indonesia illustrate this issue. PT Adaro Energy, for instance, utilized transfer pricing by selling coal to its Singapore-based subsidiary, Coaltrade Services International Pte Ltd, at a lower price. This enabled the company to record profits in Singapore, where the corporate tax rate is 17%, significantly lower than Indonesia's rate, potentially leading to a state revenue loss of up to $125 million (Global Witness, 2019). Another case involves PT Timah. As reported by Detik News (2024), PT Timah collaborated with five smelters and established twelve shell companies to facilitate payments for tin ore from collectors using invoices linked to PT Timah mining permits. These shell companies were created to enable tax deductions for income tax (PPh) and value-added tax (PPN). Indonesian Corruption Watch (2024) reported that between 2004 and 2015, the state incurred losses amounting to IDR 5,714 trillion due to unpaid royalties and corporate income tax.

Tax aggressiveness often starts as legal tax planning that exploits regulatory loopholes. However, in some cases, it escalates into tax evasion, violating tax laws (Marzuki and Syukur, 2021). A common example is mis-invoicing in the coal mining sector, where companies manipulate export and import prices to underreport domestic profits, thereby reducing corporate income tax payments. Between 2012 and 2021, this practice resulted in state revenue losses of IDR 71.4 trillion (DDTC News, 2023). These cases highlight the importance of understanding the factors driving tax aggressiveness to prevent excessive tax avoidance and mitigate the risk of illegal tax evasion.

Several factors influence corporate tax aggressiveness, including CEO nationality, board gender diversity, ownership concentration, and audit quality (Boussaidi and Sidhom, 2021; Jbir et al. 2021; Marzuki and Syukur, 2021). Jbir et al. (2021) found that in France, foreign CEOs were more aggressive in tax-related decisions due to their focus on personal interests, while local CEOs were more accountable. Local CEOs In Indonesia exhibit higher tax aggressiveness because foreign CEOs have a limited understanding of domestic regulations (Toly et al. 2023). Meanwhile, Neifar and Huesing (2023) found no significant relationship between CEO nationality and tax aggressiveness.

Board gender diversity is another determinant of tax aggressiveness albeit the findings remain mixed. Studies in Thailand and Indonesia suggest that higher female representation on corporate boards reduces tax aggressiveness and enhances corporate social responsibility (Boussaidi and Sidhom, 2021; Utaminingsih et al. 2022). However, Sambuaga and Felicia (2024) reported a positive correlation, while others found no significant relationship (Firdaus et al. 2021; Shamil et al. 2024).

Ownership concentration also affects tax aggressiveness. Boussaidi and Sidhom (2021) argued that dominant shareholders tend to prioritize tax savings, potentially exacerbating agency conflicts between majority and minority shareholders. However, other studies suggest that concentrated ownership can reduce tax aggressiveness by ensuring stricter oversight (Verose and Rahmawati, 2022). Some researchers found no significant relationship (Kamul and Riswandari, 2021; Suripto, 2022).

Audit quality is often a proxy public accounting firm (KAP) size and has also shown varying effects. Marzuki and Syukur (2021) found that Big Four auditors were associated with higher tax aggressiveness in Thailand, where Firdaus et al. (2021); Pratomo and Wibowo (2024) reported a negative relationship, suggesting that larger KAPs encourage fair reporting. Conversely, Ernawati and Suryarini (2024) found no significant impact.

This study analyzes the factors influencing tax aggressiveness in Indonesia's mining sector, focusing on CEO nationality, board gender diversity, ownership concentration, and audit quality. This research builds upon the study conducted by Jbir et al. (2021), which analyzed the effects of CEO compensation, foreign CEOs, CEOs with accounting expertise, and CEO age on tax aggressiveness in France. Their study was the first to provide empirical evidence on the effect of foreign CEOs on tax aggressiveness, and it recommended testing the impact of foreign CEOs in different contexts.

Therefore, this study introduces CEO nationality as one of the independent variables. This research contributes novelty as these variables remain underexplored, and no research has examined its effect on Indonesia's mining sector. This research aims to enhance understanding of tax aggressiveness, particularly regarding the influence of CEO nationality, board gender diversity, ownership concentration, and audit quality in the Indonesian mining industry.

