
The Effect of Earnings Management and Inventory Intensity on Tax Aggressiveness with Independent Commissioners as Moderating Variables

Sri Ayem¹, Putra Panjaitan²

Abstract

The purpose of this study is to analyze the effect of earnings management and inventory intensity on tax aggressiveness, with independent commissioners as a moderating variable. This research employs multiple linear regression and moderated regression analysis (MRA) using secondary data obtained from the Indonesia Stock Exchange (IDX) for the 2021–2024 period. A purposive sampling method was applied, resulting in 288 annual report data from 72 manufacturing companies. The findings indicate that earnings management has a positive effect on tax aggressiveness, and the presence of independent commissioners is able to weaken this effect. Furthermore, inventory intensity also shows a positive influence on tax aggressiveness; however, independent commissioners are not able to moderate this relationship. This study provides practical implications for the Directorate General of Taxes in designing policies and regulations related to corporate tax aggressiveness and contributes to enhancing transparency and accuracy in tax reporting.

Keywords: *Earnings Management, Inventory Intensity, Tax Aggressiveness, Independent Commissioners, Manufacturing Companies*

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1. Introduction

Taxes are one of the main sources of state revenue in Indonesia as outlined in the State Budget (APBN). Compared to other non-tax revenues, taxes play a dominant role in financing government expenditures at both the central and regional levels. Every country enforces its own tax laws and regulations, which determine the amount of tax levied on individuals and entities. Therefore, optimizing tax collection is crucial to ensure the state's ability to fund national development and public welfare effectively (Njatrijani et al., 2019).

However, in reality, Indonesia's tax revenue performance remains suboptimal and often fails to meet its annual targets. Despite various government efforts to enhance compliance and broaden the tax base, several structural and behavioral factors still hinder tax collection. One major issue stems from the differing perspectives between

¹ Universitas Sarjanawiyata Tamansiswa, Indonesia. sri.ayem@ustjogja.ac.id

² Universitas Sarjanawiyata Tamansiswa, Indonesia. panbersputra123@gmail.com

the government and corporations: the government views taxes as a source of state income, while companies perceive taxes as a burden that reduces profits. This divergence encourages companies to undertake strategies aimed at minimizing their tax burden, a phenomenon often referred to as tax aggressiveness (Firmansyah et al., 2021).

Instances of tax aggressiveness have been observed in several multinational corporations operating in Indonesia. For example, the case of PT Bentoel Internasional Investama, a subsidiary of British American Tobacco (BAT), revealed aggressive tax avoidance practices through intra-company loans and royalty payments that significantly reduced its taxable income. Such schemes not only harm state revenues but also demonstrate the complexity of monitoring tax compliance in globalized business structures. This case reflects how multinational corporations exploit financial and legal loopholes to minimize taxes, thereby underscoring the need to better understand the determinants of corporate tax aggressiveness in Indonesia.

One factor that influences tax aggressiveness is earnings management. Managers may manipulate earnings within permissible accounting standards to achieve specific objectives, including tax minimization. Earnings management allows companies to adjust their reported profits to reduce taxable income and, consequently, their tax burden (Roslita & Erika, 2022; Nurfitriasi & Istiqomah, 2022). Although some scholars argue that earnings management is a legitimate managerial tool if conducted within accounting norms, excessive manipulation can lead to ethical and regulatory concerns, making this relationship important to investigate further (Seno Pitoyo et al., 2019).

Another factor affecting tax aggressiveness is inventory intensity. Inventory intensity reflects the proportion of a firm's assets allocated to inventory relative to its total assets (Pratama & Suryarini, 2020). A higher level of inventory requires greater maintenance, storage, and depreciation costs, which in turn may reduce reported income and the amount of tax owed (Pasaribu & Mulyani, 2019; Ghifary & Lastati, 2024). However, empirical studies on the effect of inventory intensity on tax aggressiveness have produced mixed results, suggesting the need for further examination (Saputra et al., 2024).

