

THE INFLUENCE OF EXECUTIVE CHARACTER, EXTERNAL PRESSURE AND
FINANCIAL TARGET ON TAX AGGRESSIVENESSListia Septa Andriani¹⁾, Muhamad Agus Sudrajat²⁾, Richo Diana Aviyanti³⁾¹Accounting, Economics and Business, University of PGRI Madiun
email: listiaseptaandriani@gmail.com²Accounting, Economics and Business, University of PGRI Madiun
email: agus.sudrajat@unipma.ac.id³Accounting, Economics and Business, University of PGRI Madiun
email: rdiana@unipma.ac.id**Abstrak**

Penelitian ini bertujuan menguji pengaruh *Executive Character*, *External Pressure*, dan *Financial Target* terhadap *Tax Aggressiveness* pada perusahaan sektor Properti dan Real Estate periode 2021–2024. Sampel penelitian berjumlah 66 perusahaan dengan total observasi sebanyak 174 setelah eliminasi data outlier. Penelitian menggunakan *purposive sampling* untuk pemilihan sampel. Analisis data dilakukan dengan regresi linier berganda menggunakan SPSS 25. Penelitian ini berlandaskan teori agensi yang menggambarkan konflik kepentingan antara Direktorat Jenderal Pajak sebagai prinsipal dan perusahaan sebagai agen. Hasil pengujian menunjukkan bahwa *Executive Character*, *External Pressure*, dan *Financial Target* berpengaruh signifikan terhadap *Tax Aggressiveness*. Sebagai saran, penelitian selanjutnya dapat menambahkan variabel moderasi sebagai pengembangan penelitian.

Kata Kunci: *Executive Character, External Pressure, Financial Target, Tax Aggressiveness*

Abstract

This study aims to examine the influence of Executive Character, External Pressure, and Financial Target on Tax Aggressiveness in companies in the Property and Real Estate sector during the 2021–2024 period. The study sample consists of 66 companies with a total of 174 observations after eliminating outliers. Purposive sampling was used for sample selection. Data analysis was conducted using multiple linear regression with SPSS 25. This study is based on agency theory, which describes the conflict of interest between the Directorate General of Taxes as the principal and the company as the agent. The results show that Executive Character, External Pressure, and Financial Target significantly affect Tax Aggressiveness. It is recommended that future research include moderating variables as a further development.

Keywords: *Executive Character, External Pressure, Financial Target, Tax Aggressiveness*

A. INTRODUCTION

Tax is the main component of state revenue that plays a crucial role in supporting development and improving public welfare. However, not all taxpayers demonstrate

optimal compliance. One common strategy used by companies to reduce their tax burden is tax aggressiveness, namely a legal but aggressive effort to minimize tax obligations by exploiting loopholes in tax regulations (Khan & Nuryanah, 2023)

The phenomenon of tax aggressiveness has become a serious concern because it has the potential to reduce state revenue and create inequality in the tax burden among entities. This practice often occurs in capital-intensive sectors with flexible financial reporting, such as the property and real estate sectors. According to data from LPEM FEB UI, the property sector contributes around IDR 2,865 trillion annually to the national Gross Domestic Product (GDP) (Nurdifa, 2023). However, its contribution to central tax revenue remains relatively low. Based on the Ministry of Home Affairs report, during the period 2018–2022, this sector only contributed around IDR 185 trillion per year, or 9.26% of total central tax revenue (Ruhlessin & Alexander, 2024). This discrepancy indicates the potential for tax aggressiveness practices.

Tax aggressiveness can be identified through the low effectiveness of tax payments by an entity (Martin & Indrati, 2024). For example, PT Puradelta Lestari Tbk (DMAS) recorded a Cash Effective Tax Rate (CETR) of 4.80% in 2021, 6.32% in 2022, and 5.27% in 2023, far below the corporate income tax rate of 22% as regulated in Law No. 7 of 2021. A CETR consistently below 15% can be classified as an indication of tax avoidance practices (OECD, 2021)

Aggressive behavior in tax management is influenced by various internal and external factors of the company. One internal factor is executive character. Executives with a risk-taking character tend to be more daring in carrying out aggressive maneuvers, including in taxation policies (Syaputra & Yurniwati, 2022). In addition, external pressure, such as pressure from creditors, shareholders, or performance growth demands, may encourage companies to pursue tax efficiency strategies (Supriyatno, Kismanah, Kimsen, & Pagandi, 2024). Another factor is the financial target. Financial targets are assumed to

influence tax aggressiveness, as the achievement of financial goals can affect management behavior in taxation policies (Safitri, Zirman, & Supriono, 2024). Based on the above background, this study aims to examine the effect of executive character, external pressure, and financial target on tax aggressiveness in property and real estate companies listed on the Indonesia Stock Exchange (IDX) during the period 2021–2024.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Agency Theory

Agency theory explains the contractual relationship between principals and agents, where principals act as the party delegating authority, and agents act as the party carrying out tasks on behalf of the principal. In the taxation context, the Directorate General of Taxes (DJP) serves as the principal responsible for monitoring tax compliance, while companies or management serve as the agents responsible for reporting and paying taxes (Jensen & Meckling, 1976). The divergence of interests and the existence of information asymmetry between DJP and companies can lead to agency conflicts. In this situation, management may engage in tax aggressiveness to minimize the tax burden, which can be seen as an effort to manage tax obligations. The pressure from DJP to achieve tax revenue targets often contradicts the companies' incentives to maximize profits through aggressive tax management (Dewi & Yasa, 2020).