2. LITERATURE REVIEW AND HYPOTHESES FORMULATION

Agency Theory

Jensen and Meckling (1976) explains agency theory, which discusses the relationship between the principal and the agent, where the agent acts on behalf of the principal's interests. The principal grants a certain level of authority to the agent responsible for managing the company. Both parties seek to maximize their benefits, but the agent doesn’t always act in the principal's best interest. To address this issue, the principal can provide incentives and allocate resources to supervise the agent. Conversely, the agent must bear costs to ensure they do not harm the principal or provide compensation if losses occur.

According to Eisenhardt (1989), agency theory is based on two fundamental human traits. First, humans are inherently self-interested, meaning they tend to act in their own best interest. Second, humans have bounded rationality, meaning they are not always capable of considering the consequences of their actions.

These traits influence agent behavior, especially in situations of information asymmetry. For instance, information asymmetry occurs when the agent (manager) has greater access to company information than the principal (shareholders). This condition allows managers to act in their self-interest (Utaminingsih et al. 2022). Such information gaps increase the risks posed by managers abusing their authority for personal gain.

This situation often leads to tax aggressiveness, where management seeks to increase their compensation by reporting higher profits, while shareholders prefer to reduce tax burdens by reporting lower profits (Khan and Nuryanah, 2023). In tax aggressiveness strategies, managers may use company resources for this purpose. Although shareholders benefit from tax savings, they also risk sanctions and reputational damage due to such actions. Demonstrates that, without principal oversight, managers can exploit tax aggressiveness for personal gain (Marzuki and Syukur, 2021).

Agency theory emphasizes the importance of clear contracts, including incentives and monitoring mechanisms, to align the interests of principals and agents (Eisenhardt, 1989). These contracts help reduce information asymmetry and enhance management accountability in tax decision-making. With this approach, shareholders can encourage more conservative tax strategies, reducing the risks associated with tax aggressiveness in the long term. Therefore, understanding agency theory is key to minimizing risks arising from agent actions that are not aligned with the principal's interests.

Tax Aggressiveness

Tax aggressiveness is a corporate approach designed to minimize tax liabilities. When tax avoidance is practiced excessively, it can develop into tax aggressiveness, which may further escalate into tax evasion, ultimately affecting government revenue (Marzuki and Syukur, 2021). Boussaidi and Sidhom (2021) describe tax aggressiveness as a tax planning strategy where companies structure their operations to lower taxable income and, in turn, reduce their tax obligations.

However, tax aggressiveness entails several risks. As noted by Slemrod (2004) in Marzuki and Syukur (2021), companies engaging in tax aggressiveness may face fines and penalties imposed by tax authorities. Additionally, such practices can result in reputational damage, affecting public perception and trust in the company (Boussaidi and Sidhom, 2021).

CEO Nationality and Tax aggressiveness

As the highest-ranking executive, the Chief Executive Officer (CEO) plays a crucial role in steering the company’s direction, supervising business activities, and making key strategic decisions (Hidayatullah, 2023). The nationality of a CEO can influence corporate decision-making, including tax policies. Foreign CEOs tend to be more opportunistic in their tax-related decisions, particularly when driven by short-term incentives (Jbir et al. 2021). Their involvement in aggressive tax strategies reflects the principal-agent conflict, where the interests of the company's owners (principals) and managers (agents) are misaligned.

From the perspective of agency theory, conflicts arise due to differing objectives between principals and agents (Jensen and Meckling, 1976). Foreign CEOs, as agents, are more likely to prioritize personal short-term gains, often through aggressive tax strategies. This is partly because they are less emotionally or culturally attached to the company or country, making them more inclined to pursue opportunistic decisions despite potential long-term risks.

Based on the preceding discussion, the relationship between CEO nationality and tax aggressiveness can be stated as follows:

H1: Firms with foreign nationals exhibit higher tax aggressiveness.

Board Gender Diversity and Tax aggressiveness

A diverse gender composition in director positions plays a crucial role in curbing tax aggressiveness. A study in Tunisia found that firms with a greater proportion of females in director positions tend to adopt more conservative tax strategies. Female directors tend to be more disciplined in taxation matters, while men are generally less compliant with tax regulations (Boussaidi and Sidhom, 2021). Similarly, research in Indonesia by Utaminingsih et al. (2022) on property, real estate, and construction sectors revealed that an increased representation of female board members correlates with lower tax aggressiveness. Females are seen as more cautious in decision making, more transparent in financial reporting, risk-averse, and more compliant with regulations, which helps prevent companies from engaging in aggressive tax practices.