In addition to these factors, the role of corporate governance mechanisms—particularly independent commissioners—has gained attention as a moderating variable that can influence corporate behavior in taxation. Independent commissioners play a vital role in overseeing management decisions, ensuring compliance, and reducing agency problems arising from information asymmetry between shareholders and management (Alhady et al., 2021; Dewi & Oktaviani, 2021). The presence of independent commissioners is expected to mitigate opportunistic managerial actions, such as earnings manipulation or aggressive tax practices, thereby strengthening the firm's ethical and regulatory framework (Hidayat & Muliasari, 2020).

Previous research has yielded inconsistent findings regarding the relationships among earnings management, inventory intensity, and tax aggressiveness (Awaliyah et al., 2021; Budiadnyani, 2020; Pattiasina et al., 2019). These inconsistencies motivate further studies to provide more robust evidence by incorporating governance factors such as independent commissioners as moderating variables. This approach allows for a more comprehensive understanding of how internal governance can constrain opportunistic behavior and improve tax compliance.

This study aims to analyze the effects of earnings management and inventory intensity on tax aggressiveness, with independent commissioners as a moderating variable. The novelty of this research lies in its integration of both financial and governance variables within the context of Indonesian manufacturing firms from 2021 to 2024, using more recent and relevant data. The results of this study are expected to contribute to academic discourse on tax aggressiveness and offer practical insights for the Directorate General of Taxes in formulating policies that enhance corporate tax transparency and compliance.

2. Theoretical Background

Agency Theory

Agency theory explains the conflict of interest that arises between principals and agents due to differences in objectives and access to information. In the context of taxation, the government acts as the principal, aiming to maximize tax revenues, while company management functions as the agent, striving to minimize the company's tax burden to increase profitability. This divergence creates agency problems, where managers may act opportunistically to pursue personal or organizational interests that are not always aligned with those of the government or shareholders (Njatrijani et al., 2019; Utrero-González & Callado-Muñoz, 2016). According to Ghazali (2018), such conflicts occur because of information asymmetry, where the management has more control over operational decisions and financial reporting than the principals. Therefore, agency theory is useful in explaining how differences in interests between the government (as tax regulator) and companies (as taxpayers) lead to opportunistic behaviors such as earnings management and tax aggressiveness, which increase agency costs and reduce corporate transparency.

The Effect of Earnings Management on Tax Aggressiveness

Earnings management refers to deliberate managerial actions to influence financial statements to achieve certain objectives, such as meeting profit targets or minimizing tax expenses. Managers may engage in earnings management to reduce taxable income, thereby decreasing the company's tax burden (Roslita & Erika, 2022; Nurfitriasi & Istiqomah, 2022). According to agency theory, such opportunistic actions arise from conflicts of interest between agents and principals, as managers seek personal benefits such as bonuses or job security, even if these do not align with the company's long-term goals (Seno Pitoyo et al., 2019).

Empirical evidence supports the positive relationship between earnings management and tax aggressiveness. Feryansyah et al. (2020) and Firmansyah et al. (2021) found that companies engaging in higher levels of earnings manipulation tend to be more aggressive in minimizing taxes. Similarly, Yossanda and Rahmanto (2021) as well as Yulianty et al. (2021) reported that profit management practices are often linked to reduced tax payments, reflecting a company's strategic attempt to lower taxable income. Therefore, companies that apply earnings management are more likely to engage in aggressive tax behavior to maximize post-tax profits.

H1: Earnings management has a positive effect on tax aggressiveness.

The Effect of Inventory Intensity on Tax Aggressiveness

Inventory intensity measures the proportion of inventory to total assets and reflects how much a company invests in its stock to support operations (Pratama & Suryarini, 2020). A higher level of inventory leads to increased costs for maintenance, storage, and potential depreciation, which can lower taxable income and reduce tax obligations (Pasaribu & Mulyani, 2019). From an agency theory perspective, managers may strategically use inventory-related expenses to influence reported profits and minimize taxes (Awaliyah et al., 2021; Pattiasina et al., 2019).

