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Political Connections, Capital Intensity, The Existence of A Risk Management Committee, and Real Earnings Management on Tax Aggressiveness

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Abstract:

This study examines the determinants of tax aggressiveness in Indonesian consumer non-cyclical manufacturing firms listed on the Indonesia Stock Exchange between 2021 and 2024, focusing on Political Connections, Capital Intensity, Risk Management Committee, and Real Earnings Management. Using a quantitative approach, data were collected from 175 purposively selected firms with complete financial reports, consistent profitability, and statements in Indonesian Rupiah. Tax aggressiveness was measured by Effective Tax Rate, while other variables were operationalized using appropriate quantitative proxies. Multiple linear regression analysis reveals that only Capital Intensity significantly influences tax aggressiveness, whereas Political Connections, Risk Management Committee, and Real Earnings Management show no significant effect. The adjusted R^2 of 0.042 indicates that most variation in tax aggressiveness is explained by factors outside the scope of this study. Future research should consider larger samples, longer periods, and additional governance and earnings management variables to gain a more comprehensive understanding.

Keywords: *Capital Intensity, Political Connections, Real Earnings Management, Risk Management Committee, Tax Aggressiveness*

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1. Introduction

Taxes are a key pillar of national economic sustainability, serving as a mandatory fiscal tool to fund state expenditures and long-term development. In Indonesia, tax revenue dominates state income, highlighting its role in financing programs and administration. However, compliance remains a structural challenge, as businesses often view taxes as a cost, leading to tax-minimizing practices. Regulatory complexity, frequent policy changes, and administrative inefficiencies especially for SMEs contribute to non-compliance. Although digitalization has been introduced, further institutional improvements are needed to ensure enforcement, auditing, and dispute resolution are efficient and resource-effective.

In an increasingly competitive global business environment, firms are compelled to pursue not only profit maximization but also tax efficiency as a strategic objective, prompting management to exploit regulatory flexibility to reduce fiscal obligations and reallocate financial resources toward operations, expansion, and employment generation. Within this context, tax aggressiveness emerges as a deliberate component of tax management, encompassing both compliant tax planning and practices that extend beyond formal regulatory boundaries, including the exploitation of legal loopholes as well as non-compliant behavior. While such strategies may enhance corporate cash flow and managerial utility, they simultaneously pose fiscal risks to the state by eroding tax revenues and exposing firms to potential sanctions. Empirical evidence from Indonesia illustrates that aggressive tax practices have resulted in substantial losses to public finances, reinforcing concerns regarding their systemic impact. Prior literature suggests that tax aggressiveness is shaped by multiple organizational attributes; accordingly, this study concentrates on political connections, capital intensity, the presence of a risk management committee, and real earnings management. Firms embedded in political networks tend to leverage preferential access to credit, reduced audit intensity, and implicit governmental support, thereby gaining greater discretion in tax-related decision-making. However, empirical findings on the political connection–tax aggressiveness nexus remain inconclusive, as some studies report a lower effective tax rate among politically connected firms, while others find no significant association, potentially reflecting the absence of explicit tax regulations that differentiate firms based on political affiliation.

Capital intensity reflects the extent to which firms allocate resources into fixed assets and inventories as part of their investment strategy, which may indirectly shape corporate tax behavior. A substantial composition of depreciable fixed assets allows firms to recognize depreciation expenses that reduce accounting income and, consequently, taxable profit, thereby creating incentives for tax-aggressive behavior. Empirical evidence suggests that higher capital intensity increases the likelihood of tax avoidance due to the dominant role of fixed assets in the firm's capital structure; however, contrasting findings indicate that a high proportion of fixed assets does not necessarily ensure effective utilization of depreciation for tax reduction purposes. Beyond asset structure, the presence of a risk management committee constitutes another governancerelated determinant of tax aggressiveness. Although such committees are designed to mitigate operational and financial risks and are expected to constrain opportunistic tax behavior, several studies reveal a positive and significant association between the existence of a risk management committee and tax aggressiveness, implying that its implementation may not function optimally in suppressing tax avoidance practices, contrary to findings that report a deterrent effect. Additionally, real earnings management defined as managerial actions that manipulate operational decisions within accounting standards to influence reported earnings—plays a critical role in shaping tax outcomes, given that taxable income is directly linked to reported profits. Managers may engage in income-increasing or income-decreasing strategies to achieve short-term earnings targets without altering long-term firm value, which in turn can facilitate aggressive tax strategies. While some empirical studies confirm that real earnings management significantly affects tax aggressiveness, opposing evidence indicates its inability to capture tax avoidance behavior, particularly among manufacturing firms, suggesting that earnings manipulation does not uniformly translate into aggressive tax positions.