In accordance with agency theory, a conflict of interest exists between managers and shareholders. Managers might engage in aggressive tax-saving strategies to boost short-term profits, while shareholders generally prefer to avoid such risky approaches to preserve the company's long-term value. Enhancing female representation on the board is one way to address this issue, as research shows that women in leadership positions contribute to stronger governance and more ethical corporate behavior (Utaminingsih et al. 2022).

Based on the preceding discussion, the relationship between board gender diversity and tax aggressiveness can be stated as follows:

H2: Gender diversity has a negative impact on tax aggressiveness.

Ownership Concentration and Tax aggressiveness

The level of ownership concentration depends on the proportion of capital invested by shareholders and reflects the extent to which shares are controlled by a small group of investors (Kamul and Riswandari, 2021). A concentrated ownership structure can drive more aggressive tax management strategies, as majority shareholders often prioritize maximizing firm value, even at the cost of engaging in tax aggressiveness. However, these decisions are frequently made without considering the potential risks associated with non-tax costs (Boussaidi and Sidhom, 2021).

Majority shareholders have stronger incentives to maximize financial gains through tax aggressiveness, which may negatively affect minority shareholders. This creates an agency conflict between block-holders and minority shareholders (Boussaidi and Sidhom, 2021). When majority shareholders engage in aggressive tax strategies to benefit themselves, these decisions may disregard the interests of minority shareholders (Marzuki and Syukur, 2021). For example, tax avoidance strategies that involve aggressive profit reductions could expose the company to legal risks or reputational damage, ultimately lowering the stock value for all shareholders.

Based on the preceding discussion, the relationship between ownership concentration and tax aggressiveness can be stated as follows:

H3: Concentrated ownership has a positive impact on tax aggressiveness.

Audit Quality and Tax aggressiveness

Public accounting firms, particularly those in the Big Four, play a crucial role in ensuring high-quality financial reporting. These firms provide professional auditing services and help prevent financial misreporting, including improper tax deductions (Pratomo and Wibowo, 2024). High-quality auditors encourage companies to comply with tax regulations, reducing the risk of tax evasion, which could otherwise harm government revenue and damage the auditor's reputation if detected.

Big Four audit firms are known for their independence, extensive client base, and strong international reputation. Companies rely on these external auditors to bridge the principal-agent gap in financial management. By providing credible financial reports and professional evaluations, auditors play a critical role in ensuring fair and transparent corporate reporting (Firdaus et al. 2021).

Agency theory posits that the objectives of agents and principals are not always aligned (Jensen and Meckling, 1976). External auditors act as a bridge between principals and agents, ensuring that financial reports present an accurate picture of a company's financial position. Firms audited by the Big Four are generally less likely to adopt aggressive tax strategies, as these auditors have greater expertise in detecting fraudulent tax practices. Additionally, Big Four firms prioritize their reputation, making them less likely to support tax-aggressive behavior (Paramita and Fuad, 2023).

Based on the preceding discussion, the relationship between ownership concentration and tax aggressiveness can be stated as follows:

H4: Audit quality reduces the level of tax aggressiveness in a company.

3. RESEARCH METHODS

Sample

Annual financial statements from mining firms publicly on the Indonesia Stock Exchange (IDX) during the years 2014 to 2023 serve as the primary data source for this study. The sample comprises 66 audited mining firms that were publicly listed on the IDX during this timeframe. To select an appropriate sample, a purposive sampling approach is used, resulting in a final sample of 10 IDX-listed mining companies from 2014 to 2023, yielding 99 observations in total as shown in Table 1.

Table 1. Sample Selection

No.	Description	Sample Size
1	Mining sector companies listed on the BEI from 2014 to 2023	66
2	Mining companies without complete financial reports for the period 2014–2023	(21)
3	Mining companies that incurred losses during the period 2014–2023	(35)
	Total sample companies	10
	Total observation years	10
	Outlier data	(1)
	Final data used in this study	99

Variable Measurement

The independent variables in this research include CEO nationality, gender diversity on the board, ownership concentration, and audit quality, with tax aggressiveness as the dependent variable. Table 2 provides details on how these variables are measured.