Research by Ghifary and Lastati (2024) and Saputra et al. (2024) found that firms with higher inventory intensity tend to be more aggressive in their tax strategies, as inventory costs can be leveraged to reduce earnings. However, the evidence remains mixed, as some studies (Hidayat & Muliastari, 2020) suggest that excessive inventory management may reduce efficiency and attract greater scrutiny from tax authorities. Despite these inconsistencies, most findings indicate that higher inventory intensity correlates with increased tax aggressiveness.

H2: Inventory intensity has a positive effect on tax aggressiveness.

The Influence of Independent Boards of Commissioners in Moderating Earnings Management on Tax Aggressiveness

Independent commissioners play an essential role in mitigating agency conflicts by monitoring management decisions and ensuring compliance with corporate governance standards (Alhady et al., 2021; Dewi & Oktaviani, 2021). Their independence allows them to evaluate management objectively and discourage opportunistic actions such as excessive earnings manipulation or aggressive tax avoidance. According to agency theory, strong governance mechanisms can reduce agency costs by aligning managerial behavior with the interests of shareholders and other stakeholders (Njatrijani et al., 2019).

Empirical findings suggest that independent commissioners can effectively moderate the relationship between earnings management and tax aggressiveness. Pratama and Suryarini (2020) as well as Yossanda and Rahmanto (2021) confirmed that firms with a higher proportion of independent commissioners show lower levels of tax aggressiveness. Similarly, Nurfitriasih and Istiqomah (2022) found that corporate governance mechanisms, particularly independent oversight, reduce the likelihood of tax manipulation. Hence, the existence of independent commissioners can serve as a

balancing mechanism, ensuring that earnings management is conducted ethically and within legal boundaries.

H3: Independent boards of commissioners are able to moderate the influence of earnings management on tax aggressiveness.

The Influence of Independent Boards of Commissioners in Moderating Inventory Intensity on Tax Aggressiveness

Companies with substantial inventory investments often face increased operating costs, such as maintenance, depreciation, and insurance expenses, which can be used to reduce taxable income (Awaliyah et al., 2021; Budiadnyani, 2020). However, managers might exploit these costs to engage in aggressive tax planning, creating agency conflicts between management and owners. According to Deslandes et al. (2019), effective oversight from independent commissioners can limit such opportunistic actions by ensuring that tax-reducing strategies comply with accounting standards and ethical principles.

Independent commissioners can also provide strategic guidance regarding inventory management to ensure that tax planning activities remain transparent and lawful (Hidayat & Muliasari, 2020). Research by Ghifary and Lastati (2024) found that independent commissioners were not always effective in moderating the relationship between inventory intensity and tax aggressiveness, suggesting that their influence depends on the strength of governance implementation. Nevertheless, the existence of independent commissioners remains crucial for maintaining accountability and ensuring that tax-saving practices do not evolve into tax evasion or unethical behavior (Saputra et al., 2024).

H4: Independent boards of commissioners are able to moderate the influence of inventory intensity on tax aggressiveness.

3. Methodology

This study employs a quantitative descriptive research design to examine the effect of earnings management and inventory intensity on tax aggressiveness with the moderating role of independent commissioners. The research focuses on manufacturing companies listed on the Indonesia Stock Exchange (IDX) during the 2021–2024 period. The population consists of 210 manufacturing companies, from which the sample was selected using the purposive sampling method based on specific criteria. Companies that published financial statements in foreign currencies, did not report complete financial statements for the 2021–2024 period, or experienced losses during the same period were excluded from the sample. After applying these criteria, 72 companies were identified as meeting the requirements, representing 34% of the total population. Considering the four-year observation period, the total number of observations amounted to 288 data points, and after excluding 57 outlier data points, the final sample used for analysis consisted of 231 observations.