A prior study by Lestari et al. (2019), titled *"The Influence of Political Connections and Capital Intensity on Tax Aggressiveness"*, serves as a foundational reference for this research. Their findings indicate that, when analyzed simultaneously, political connections and capital intensity exert a significant impact on tax aggressiveness. However, partial analysis reveals a nuanced distinction: political connections individually exhibit no discernible effect on tax aggressiveness, whereas capital intensity demonstrates a negative relationship, suggesting that higher capital intensity correlates with reduced tax aggressiveness.

Building on the previous findings, the researcher is motivated to extend the study by incorporating two additional independent variables namely, the presence of a Risk Management Committee and the implementation of Real Earnings Management to investigate their potential influence on economic growth, thereby enriching the explanatory power of the model and providing deeper insights into corporate governance and financial practices.

2. Theoretical Background

Agency Theory: Agency theory, as conceptualized by Barly (2018), elucidates the relational dynamics between principals and agents, wherein agents are entrusted with the authority to manage corporate operations and make decisions affecting investors. Extending this notion, Putri and Lawita (2019) emphasize that organizational behavior largely stems from divergent interests among stakeholders. Tax avoidance emerges as a tangible manifestation of this divergence, reflecting a tension between capital owners and managerial actors (Afrika, 2021). Managers often pursue elevated profits to maximize personal incentives, such as performance bonuses, yet higher earnings simultaneously escalate corporate tax liabilities, potentially diminishing these rewards. Consequently, management may adopt aggressive tax strategies to optimize personal gains, whereas owners remain attentive to legal ramifications, reputational risks, and potential long-term value erosion. This principal-agent conflict is further compounded by information asymmetry, wherein managers possess greater access to accounting systems and financial data than principals, who rely on these reports for evaluation and decision-making (Suhartonoputri & Mahmudi, 2022).

Tax Aggressiveness: Tax aggressiveness refers to a corporate strategy aimed at manipulating taxable income through systematically designed tax planning mechanisms. This strategy may operate within legal boundaries by exploiting regulatory loopholes (tax avoidance) or cross into unlawful practices such as tax evasion, depending on the approach adopted. Empirical literature indicates that tax-aggressive behavior is not exclusive to large corporations but is also prevalent among small and medium-sized firms, primarily driven by the objective of minimizing tax liabilities and enhancing after-tax profitability. While such practices can reduce corporate expenses and increase retained earnings, they simultaneously generate adverse externalities by diminishing government tax revenues, thereby constraining the state's fiscal capacity to finance public development and long-term national growth initiatives.

Political Connections: The degree of a firm's political embeddedness can be inferred from the involvement of its controlling shareholders, top executives, or commissioners who have past or ongoing affiliations with politicians, political parties, or government officials (Solikin & Slamet, 2022). Such political ties tend to reduce the perceived likelihood of tax audits and sanctions, thereby encouraging firms to engage in tax planning with minimal concern over regulatory enforcement (Risthi et al., 2024). This weakened oversight environment may compromise the transparency of corporate financial reporting. Furthermore, political connections provide firms with privileged access to up-to-date tax information and opportunities to influence policy formulation in their favor, enabling more sophisticated tax strategies, the postponement or avoidance of tax examinations, and a higher propensity for tax avoidance practices with limited institutional resistance (Maulina & Mu'arif, 2024).