Table 2. Variable Measurement

Variable	Measurement Indicator	Scale	Source
CEN	Assigned a value of 1 if the CEO is a foreign national and 0 if the CEO is Indonesian.	Binary	(Jbir et al. 2021; Toly et al. 2023)
BGD	Proportion of female members in the board of directors relative to the total number of board director members	Rasio	(Boussaidi and Sidhom 2021; Utaminingsih et al. 2022)
OCN	Percentage of shares owned by majority shareholders with more than 5% ownership	Percentage	(Boussaidi and Sidhom 2021; Suripto 2022)
AQY	Dummy variable, where 1 indicates audit by a Big Four public accounting firm, and 0 for audits by non-Big Four firms	Binary	(Marzuki and Syukur 2021)
TA	Ratio of total taxes paid to pre-tax profits	Rasio	(Utaminingsih et al. 2022)

Research Model

The primary aim is to assess the influence of independent variables, such as CEO nationality, board gender diversity, ownership concentration, and audit quality, on tax aggressiveness. The regression model used in this study is as follows:

$$TA = \alpha + \beta_1 CEN + \beta_2 BGD + \beta_3 OCN + \beta_4 AQY + \varepsilon$$

Where, TA = Tax Aggressiveness, CEN = CEO Nationality, BGD = Board Gender Diversity, OCN = Ownership Concentration, AQY = Audit Quality.

4. RESULTS AND DISCUSSION

Descriptive Statistics

This research employed purposive sampling to obtain a sample of 10 mining firms listed on the Indonesia Stock Exchange (IDX) between 2014 and 2023. A total of 99 data points were gathered for analysis followed by a descriptive statistical examination.

Table 3. Descriptive Statistics Test Output

Description	CEN	BGD	OCN	AQY	TA
Mean	0,182	0,070	0,547	0,788	0,355
Median	0,000	0,000	0,600	1,000	0,330
Maximum	1,000	0,400	0,720	1,000	0,860
Minimum	0,000	0,000	0,230	0,000	0,030
Std. Dev.	0,388	0,122	0,129	0,411	0,196

Referring to Table 3, the mean CEN value of 0.182 suggests that around 18% of the sampled companies are led by foreign CEOs. The BGD mean value of 0.070 indicates a low proportion of female board members, approximately 7%. Regarding ownership concentration, the OCN mean of 0.547 implies that most firms exhibit a moderate ownership concentration, averaging 54%. Meanwhile, the AQY mean of 0.788 reveals that around 78% of the sampled companies employ Big Four auditors. In terms of tax aggressiveness, the Cash Effective Tax Rate (CETR) has an average value of 0.355, reflecting a moderate level of tax aggressiveness, approximately 35%.

Model Selection

Once the descriptive statistical analysis was completed, the study proceeded with a model selection test. In the context of panel data regression, researchers commonly apply three models: the Random Effect Model (REM), the Common Effect Model (CEM), and the Fixed Effect Model (FEM) (Ghozali and Ratmono, 2017).

Table 4. Model Selection

Model Specification	Effects Test	Statistic	Prob.
Chow Test	Cross-section F	2,180	0,031
Hausman Test	Cross-section random	9,902	0,042

According to the Chow test presented in Table 4, the Cross-section F-probability value of 0.031, which falls below 0.05, supports the selection of the Fixed Effects Model (FEM) over the Common Effects Model (CEM). Next, the Hausman test was applied to determine whether FEM or the Random Effects Model (REM) was more appropriate. With a probability value of 0.042, also below the 0.05 threshold, FEM emerged as the preferred model.

Classical Assumption Tests

As a result, this study adopted the Fixed Effects Model (FEM). Consistent with Basuki and Yuliadi (2015), classical assumption tests were conducted, including multicollinearity and heteroscedasticity evaluations, to verify the model's validity.

Table 5. Heteroscedasticity Test Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
Constant	0,082	0,054	1,518	0,133
CEN	-0,004	0,031	-0,121	0,904
BDG	0,054	0,099	0,549	0,584
OCN	0,070	0,109	0,643	0,522
AQY	0,031	0,034	0,911	0,365

Table 6. Multikolinearitas Test Results

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
CEN	0,003	1,350	1,104
BGD	0,028	1,495	1,119
OCN	0,034	29,366	1,532
AQY	0,003	7,131	1,513

Table 5 presents probability values for all variables that are above 0.05, indicating that heteroscedasticity is not an issue in the regression model. Furthermore, as outlined in Table 6, the Variance Inflation Factor (VIF) analysis demonstrates that all variables have VIF values below 10. This result confirms the absence of substantial correlation between independent variables, ensuring that the regression model used in this study is free from multicollinearity concerns.