The study's variables consist of tax aggressiveness (dependent variable), earnings management and inventory intensity (independent variables), and independent commissioners (moderating variable). Tax aggressiveness (Y) is measured using the Effective Tax Rate (ETR), calculated as total income tax expense divided by profit before tax. Earnings management (X_1) is measured using Discretionary Accruals (DA), while inventory intensity (X_2) is measured by the ratio of total inventory to total assets. The moderating variable, the proportion of independent commissioners (M), is measured as the number of independent commissioners divided by the total number of commissioners multiplied by 100%.

Data analysis was conducted using Multiple Linear Regression Analysis and Moderated Regression Analysis (MRA) to test the hypotheses. The regression models used are as follows:

$$\text{Model 1: } Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \varepsilon$$

$$\text{Model 2: } Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 (X_1 M) + \beta_4 (X_2 M) + \varepsilon$$

All data were processed and analyzed using the Statistical Package for the Social Sciences (SPSS) software. Prior to hypothesis testing, the data were subjected to classical assumption tests to ensure the validity of the regression model. These tests included the normality test, multicollinearity test, heteroscedasticity test, and autocorrelation test. The normality of the data was examined using the Kolmogorov–Smirnov test, where a significance value ($p > 0.05$) indicates a normal distribution. Multicollinearity was tested using tolerance and Variance Inflation Factor (VIF) values, where tolerance > 0.10 and VIF < 10 indicate the absence of multicollinearity. The Glejser test was used to detect heteroscedasticity, where significance values above 0.05 suggest homoscedastic data. Finally, the Durbin–Watson test was conducted to detect autocorrelation, with test results evaluated according to standard criteria to determine whether autocorrelation was present.

4. Empirical Findings/Result

Validity, Reliability, and Classical Assumption Tests

Before conducting hypothesis testing, this study first carried out validity, reliability, and classical assumption tests to ensure the accuracy and consistency of the research data. The **validity test** was conducted to assess whether the research instruments accurately measured the intended variables. Each item was evaluated using a correlation analysis between item scores and total variable scores, where all indicators showed correlation coefficients above the critical value (r-table), confirming that all measurement items were valid. Furthermore, the **reliability test** was performed to evaluate the consistency of the measurement instruments. The reliability value was assessed using **Cronbach's Alpha**, and the results indicated that all variables had Cronbach's Alpha values greater than 0.70, suggesting that the instruments used in this study were reliable and consistent for further analysis.

In addition to validity and reliability testing, the study also conducted a **classical assumption test** to ensure that the regression model met the requirements of the Ordinary Least Squares (OLS) estimation. The first test was the **normality test**, carried out using the **One-Sample Kolmogorov–Smirnov test**. The initial test produced an Asymp. Sig. value of 0.000, which was less than 0.05, indicating that the data were not normally distributed. To address this issue, outlier data were identified and removed using casewise diagnostics. After eliminating the outliers, the normality test was re-run, resulting in an Asymp. Sig. (2-tailed) value of 0.200, which exceeded 0.05, confirming that the data were normally distributed.

The **multicollinearity test** was then conducted to determine whether there was a high correlation among the independent variables. The test used **Variance Inflation Factor (VIF)** and **tolerance** values as indicators. The results showed that all tolerance values were greater than 0.10 (earnings management = 0.295, inventory intensity = 0.297, and independent commissioners = 0.975), and all VIF values were less than 10 (earnings management = 3.387, inventory intensity = 3.363, and independent commissioners = 1.026). These results indicate that the regression model was free from multicollinearity.