Capital Intensity: Capital intensity refers to the extent to which a firm allocates its capital into productive tangible assets, particularly fixed assets and inventories that are actively owned and controlled within the company's operational scope (Neldi et al., 2022). A higher concentration of investment in fixed assets inevitably increases depreciation expenses, which in turn suppress operating profit and subsequently lowers the corporate tax burden. Thus, depreciation functions as a mediating mechanism linking capital intensity to taxation outcomes, indicating that the scale of asset-based investment is systematically associated with the magnitude of taxes borne by the firm (Hasanah et al., 2023).

Risk Management Committee: A risk management committee constitutes an internal governance mechanism established to identify, monitor, and control corporate risks arising from operational activities, including tax-related exposure, while operating under the oversight of the board of commissioners (Suripto, 2022). In the pursuit of maximizing profitability for stakeholders, firms inevitably face tax obligations that compress net income, prompting some entities to engage in tax avoidance or, in extreme cases, tax evasion as part of strategic tax management aimed at reducing fiscal burdens (Fadrianto

& Mulyani, 2020). However, such practices place the risk management function in a delicate position, as aggressive tax strategies may generate short-term cash flow benefits through tax savings, yet simultaneously elevate agency costs, weaken corporate transparency, complicate business transactions, and ultimately erode firm value and reputational standing among stakeholders.

Real Earnings Management: Earnings management should not be narrowly interpreted as a direct manipulation of reported figures; rather, it predominantly manifests through managerial discretion in selecting accounting methods to meet predetermined performance objectives. While such practices may provide short-term benefits for firms, they simultaneously undermine the credibility of financial reporting by introducing bias and reducing the reliability of information relied upon by stakeholders. In this context, tax planning is closely intertwined with earnings management, as both strategies are designed to optimize reported profits through strategic adjustments to financial outcomes. Aggressive tax planning often entails alterations in operational activities that indirectly affect reported earnings, a phenomenon commonly referred to as real earnings management, whereby firms reshape economic activities to influence accounting results and tax liabilities simultaneously.

Hypothesis Development

The influence of political connections on tax aggressiveness

Political ties embedded within the board of commissioners or executive management create strategic leverage that firms can exploit for private economic gains, including preferential access to external financing and reduced intensity of tax audits (Pinandito & Juliarto, 2024; Krisnawati et al., 2021). Such advantages incentivize management to engage in tax-reducing strategies as a means of maximizing reported earnings, with political connections functioning as an informal shield against regulatory enforcement. Empirical evidence consistently supports this mechanism, showing that politically connected firms exhibit a higher propensity for tax avoidance and are more likely to remit tax payments below statutory expectations (Ferdiawan & Firmansyah, 2020; Krisnawati et al., 2021). Accordingly, this study formulates the first hypothesis as follows: H1: Political connections exert a significant influence on corporate tax aggressiveness

The effect of capital intensity on tax aggressiveness

Firms characterized by a high capital intensity tend to record larger depreciation expenses, which directly affect taxable income since corporate tax obligations are determined based on profit after deductible costs, including depreciation. As the proportion of fixed assets increases, depreciation charges rise, leading to a reduction in reported net income and, consequently, a lower effective tax burden. Prior empirical studies by Sinaga and Malau (2021) as well as Rahma et al. (2022) provide evidence that capital intensity exerts a statistically significant influence on corporate tax aggressiveness. Based on this theoretical and empirical rationale, the second hypothesis of this study is formulated as follows**:** H2: Capital intensity influences tax aggressiveness**.**

The influence of the existence of a risk management committee on tax aggressiveness

The board of commissioners establishes a risk management committee to oversee corporate policies and ensure strategic governance (Suripto, 2022). By institutionalizing risk management, firms exercise greater prudence in tax planning, minimizing potential legal liabilities and reputational threats. Effective risk management frameworks enable organizations to optimize tax burdens in a compliant and efficient manner. Empirical studies by Utami & Syafiqurrahman (2018) and Damayanti & Sitorus (2024) indicate that the presence of a risk management committee significantly shapes corporate tax aggressiveness. Accordingly, it is hypothesized that the existence of a risk management committee exerts a measurable influence on tax aggressiveness (H3).