Hypothesis Testing

The study explores four main hypotheses. The first hypothesis assesses the effect of CEO nationality on tax aggressiveness, while the other hypotheses investigate the role of board gender diversity, ownership concentration, and audit quality in influencing tax aggressiveness. The p-value and coefficient of CEN presented in Table 7 are 0.313 and 0.092 respectively, suggesting that CEO nationality has no significant effect on tax aggressiveness. The BGD variable (p = 0.032, coef. = -0.508) suggests gender diversity in the board of directors significantly increases tax aggressiveness. The OCN variable (p = 0.026, coef. = 1.461) implies that concentrated ownership significantly reduces tax aggressiveness. Lastly, the AQY variable (p = 0.085, coef. = -0.372) shows audit quality has no significant effect.

Table 7. Hypothesis Testing

Variabel	Coefficient	Std. Error	t-Statistic	Prob.
Constant	-0,128	0,312	-0,411	0,682
CEN	0,092	0,091	1,014	0,313
BGD	-0,508	0,233	-2,177	0,032
OCN	1,461	0,645	2,266	0,026
AQY	-0,372	0,213	-1,745	0,085

Discussion

The Effect of CEO Nationality on Tax Aggressiveness

Referring to Table 7, the results show that CEN has no significant impact on TA, as indicated by a probability value of 0.313, which exceeds the 0.05 significance level. Thus, hypothesis H1 is not supported. Descriptive statistics reveal that only 18% of the sampled companies are led by foreign CEOs, which may explain CEO nationality has no significant impact on tax aggressiveness. This doesn’t support the lens of agency theory, where the relationship between the principal and the agent highlights potential conflicts of interest, with CEOs having the authority to determine corporate strategies, including tax policies (Jensen and Meckling, 1976). While CEOs tend to focus on short-term performance incentives (Jbir et al. 2021), shareholders prioritize tax policies that enhance long-term firm value.

This finding aligns with Neifar and Huesing (2023), who found no significant effect of foreign CEOs on tax behavior, as insider foreign CEOs tend to have stronger company ties, limiting opportunistic actions. However, it contradicts Jbir et al. (2021), who suggested foreign CEOs are more opportunistic in tax decisions due to short-term incentives, and Toly et al. (2023) found that CEOs with local nationality are more likely to pursue aggressive tax strategies, benefiting from their comprehensive knowledge of domestic regulations.

The Effect of Board Gender Diversity on Tax Aggressiveness

Turning to the relationship between board diversity in the board of directors and tax aggressiveness, BGD has a significant negative effect on CETR, with a coefficient of -0.508, meaning that an increase in gender diversity on the board reduces CETR by 50.8%, contributing to higher tax aggressiveness. The coefficient of -0.508 with a probability of 0.032 (less than 0.05) shows a statistically significant relationship, suggesting that higher gender diversity on the board of directors leads to increased tax aggressiveness. This relationship is not supported by agency theory, where managers tend to adopt aggressive tax strategies to benefit in the short term, while shareholders aim to avoid high-risk actions. Increasing female representation on the board of directors is expected to improve oversight and ethical behavior (Utaminingsih et al. 2022). However, this study shows that gender diversity actually increases tax aggressiveness, likely due to the dominance of male board members, which limits the influence of female directors on decision-making.

This finding aligns with Sambuaga and Felicia (2024), who suggest that male-dominated boards limit female directors' ability to curb tax aggressiveness. In contrast, studies by Boussaidi and Sidhom (2021) and Utaminingsih et al. (2022) show that gender diversity reduces tax aggressiveness, as female directors tend to be more compliant with tax regulations. Similarly, Firdaus et al. (2021) and Shamil et al. (2024) found no significant relationship between gender diversity and tax aggressiveness.