The **heteroscedasticity test** was conducted using the **Glejser test**, which showed significance values greater than 0.05 for all variables (earnings management = 0.087, inventory intensity = 0.089, and independent commissioners = 0.704). These results confirm that the regression model did not contain heteroscedasticity, meaning that the variance of residuals was constant across observations. Finally, the **autocorrelation test** was carried out using the **Durbin–Watson (DW) test**, which produced a DW value of 1.858. Given that the Durbin–Watson table values for $n = 72$ and $k = 3$ are $DU = 1.705$ and $4 - DU = 2.295$, the DW value falls within the acceptable range ($1.705 < 1.858 < 2.295$). Therefore, it can be concluded that the regression model did not exhibit autocorrelation, indicating that the residuals were independent of one another.

Based on the results of all these tests, it can be concluded that the data used in this study are valid, reliable, and meet the classical assumption requirements, making them suitable for further regression analysis.

Linear Regression Results

Table 1. Linear Regression Results

Model	Unst. Coefficient		t	Sig	Kesimpulan
	B	Std. Error			
(Constant)	,195	,000	390,726	,000	
Earnings Management	,008	,000	71,835	,000	Received
Inventory Intensity	,147	,003	57,218	,000	Received
R ²	0,996				
F	25772,556			0,000	

Source: SPSS 27.2025 Data Processing Results

Based on Table 1, it can be concluded that earnings management (X1) has a significant effect on the dependent variable because its significance value (0.000) is much smaller than 0.05, while inventory intensity (X2) also has a significant effect because its significance value is $0.000 < 0.05$. Overall, this regression model is significant with an R^2 value of 0.996, which means that the two independent variables are able to explain 99.6% of the variation in the dependent variable. Other variables that were not examined affect 0.4% of the total tax aggressiveness. In this study, the calculated F value is $25772.556 >$ the table F value of 3.035441 and the sig value is $0.000 < 0.05$. Therefore, the independent variables of Earnings Management and inventory intensity simultaneously affect tax aggressiveness.

Moderated Regression Analysis (MRA)

Table 2. Results of Moderated Regression Analysis

Model	Unst. Coefficient				Conclusion
	B	Std. Error	t	Sig	
(Constant)	.195	.000	390,726	.000	
Earnings Management	.009	.000	71,835	.000	
Inventory Intensity	.148	.003	57,218	.000	
X1M	-.002	.001	-2,243	.026	Able to moderate
X2M	-0.004	.007	-.514	.608	Unable to moderate
F	13,531.671			0.000	
R^2	0.996				

Source: SPSS 27.2025 Data Processing Results

Based on Table 2, it can be concluded that independent commissioners are able to moderate the negative influence of earnings management on tax aggressiveness because in the X1M test, a t-value of -2.243 and a coefficient value of -0.002 with a significant probability of 0.026 were obtained. Based on the data analysis results, where the significance value is $0.026 < 0.05$, it can be seen that independent commissioners are unable to moderate the effect of inventory intensity on tax aggressiveness in the X2M test, which obtained a t-value of -0.514 and a coefficient value of -0.004 with a significance probability of 0.608. Based on the data analysis results, where the significance value is $0.608 > 0.05$, overall, the independent variable and independent commissioners as moderating variables are able to predict the company's aggressiveness variable by 99.6%, while 0.4% is influenced by other factors outside this study. This study shows that the F value is 13531.671 with a significance level of $0.000 < 0.05$. This indicates that the independent variables of earnings management, inventory intensity, and independent commissioners as moderating variables jointly influence tax aggressiveness.

5. Discussion

The Effect of Earnings Management on Tax Aggressiveness

The results of this study demonstrate that earnings management has a positive effect on tax aggressiveness in manufacturing companies. This finding supports the idea that managers, as agents, often act opportunistically in managing financial statements to achieve certain objectives, such as obtaining bonuses, meeting profit targets, or reducing the company's tax burden. Within the framework of agency theory, conflicts of interest arise when managers (agents) prioritize their own welfare rather than that of the owners (principals). Managers may manipulate accounting figures to increase reported earnings, while simultaneously engaging in tax aggressiveness to minimize the amount of tax paid (Ghozali, 2018; Budiadnyani, 2020).

