ABSTRACT

This study aims to examine the influence of political connections and corporate governance on tax aggressiveness, and see the influence of corporate governance moderation on the relationship between political connections and tax aggressiveness. In this study, tax aggressiveness was measured using a ratio scale through the current effective tax rate, while in previous studies using a dummy variable. Corporate governance is proxied through the independence of the board of commissioners, the size of the board of commissioners, and institutional investors. While firm size, leverage, and market to book ratio as control variables. In addition to measuring tax aggressiveness, another thing that makes a difference from previous research is that it does not use CEO duality and external auditor's proxy in corporate governance variables.

The data in this study include secondary data, because it comes from financial reports obtained through the Indonesia Stock Exchange (IDX) website. This study uses a random sampling method. The population in this study are companies that have not suffered losses and are listed on the Indonesia Stock Exchange in 2015-2017. A total of 159 companies were selected as samples from a total population of 507 companies during 2015-2017. The research method used in this study is panel data analysis with the selected model Fixed Effect Model (FEM) or Least Square Dummy Variable (LSDV).

The results of this study state that political connections have a positive effect on tax aggressiveness. While corporate governance does not affect the tax aggressiveness. Likewise, moderating corporate governance fails to influence the relationship between political connections and tax aggressiveness.

Keywords:Political connection, Corporate Governance, tax aggressiveness, current effective tax rate