The Effect of Ownership Concentration on Tax Aggressiveness

Regarding ownership concentration, OCN has a significant positive effect on the CETR, meaning that as ownership concentration increases, the level of tax aggressiveness decreases. This is evidenced by a regression coefficient of 1.461 and a probability value of 0.026, which is below the 0.05 significance threshold. This result supports the research by Verose and Rahmawati (2022), who found that controlling shareholders tend to be more risk-averse when it comes to tax aggressiveness due to the high costs involved, such as tax expert fees, potential reputational sanctions, and fines imposed by tax authorities. According to agency theory Jensen and Meckling (1976), agents do not always act in the best interest of principals, necessitating control mechanisms to reduce the risk of conflicts of interest. Majority shareholders have higher incentives (Boussaidi and Sidhom, 2021), which can enhance the effectiveness of management oversight and reduce tax aggressiveness.

With concentrated ownership, the risks of legal costs and negative reputational impacts on the company can also be minimized. However, this study's findings contradict those of Boussaidi and Sidhom (2021), Marzuki and Syukur (2021), who argued that concentrated ownership could actually increase tax aggressiveness, as block shareholders may have incentives to maximize financial gains through aggressive tax strategies, even if it harms minority shareholders. Additionally, this research does not align with studies by Kamul and Riswandari (2021) and Suripto (2022), which found no significant relationship between concentrated ownership and tax aggressiveness.

The Effect of Audit Quality on Tax Aggressiveness

The results of this research show that audit quality (AQY) does not significantly influence tax aggressiveness (TA). The probability value of 0.085, which is above the 0.05 significance threshold, leads to the rejection of hypothesis H4. As such, the type of audit firm, whether Big

Four or non-Big Four public accounting firms (KAP), does not play a determining role in the level of tax aggressiveness within companies. This doesn't support the lens of agency theory not supported, external auditors act as intermediaries between the principal and the agent. Companies that undergo audits with high-quality standards are less likely to adopt aggressive tax strategies. High-quality audits, typically associated with Big Four KAPs, are more capable of detecting fraudulent tax planning activities. In addition, Big Four KAPs tend to preserve their reputation, making them less inclined to support aggressive tax behaviors (Paramita and Fuad, 2023).

However, the results of this study suggest that audit quality doesn't affect tax aggressiveness. This finding is consistent with Ernawati and Suryarini (2024), who argue that both Big Four and non-Big Four auditors share the same responsibility in providing opinions on the fairness of financial statements. These findings contrast with those of Marzuki and Syukur (2021), who found a positive relationship between audit quality and tax aggressiveness, arguing that non-audit services provided by Big Four KAPs can weaken auditor independence. On the other hand, studies by Firdaus et al. (2021) and Pratomo and Wibowo (2024) found a negative impact, as professional auditors tend to avoid practices that could harm their reputation and attract the attention of tax authorities.

5. CONCLUSIONS AND SUGGESTIONS

The study examines the effects of CEO nationality, gender diversity in the board of directors, ownership concentration, and audit quality on tax aggressiveness in mining companies listed on the Indonesia Stock Exchange (IDX) from 2014 to 2023. The findings reveal that CEO nationality does not significantly impact tax aggressiveness, likely due to the small proportion of foreign CEOs in the sample. Gender diversity within the board of directors, however, positively influences tax aggressiveness, although the male-dominated boards limit the significant involvement of female directors in curbing aggressive tax practices. Ownership concentration has a negative effect on tax aggressiveness, as majority shareholders typically avoid high-risk tax strategies due to legal and reputational concerns. Lastly, audit quality, whether conducted by Big Four or non-Big Four firms, does not significantly affect tax aggressiveness, as external auditors play a similar role in evaluating the fairness of financial statements.

This study has limitations, as it primarily focuses on the mining sector in Indonesia, which may limit the generalizability of the results. Future research should broaden the sample to include companies from other sectors and examine additional factors influencing tax aggressiveness, such as CEO characteristics, with particular attention to insider CEOs, which may offer further insights into corporate tax behavior. For companies, it is recommended to increase gender diversity within the board of directors to enhance oversight of tax policies and prevent excessive tax aggressiveness. Additionally, companies with concentrated ownership should emphasize transparency to ensure their tax strategies align with regulations, safeguard their reputation, and mitigate legal risks. For the government, it is suggested to consider regulations that promote gender diversity on corporate boards to strengthen tax oversight and reduce the adoption of aggressive tax strategies.

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