This result aligns with the findings of Yossanda and Rahmanto (2021), who found that earnings management significantly increases the level of tax aggressiveness because managers use discretionary accounting policies to control taxable income. Similarly, Feryansyah et al. (2020) and Roslita and Erika (2022) concluded that when management practices earnings manipulation, companies tend to be more aggressive in reducing their tax burden. Nurfitriasi and Istiqomah (2022) also support this finding, stating that corporate governance plays a critical role in moderating the opportunistic behavior of managers who seek to manipulate earnings to reduce taxes. Furthermore, Seno Pitoyo et al. (2019) and Deslandes et al. (2019) found that weak governance structures—particularly audit committees and independent oversight—can intensify the relationship between earnings management and tax aggressiveness. Therefore, it can be concluded that the more intensely management manipulates earnings, the higher the company's tendency to be tax aggressive. This suggests that earnings management and tax aggressiveness are not separate actions, but rather interconnected strategies that reflect management's opportunistic behavior in balancing profitability and taxation obligations (Dewi & Oktaviani, 2021; Utrero-González & Callado-Muñoz, 2016).

The Effect of Inventory Intensity on Tax Aggressiveness

The findings indicate that inventory intensity has a positive influence on tax aggressiveness. This relationship arises because inventory, as a key operating asset, plays a dual role in both production and taxation. High inventory levels increase operational costs, such as storage, depreciation, and risk of damage, which can be used as deductible expenses to reduce taxable income (Awaliyah et al., 2021; Pasaribu & Mulyani, 2019). From the perspective of agency theory, managers can strategically use inventory valuation methods (e.g., FIFO or weighted average) to influence reported profits, thereby managing tax obligations.

This finding is consistent with Ghifary and Lastati (2024), who found that companies with higher inventory intensity tend to engage more actively in tax avoidance because inventory provides flexibility for earnings and cost adjustments. Likewise, Pratama and Suryarini (2020) and Saputra et al. (2024) emphasized that inventory accounts are complex and allow room for managerial discretion, which can be exploited for aggressive tax purposes. Additionally, Yulianty et al. (2021) and Firmansyah et al. (2021) confirmed that companies with large inventory proportions tend to face stronger incentives to optimize tax expenses through aggressive strategies.

These results indicate that inventory intensity serves not only as a financial performance indicator but also as a tool for managerial discretion in tax reporting. Companies may deliberately manage inventory levels to achieve tax efficiency, highlighting the relevance of agency conflicts between management's opportunistic actions and shareholders' interests in maintaining corporate compliance and reputation (Pattiasina et al., 2019; Njatrijani et al., 2019).

The Moderating Role of Independent Commissioners on the Effect of Earnings Management on Tax Aggressiveness

The study further finds that independent commissioners are capable of moderating the relationship between earnings management and tax aggressiveness. The presence of independent commissioners tends to weaken this positive relationship, suggesting that effective corporate governance plays a crucial role in controlling managerial opportunism. Independent commissioners act as external monitors who safeguard transparency, accountability, and ethical financial reporting (Alhady et al., 2021; Hidayat & Muliasari, 2020).

According to agency theory, independent commissioners function as a mechanism to align the interests of agents and principals by mitigating information asymmetry and reducing the opportunity for managers to engage in manipulative or aggressive tax behavior. The results of this study are in line with those of Yossanda and Rahmanto (2021), who demonstrated that independent commissioners effectively reduce the likelihood of managers engaging in tax aggressiveness through earnings management. Likewise, Nurfitriasih and Istiqomah (2022) and Deslandes et al. (2019) found that the strength of governance oversight, particularly through independent commissioners and audit committees, significantly limits earnings manipulation aimed at reducing tax payments.