Tax Aggressiveness

Tax aggressiveness is a legal but intensive strategy carried out by companies to minimize tax obligations by exploiting loopholes in tax regulations, thus formally not violating the law but reducing tax contributions that should be paid (Rahman, 2021). Based on agency theory, the divergence of interests between the principal (DJP) and the agent (management) motivates managers to undertake tax aggressiveness to increase net income and obtain higher incentives, even though it harms the principal.

Executive Character

Executive character refers to the traits or characteristics of corporate executives related to their tendency to take risks in making strategic decisions. Based on agency theory, management as agents have an interest in increasing company profits, as this directly affects the compensation and incentives they receive from the principal. In this context, executives with a risk-taking character are more likely to engage in tax aggressiveness as a strategy to reduce the tax burden aggressively, thereby increasing company profits and securing higher incentives (Firmansyah & Pratiwi, 2024).

Previous studies have shown that executive characteristics influence corporate tax policies. Syaputra & Yurniwati (2022) found that executives with higher risk tolerance are more likely to engage in tax aggressiveness. This finding is reinforced by Dewi & Yasa (2020), who stated that managerial leadership style and risk orientation contribute to differences in tax avoidance strategies among firms. This factor is particularly relevant in the property and real estate sector, which has project complexity and flexibility in revenue and expense recognition.

H1: Executive Character has a significant effect on Tax Aggressiveness.

External Pressure

External pressure refers to the influence from external parties on a company that affects managerial decisions and policies, particularly in tax management. One important form of external pressure is leverage, which represents the company's debt level and indicates the extent to which the company relies on creditor financing in its capital structure. Leverage imposes financial pressure on companies due to the obligation to make timely interest and principal payments (Safitri et al., 2024).

Previous research by Khan & Nuryanah (2023) showed that leverage significantly affects tax aggressiveness, confirming that external pressure can indeed influence corporate tax policies. This finding is consistent with local studies by Pratiwi & Oktaviani (2021)

and (Safitri et al., 2024). which also showed that leverage can trigger tax aggressiveness through external pressure mechanisms. In the property and real estate sector, where debt financing is often used to fund large-scale projects and financial reporting tends to be flexible, leverage becomes increasingly relevant in explaining variations in tax aggressiveness practices.

H2: External Pressure has a significant effect on Tax Aggressiveness.

Financial Target

A financial target is a performance objective set by a company to achieve certain levels of profitability, growth, and liquidity within a specific period (Safitri et al., 2024). The pressure to meet this target may influence managerial decisions across various operational and strategic aspects, including taxation policies. Based on agency theory, management as agents are motivated to meet financial targets set by shareholders (principals), since achieving these targets is directly related to their compensation, bonuses, and reputation. In pursuing these goals, management may be encouraged to adopt efficiency strategies, including reducing the tax burden through tax aggressiveness practices.

Previous studies support the influence of financial targets on tax aggressiveness. (Safitri et al., 2024). found that companies with higher financial targets tend to engage in more aggressive tax avoidance to maintain net income in line with shareholder expectations. Similar findings were reported by Saud & Firmansyah (2024) who showed that high financial targets increase managerial incentives to reduce the tax burden to sustain performance achievements. These findings emphasize that internal factors such as financial targets play a key role in determining corporate tax aggressiveness, especially in the property and real estate sector, which enjoys relatively high flexibility in financial reporting.

H3: Financial Target has a significant effect on Tax Aggressiveness.

B. METHOD

This study employs a quantitative approach using a sample of property and real estate companies listed on the Indonesia Stock Exchange (IDX) during the 2021–2024 period. The sample was selected using a purposive sampling method, resulting in 66 companies. After eliminating 90 outlier data, a total of 174 data points were used for hypothesis testing.