The effect of real earnings management on tax aggressiveness

As corporate profitability rises, the associated tax burden tends to increase, creating incentives for managers to strategically intervene in reported earnings. Real earnings management represents managerial actions that adjust operational activities to shape reported income in line with organizational or personal objectives. Although reported profit theoretically signals a firm's long-term earning capacity, managers may deliberately suppress income levels to minimize tax liabilities. Empirical evidence from prior studies indicates that real earnings management exerts a significant influence on tax aggressiveness, suggesting that operational manipulation can function as a tax-reduction mechanism. Accordingly, this study formulates the fourth hypothesis as follows: **H4: Real earnings management has a significant effect on tax aggressiveness**.

3. Methodology

This study employs a quantitative approach to empirically examine factors influencing tax aggressiveness in consumer non-cyclical manufacturing firms listed on the Indonesia Stock Exchange between 2021 and 2024, with purposive sampling applied to firms meeting criteria of IDX registration, complete annual reports, consistent profitability, and financial statements in Indonesian Rupiah (Sugiyono, 2023). Data were systematically sourced from secondary documentation to ensure reliability and uniformity. Key variables were operationalized with quantitative proxies: tax aggressiveness via Effective Tax Rate, political connection as a binary indicator, capital intensity measured by fixed asset proportion, Risk Management Committee presence as a governance marker, and real earnings management proxied by abnormal operating cash flows. Analysis began with descriptive statistics to summarize dataset characteristics, followed by classical assumption tests including normality, multicollinearity, heteroskedasticity, and autocorrelation to ensure model robustness (Ghozali, 2021). Multiple linear regression was then conducted to assess both individual and collective impacts of the predictors on tax aggressiveness. Model adequacy was confirmed through F-tests, explanatory power via adjusted R^2, and hypothesis significance through t-tests, with results indicating the relative contribution of each variable while controlling for others.

4. Empirical Findings/Result

Data Collection Results

The study population comprised manufacturing companies within the consumer non-cyclicals sector listed on the Indonesia Stock Exchange (IDX) during 2021–2024. Utilizing purposive sampling, the research selectively identified 175 firms meeting specific inclusion criteria for the period under investigation, ensuring that the final sample accurately represents the targeted population characteristics and supports robust empirical analysis:

Table 1. Sampling Criteria

Criteria	Amount
Non-cyclical consumer sector companies during the 2021-2024 period	133
Non-cyclical consumer sector companies listed on the IDX during the 2021-2024 period	(37)
Companies that consistently and completely published annual reports during the 2021-2024 period	(7)
Companies that generated net profit during the study period.	(32)
Companies that used rupiah as the unit of account in their annual reports during the 2021-2024 period	(2)
Total research sample from 2021-2024 or (4) years	220
Outliers	(45)
Number of samples after outliers from 2021-2024 or (4) years	175

Outliers are observations that exhibit atypical characteristics and extreme values, deviating markedly from the general data pattern at either the univariate or multivariate level (Ghozali, 2021). Such anomalies may arise from data entry errors, inaccuracies during data processing, the inclusion of non-representative samples, or inherent population characteristics where variable distributions are non-normal and contain extreme values (Ghozali, 2021). In this study, outlier detection was conducted by applying an appropriate threshold through the transformation of raw data into standardized scores (Z-scores). The research population comprised 133 firms, and after applying the sampling criteria and excluding 45 firm-level observations identified as outliers, the final dataset for the 2021–2024 period consisted of 175 firm-year observations.