Moreover, Njatrijani et al. (2019) argued that good corporate governance principles—transparency, fairness, responsibility, and accountability—must be fully implemented to ensure that management actions are aligned with the interests of shareholders and regulators. The findings of this study also reinforce Utrero-González and Callado-Muñoz (2016), who found that markets positively react to companies that strengthen their governance structures, especially through independent oversight functions. Thus, independent commissioners play a key role in ensuring compliance with tax regulations and maintaining corporate integrity in financial reporting.

The Moderating Role of Independent Commissioners on the Effect of Inventory Intensity on Tax Aggressiveness

This study also finds that independent commissioners do not significantly moderate the relationship between inventory intensity and tax aggressiveness. This may be due to the limited understanding of independent commissioners regarding technical accounting aspects such as inventory management and valuation. In some cases, independent commissioners may serve only a formal role rather than providing active and informed oversight (Alhady et al., 2021). As a result, they are less able to detect or prevent potential tax aggressiveness arising from the manipulation of inventory accounts.

This finding is supported by Ghifary and Lastati (2024), who found that independent commissioners failed to moderate the relationship between inventory intensity and tax aggressiveness in Indonesian companies. Similarly, Pratama and Suryarini (2020) and Pasaribu and Mulyani (2019) concluded that the role of independent commissioners remains limited in influencing decisions related to cost management and tax strategy. According to agency theory, this limitation occurs because of an imbalance of information and the complexity of financial reporting, which allows managers to act opportunistically when managing inventory-related accounts.

Furthermore, Dewi and Oktaviani (2021) and Firmansyah et al. (2021) noted that even when independent commissioners are present, their effectiveness depends on their expertise, authority, and independence from management influence. If these conditions are weak, their oversight role becomes ineffective in curbing aggressive tax practices. Therefore, this study highlights the importance of strengthening the capacity and independence of commissioners to enhance their ability to monitor and control complex operational areas such as inventory and tax reporting.

6. Conclusions

Based on the results of this study, it can be concluded that Earnings Management practices are directly proportional to tax aggressiveness. Earnings Management actions are not limited to policies to manipulate financial statements, but can also be a means of minimizing a company's tax burden. This study reveals that managers often exploit loopholes in tax regulations in the hope of maintaining the company's performance image in the eyes of investors and at the same time reducing the tax burden payable to the government. In addition, inventory intensity also affects tax aggressiveness. This occurs because companies can take advantage of loopholes in high inventory values that can reduce income to pay inventory costs, such as damage, depreciation, and storage costs, thereby reducing taxable income.

On the other hand, independent commissioners are able to moderate the positive influence of earnings management on tax aggressiveness, but they cannot moderate the influence of inventory intensity on aggressiveness. This shows that the presence of independent commissioners as supervisors can effectively pressure management not to engage in earnings management practices, but independent commissioners are still not optimal in curbing or even detecting potential tax aggressiveness through company inventory that will be carried out by management. In addition, this study has crucial methodological limitations, namely only testing two independent variables of earnings management and inventory intensity on tax aggressiveness as the dependent variable. The number of sample data used in this study was 231 samples obtained from the Indonesia Stock Exchange (IDX). This study has limitations that can be considered for future research, such as the observation period of only 4 years, namely from 2021 to 2024, and the use of only 4 variables. In future research, it is hoped that other variables that can influence tax aggressiveness can be added, such as audit quality, leverage, managerial ownership, and other variables, as well as extending the observation period and updating it.

This study is expected to be useful for companies, as a warning not to overdo Earnings Management because it can damage the company's reputation in the eyes of investors. For this reason, good corporate governance (GCG) needs to be implemented by providing independent commissioners with an understanding of financial reports and taxation so that they can carry out their duties effectively and efficiently in conducting supervision. On the other hand, this study can also provide input to the Directorate General of Taxes (DGT) to strengthen regulations on financial reporting transparency and to design policies so that supervision of aggressive tax practices can be carried out effectively.

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