Operational Definition of Variables

Table 2.1 Operational Definition of Variables

Variabel	Pengukuran	Referensi
<p><i>Executive Character (X₁)</i> Executive character reflects the personal traits of top management, particularly their willingness to take risks in making strategic and financial decisions.</p>	$RISK = \frac{EBIT}{Total\ Assets}$	(Firmansyah & Pratiwi, 2024)
<p><i>External Pressure (X₂)</i> External pressure describes the financial obligations faced by a company, particularly those arising from debt commitments to external parties.</p>	$DER = \frac{Total\ Liabilities}{Total\ Equity}$	(Safitri et al., 2024)
<p><i>Financial Target (X₃)</i> Financial target refers to the specific performance objectives set by management to reflect the company's financial achievements.</p>	$ROA = \frac{Profit\ for\ the\ year}{Total\ Aset}$	(Ayu & Durya, 2022)
<p><i>Tax Aggressiveness (Y)</i> Tax aggressiveness is the extent to which a company applies strategies aimed at minimizing its tax obligations,</p>	$CETR = \frac{Cash\ Payment\ of\ Taxes}{Earnings\ Before\ Tax}$	(Safitri et al., 2024)

whether through legal tax planning or practices that exploit regulatory gaps		
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C. RESULTS AND DISCUSSIONS

The results of the data analysis are presented as follows:

1. Descriptive Statistics Analysis

Table 3.1 Output of Descriptive Statistical Analysis

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Executive Chatacter	174	-2.24170	1.95720	.0108638	1.01058760
External Pressure	174	-2.10590	1.50240	-.1858408	.88149637
Financial Target	174	-1.97740	1.96580	.1548879	.91059714
Tax Aggressiveness	174	-.95660	2.88500	.8706040	.83680004
Valid N (listwise)	174				

Based on the descriptive statistics, the Executive Character variable shows a minimum value of -2.24170 and a maximum of 1.95720 , with an average of 0.0109 and a standard deviation of 1.0106 . The External Pressure variable records a minimum of -2.10590 and a maximum of 1.50240 , with a mean score of -0.1858 and a standard deviation of 0.8815 . Furthermore, the Financial Target variable ranges from -1.97740 to 1.96580 , producing an average of 0.1549 and a standard deviation of 0.9106 . Lastly, the Tax Aggressiveness variable presents a minimum of -0.95660 and a maximum of 2.88500 , accompanied by a mean of 0.1549 and a standard deviation of 0.9106 .

2. Classical Assumption Test

a) Normality Test

Table 3.2 Output of Normality Test

One-Sample Kolmogorov-Smirnov Test		
		Unstandardize Residual
N		174
Normal Parameters ^{a,b}	Mean	0,0000000

	Std. Deviation	0,68798785
Most Extreme Differences	Absolute	0,046
	Positive	0,046
	Negative	-0,043
Test Statistic		x0,046
Asymp. Sig. (2-tailed)		0,200 ^{c,d}
a. Test distribution is Normal.		
b. Calculated from data.		
c. Lilliefors Significance Correction.		
d. This is a lower bound of the true significance.		

The significance value of 0.200, which is greater than 0.05, indicates that the data are normally distributed.

b) Multicollinearity Test

Table 3.3 Output of Multicollinearity Test

Coefficients ^a			
Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Executive Chatacter	0,442	2,261
	External Pressure	0,940	1,064
	Financial Target	0,461	2,169

a. Dependent Variable: Tax Aggressiveness

The results of the multicollinearity assessment show that each independent variable records a tolerance value exceeding 0.10 and a VIF score below 10. These findings suggest that the regression model does not suffer from multicollinearity issues.

c) Heteroscedasticity Test

Table 3.4 Output of Heteroscedasticity Test

Coefficients ^a			
Model		t	Sig.
		1	(Constant)

	Executive Chatacter	1,131	0,260
	External Pressure	1,212	0,227
	Financial Target	-1,227	0,221
a. Dependent Variable: ABS_RES			

The Glejser test results reveal that the significance levels of Executive Character (0.260), External Pressure (0.227), and Financial Target (0.221) exceed 0.05. Hence, the regression model does not exhibit heteroscedasticity, confirming that the homoscedasticity assumption has been satisfied.

d) Autocorrelation Test

Table 3.5 Output of Autocorrelation Test

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0,505 ^a	0,255	0,242	0,66916020	1,979
a. Predictors: (Constant), LAG_X3, LAG_X2, LAG_X1					
b. Dependent Variable: LAG_Y					

The Durbin-Watson value of 1.979 lies above the upper bound (1.7872) and below 4 minus the upper bound (2.2128), indicating that the regression model has no autocorrelation. Thus, the assumption of residual independence is satisfied.