Descriptive Statistical Analysis

Table 2. Descriptive Test Results

Variables	N	Minimum	Maximum	Mean	Std. Deviation
Tax Aggressiveness	175	0,17	0,29	0,2207	0,02419
Political Connections	175	0,00	1,00	0,5314	0,50044
Capital Intensity	175	0,02	0,81	0,3236	0,16489
Risk Management Committee	175	0,00	1,00	0,0857	0,28074
Real Earnings	175	-18,62	17,06	-0,576	6,27774

Management	
Valid N	175

Source: Processed using SPSS, 2025

Based on the descriptive statistical assessment, the dataset comprises 175 observations (N) covering five analyzed variables. Tax aggressiveness exhibits a minimum value of 0.17 and a maximum of 0.29, with an average of 0.2207, indicating a generally moderate level of tax planning behavior and suggesting the absence of extreme tax-avoidance practices; the relatively low standard deviation (0.02419) reflects limited dispersion around the mean. Political connections, measured using a dummy indicator, range from 0 to 1 with a mean of 0.5314, implying that approximately 53% of sampled firms have board members or directors with political affiliations, while the standard deviation of 0.50044 indicates moderate variability. Capital intensity records values between 0.02 and 0.81, with an average of 0.3236, signifying that, on average, firms allocate about one-third of their total assets to fixed assets, a structure that potentially increases depreciation expenses; the standard deviation of 0.16489 suggests relatively low dispersion. The risk management committee variable, also defined as a dummy, shows a mean of 0.0857, indicating that only a small proportion of firms have established a formal risk management committee, with a standard deviation of 0.28074. In contrast, real earnings management displays substantial variability, with values ranging from −18.62 to 17.06 and an average of −0.5786, suggesting a tendency toward income-decreasing real activities manipulation; the high standard deviation of 6.27774 confirms a high degree of heterogeneity across firms.

Classical Assumption Test

The normality assessment was conducted to evaluate whether the residuals in the regression model followed a normal distribution, employing the Kolmogorov-Smirnov test (Ghozali, 2021). The analysis yielded an Asymp. Sig. (2-tailed) of 0.200, exceeding the 0.05 significance threshold, indicating that the residuals are approximately normally distributed. Multicollinearity diagnostics were subsequently performed to identify potential intercorrelations among the independent variables. Results demonstrated that Political Connections, Capital Intensity, Risk Management Committee, and Real Earnings Management all exhibited tolerance values above 0.10 and VIF values below 10, confirming the absence of multicollinearity among the predictors.

Heteroskedasticity was evaluated using the Spearman-Rho test to determine whether residual variances were consistent across the regression model. The p-values for all independent variables exceeded 0.05, suggesting homoscedasticity in the data. Furthermore, autocorrelation was examined through the Durbin-Watson statistic, resulting in a DW value of 1.833, which lies within the acceptable range between dU (1.7877) and 4-dU (2.2123). This outcome indicates that the residuals are independent over time, confirming the model's validity regarding autocorrelation. Collectively, these diagnostic tests validate the regression assumptions, ensuring the reliability and robustness of subsequent inferential analyses.

Hypothesis Testing
Multiple Linear Regression Test

Table 3. Multiple Linear Regression Test

Variables	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(constant)	0,209	0,005		44,861	0,000
Political Connections	-0,001	0,004	-0,012	-0,163	0,871
Capital Intensity	0,035	0,011	0,242	3,192	0,002
Risk Management Committee	0,007	0,007	0,080	1,052	0,294
Real Earnings Management	0,000	0,000	0,092	1,214	0,227

Source: Processed using SPSS, 2025.

The outcomes of the aforementioned multiple linear regression analysis allow for the formulation of the corresponding regression equation as follows:

AP = 0,209 – 0,001KP + 0,035CAPINT + 0,007RMC + 0,000REM + €.

The estimated regression equation captures the directional and magnitude effects of each independent variable on the dependent variable within the research model. The constant term (α) of 0.209 indicates that, in the absence of Political Connections, Capital Intensity, Risk Management Committee, and Real Earnings Management, the baseline level of Tax Aggressiveness is 0.209. Political Connections exhibit a negative coefficient of −0.001, implying that an incremental increase in political linkage is associated with a marginal decline in Tax Aggressiveness, ceteris paribus. In contrast, Capital Intensity shows a positive coefficient of 0.035, suggesting that a higher concentration of capital assets tends to elevate the degree of Tax Aggressiveness. Similarly, the Risk Management Committee variable carries a positive coefficient of 0.007, indicating that its strengthening is aligned with an increase in Tax Aggressiveness. Real Earnings Management also displays a positive, albeit negligible, coefficient approaching zero, which implies that intensification in earnings manipulation activities corresponds to a slight upward movement in Tax Aggressiveness when other factors are held constant.

Capital Feasibility Test (F-test)

Table 4. F Test Results

Variables	F_{count}	F_{table}	Sig	Description
KP, CAPINT, RMC, REM	2,894	2,42	0,024	Significant

Source: Processed using SPSS, 2025.

The F-test results indicate that the calculated F-value exceeds the critical F-value (2.894 > 2.42) and the significance level is below 0.05 (0.024 < 0.05), implying that, collectively, Political Connections, Capital Intensity, Risk Management Committee, and Real Earnings Management exert a statistically significant influence on Tax

Aggressiveness. Consequently, the regression model demonstrates overall adequacy and can be considered suitable for capturing the relationships among these variables within this study.

Coefficient of Determination (R^2) Test

Table 5. Coefficient of Determination (R^2) Test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0,253	0,064	0,042	0,02368

Source: Processed using SPSS, 2025.

The analysis reveals that the Adjusted R^2 value is 0.042, indicating that 4.2% of the variation in Tax Aggressiveness can be collectively accounted for by Political Connections, Capital Intensity, Risk Management Committee, and Real Earnings Management. The remaining 95.8% of variability is attributed to factors beyond the scope of this study, suggesting that while the examined predictors have a measurable influence, a substantial proportion of Tax Aggressiveness is determined by external or unobserved variables.

Hypothesis Testing (T-Test)

Table 6. Hypothesis Testing (T-Test)

Variables	T_{count}	T_{table}	Sig.	Description
Political Connections	-0,163	1,974	0,871	H1 Rejected
Capital Intensity	3,192	1,974	0,002	H2 Accepted
Risk Management Committee	1,052	1,974	0,294	H3 Rejected
Real Earnings Management	1,214	1,974	0,227	H4 Rejected

Source: Processed using SPSS, 2025.

Based on the t-test results, the influence of each variable on Tax Aggressiveness can be delineated as follows. Political Connections exhibit a t-statistic lower than the critical value ($-0.163 < 1.974$) and a significance level exceeding 0.05 ($0.871 > 0.05$), indicating that H1 is rejected and Political Connections do not significantly affect Tax Aggressiveness. In contrast, Capital Intensity demonstrates a t-statistic exceeding the threshold ($3.192 > 1.974$) with a p-value below 0.05 ($0.002 < 0.05$), supporting H2 and confirming a significant positive impact on Tax Aggressiveness. Meanwhile, the Risk Management Committee variable presents a t-statistic below the critical value ($1.052 < 1.974$) and a significance level above 0.05 ($0.294 > 0.05$), resulting in H3 being rejected and signifying no substantial influence on Tax Aggressiveness. Similarly, Real Earnings Management shows a t-statistic less than the critical value ($1.2147 < 1.974$) alongside a p-value greater than 0.05 ($0.227 > 0.05$), leading to the rejection of H4 and confirming the absence of a significant effect on Tax Aggressiveness.

5. Discussion

The Influence of Political Connections on Tax Aggressiveness

The first hypothesis of this study examined the effect of Political Connections on Tax Aggressiveness. Empirical testing revealed a coefficient of 0.871 for Political

Connections, exceeding the significance threshold of 0.05, indicating that such connections do not significantly influence corporate tax aggressiveness. This suggests that possessing Political Connections alone does not guarantee or incentivize heightened tax aggressiveness within firms. Despite the potential advantages Political Connections may confer, companies must weigh long-term implications to ensure business continuity and maintain a positive reputation among stakeholders (Solikin & Slamet, 2022). Consequently, firms that opt not to exploit their Political Connections while consistently adhering to regulations may be recognized or rewarded by government authorities. In this framework, Political Connections should function not as a means to circumvent tax obligations but as a tool for corporate responsibility, regulatory compliance, and contribution to national welfare through lawful practices (Apriliani & Wulandari, 2023). These findings align with prior studies by Sawitri et al. (2022), Phang & Hendi (2023), and Solikin & Slamet (2022), which similarly report no significant impact of Political Connections on Tax Aggressiveness.