3. Hypothesis Testing

a) Multiple Linear Regression Analysis

Table 3.6 Output of Multiple Linear Regression Analysis

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0,820	0,055		14,899	0,000
	Executive Chatacter	-0,529	0,079	-0,639	-6,735	0,000
	External Pressure	-0,151	0,062	-0,159	-2,442	0,016
	Financial Target	0,186	0,085	0,202	2,180	0,031
a. Dependent Variable: Tax Aggressiveness						

The multiple linear regression results indicate that Executive Character ($\beta = -0.529$; $p = 0.000$), External Pressure ($\beta = -0.151$; $p = 0.016$), and Financial Target ($\beta = 0.186$; $p = 0.031$) significantly influence tax aggressiveness. Collectively, these three factors play an important role in explaining variations in tax aggressiveness within companies operating in the property and real estate sector.

b) F-Test (Simultaneous Test)

Table 3.7 Output of F-Test (Simultaneous Test)

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	39.255	3	13.085	27.165	.000 ^b
	Residual	81.886	170	.482		
	Total	121.141	173			
a. Dependent Variable: Tax Aggressiveness						
b. Predictors: (Constant), Financial Target, External Pressure, Executive Chatacter						

The F-test result shows a value of 27.165 with a significance level of 0.000 ($p < 0.05$), This regression model is considered appropriate for predicting the dependent variable and can effectively explain the variation in tax aggressiveness among property and real estate sector companies.

c) t-Test (Partial Test)

Table 3.8 Output of t-Test (Partial Test)

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0,820	0,055		14,899	0,000
	Executive Chatacter	-0,529	0,079	-0,639	-6,735	0,000
	External Pressure	-0,151	0,062	-0,159	-2,442	0,016
	Financial Target	0,186	0,085	0,202	2,180	0,031
a. Dependent Variable: Tax Aggressiveness						

a) The Effect of Executive Character on Tax Aggressiveness (H1)

Based on the t-test results, the Executive Character variable has a regression coefficient of -0.529 with a significance level of 0.000 ($p < 0.05$). The negative coefficient on CETR indicates that a higher executive risk profile is associated with a lower CETR value, implying greater tax aggressiveness. Therefore, H1 is accepted.

This finding aligns with agency theory, which suggests that executives as agents are motivated to maximize profits in order to receive higher bonuses and compensation. As a result, they are more likely to take risks through tax aggressiveness strategies. The results are consistent with the studies of Syaputra & Yurniwati (2022) and Dewi & Yasa (2020), which found that executives with higher risk tolerance tend to engage more in tax aggressiveness practices.

b) The Effect of External Pressure on Tax Aggressiveness (H2)

The t-test shows that the External Pressure variable obtained a regression coefficient of -0.151 with a significance value of 0.016 ($p < 0.05$). The negative coefficient on CETR indicates that the higher the external pressure (measured through leverage), the lower the CETR value, suggesting an increase in tax aggressiveness. Thus, H2 is accepted.

This result is in line with agency theory, which explains that firms with higher leverage face greater pressure from creditors to maintain cash flow and meet interest obligations. To address this, management may adopt aggressive tax minimization strategies to preserve liquidity. These findings are consistent with Khan & Nuryanah (2023) and Safitri et al (2024), who demonstrated that leverage can drive tax aggressiveness.

c) The Effect of Financial Target on Tax Aggressiveness (H3)

The t-test produced a regression coefficient of 0.186 for the Financial Target variable, with a significance value of 0.031 ($p < 0.05$). The positive coefficient on CETR suggests that an increase in financial targets corresponds to a higher CETR, which indicates a reduction in tax aggressiveness. Accordingly, H3 is accepted.

This result implies that firms with higher financial targets tend to avoid tax aggressiveness practices in order to safeguard their reputation and minimize the risk of tax audits, which could hinder the achievement of their objectives. This finding contrasts with Safitri et al (2024) and Saud & Firmansyah (2024) who reported a positive association. However, the discrepancy may be explained by the characteristics of the property and real estate sector, which is subject to strict government monitoring, making firms in this industry more cautious in adopting tax avoidance strategies.

d) Coefficient of Determination (R^2)

Table 3.9 Output of Coefficient of Determination (R^2)

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.569 ^a	.324	.312	.69403179
a. Predictors: (Constant), Financial Target, External Pressure, Executive Chatacter				

The regression results indicate that the coefficient of determination (R^2) is 0.324, meaning that Executive Character, External Pressure, and Financial Target collectively explain 32.4% of the variation in Tax Aggressiveness. Meanwhile, the remaining 67.6% is influenced by other factors not examined in this study.

D. CONCLUSIONS

This study reveals that executive character, external pressure, and financial targets significantly influence tax aggressiveness in property and real estate companies.

Executives with a high risk-taking tendency, along with the burden of debt obligations, drive firms to adopt aggressive tax strategies in order to achieve financial objectives. Furthermore, ambitious financial targets encourage management to optimize tax efficiency to meet shareholder expectations. Nevertheless, this research is limited as it does not examine moderating variables that could provide deeper insights into how these factors shape tax aggressiveness.

E. SUGGESTIONS

Future research is recommended to include Audit Quality as a moderating variable to examine its role in constraining tax aggressiveness practices influenced by executive character, external pressure, and financial targets.

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