The Effect of Capital Intensity on Tax Aggressiveness

The second hypothesis examines the effect of capital intensity on tax aggressiveness. The empirical results indicate that capital intensity is statistically significant, with a p-value of 0.002, which is below the 0.05 significance threshold, confirming its influence on tax aggressiveness. A higher proportion of fixed assets reflects a strategic inclination toward aggressive tax behavior, as increased investment in capital assets elevates depreciation expenses that reduce reported taxable income and, consequently, the corporate tax burden (Andrenossa, 2025). This mechanism suggests that firms with greater capital intensity exploit depreciation as a fiscal instrument to minimize tax liabilities (Raflis & Ananda, 2020). The findings are consistent with prior empirical evidence (Sinaga & Malau, 2021; Rahma et al., 2022; Sutanto et al., 2024; Lestari et al., 2019), which collectively demonstrate that a larger fixed-asset base is associated with a higher propensity for tax avoidance practices.

The Influence of the Risk Management Committee on Tax Aggressiveness

The third hypothesis of this study examined the impact of the risk management committee on tax aggressiveness. Empirical testing revealed that the coefficient for the risk management committee variable was 0.294, exceeding the conventional significance threshold of 0.05, indicating no statistically significant effect on tax aggressiveness. This outcome aligns with the committee's core mandate, which primarily addresses operational risk rather than tax-specific strategies. Consequently, the committee lacks direct authority to implement legal tax planning measures, particularly given the intricate and concealed nature of tax avoidance practices. Moreover, aggressive tax strategies often conflict with principles of good corporate governance, further limiting the committee's influence. These findings corroborate prior research by Kurniasari (2015), Pratiwi & Herawaty (2024), and Fadrianto & Mulyani (2020), which similarly concluded that the presence of a risk management committee does not significantly drive firms toward engaging in tax aggressiveness.

The Effect of Real Earnings Management on Tax Aggressiveness

The fourth hypothesis of this study examines the influence of Real Earnings Management

(REM) on Tax Aggressiveness. The empirical test indicates that REM yields a coefficient of 0.227, exceeding the significance threshold of 0.05, suggesting no statistically meaningful effect on Tax Aggressiveness. In the Indonesian corporate context, firms predominantly implement REM through Abnormal Cash Flow from Operations (CFO) to enhance reported commercial profits rather than to reduce tax liabilities. Common practices include offering discounts to stimulate sales volume, which, although potentially reducing net profit margins, ultimately increase aggregate profits and, consequently, the company's tax burden. This dynamic contradicts the objectives of Tax Aggressiveness, which seeks to minimize tax payments. Therefore, REM appears ineffective in shaping tax-minimizing behavior. These findings corroborate prior studies by Romli & Lastanti (2024) and Ferdiawan & Firmansyah (2020), which similarly conclude that Real Earnings Management does not significantly affect Tax Aggressiveness.

6. Conclusions

This study investigates the influence of Political Connections, Capital Intensity, Risk Management Committee, and Real Earnings Management on Tax Aggressiveness among consumer non-cyclical companies listed on the Indonesia Stock Exchange from 2021 to 2024, employing a quantitative approach using secondary data. From 175 sampled firms, the analysis reveals that only Capital Intensity exerts a significant effect on Tax Aggressiveness, while Political Connections, Risk Management Committee, and Real Earnings Management do not, leading to the acceptance of the second hypothesis and rejection of the first, third, and fourth. Nevertheless, the study exhibits several limitations: the sample size may be insufficient to fully represent the diversity of Indonesian firms, and the adjusted R^2 value of 0.042 indicates that only 4.2% of the variation in Tax Aggressiveness is explained by the examined independent variables, suggesting substantial influence from unexamined factors. Future research is encouraged to broaden the sample to include all listed companies and extend the observation period, while also exploring additional determinants such as Audit Committees and accrual-based earnings management. Moreover, given the limited implementation of Risk Management Committees in the sampled companies, it is advisable for firms to establish such committees to enhance targeted risk oversight and governance effectiveness.

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