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# THE EFFECT OF AUDIT QUALITY, LEVERAGE, AND COMPANY SIZE ON TAX AGGRESSIVENESS

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**ABSTRACT**

The purpose of this study was to analyze the effect of audit quality, leverage, and company size on tax aggressiveness. This research method is quantitative. The object of this research is manufacturing companies listed on the IDX in the 2019-2022 period with independent variables Audit Quality, Leverage, Company Size, and the dependent variable Tax Aggressiveness. The population in this study are manufacturing companies listed on the Indonesia Stock Exchange in 2019-2022 and publish financial reports consecutively. The sampling method used is the purposive sampling method. The data analysis method is descriptive statistics. The results of this study are Audit Quality proxied by book-tax difference (BTD) hurts tax aggressiveness, but audit quality proxied by cash effective tax rate (CETR) and effective tax rate (ETR) has no effect on tax aggressiveness. Leverage proxied by book-tax difference (BTD) and cash effective tax rate (CETR) has a positive effect, but leverage proxied by the effective tax rate (ETR) has a negative effect on tax aggressiveness. Company size proxied by book-tax difference (BTD), cash effective tax rate (CETR), and effective tax rate (ETR) has no effect on tax aggressiveness. The coefficient of determination ($R^2$) proxied by the cash effective tax rate (CETR) obtained an R adjusted r square value of 1.6%, the coefficient of determination proxied by the effective tax rate (ETR) obtained an R adjusted r square value of 2.4%, and the coefficient of determination proxied by the book-tax difference (BTD) obtained an R adjusted r square value of 15.7%.

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## 1. INTRODUCTION

Taxes are a source of revenue for the state that comes from public contributions and are mandatory based on laws that will be activated for the benefit of the state and the welfare of the general public. The government emphasizes state revenue derived from taxes because it is used as a source to allocate funds for the State Budget (APBN). The Directorate General of Taxes noted that the number of registered Corporate Taxpayers (WP) who must report the Annual Income Tax Return (SPT) for the 2018 tax year is 1.47 million. Director of Service, Counselling, and Public Relations of DGT Hestu Yoga Saksama said that the number of corporate taxpayers who have submitted income tax return reports reached 768,000 [1]. Some companies still consider tax as a scary "scourge" that should be avoided. In July 2019 the Director General of Taxes investigated PT Adaro Energy for alleged tax avoidance practices by transfer pricing, namely by moving large amounts of Indonesian profits to subsidiaries located in Singapore, a country that can exempt taxes or has a low tax rate, this was done from 2009 to 2017 [2]

Tax aggressiveness is an action taken by a company to minimize its tax burden by conducting tax planning either legally (tax avoidance) or illegally (tax evasion) [3]. In this study, the measurement of tax aggressiveness uses effective tax rate (ETR), cash effective tax rate (CETR), and book-tax differences (BTD). ETR aims to see the tax burden paid in the current year, CETR aims to see the amount of cash paid at this time, and BTD aims to strengthen the research model by looking at the difference between accounting profit and fiscal profit.

One indicator to see the existence of tax avoidance in the company is audit quality. Audit quality is a systematic and independent examination to determine the activity, quality, and results in accordance with the planned arrangements and whether the regulations are implemented effectively and in accordance with the objectives [4]. Companies with quality audits tend not to manipulate profits for tax purposes. Research conducted by Putri et al (2019) and Alfin and Susanto (2022) states that audit quality

has no effect on tax aggressiveness. This is not in line with research conducted by Widyari and Rasmini (2019) which states that audit quality has a negative effect on tax aggressiveness.

The company's actions in conducting tax avoidance can be seen from the funding policy as leverage. Leverage is a ratio that shows the amount of company capital obtained from external parties as a cost to carry out various operational activities [5]. The leverage ratio shows the results of calculations regarding how much of the assets owned by the company are sourced from the loan capital. The high source of company funds originating from loans will have an impact on the increase in interest expense that must be paid by the company and when reducing company profits. Research conducted by Putri et al (2019) states that leverage has a positive effect on tax aggressiveness, while research conducted by Mustika et al (2017) states that it has no effect on tax aggressiveness.

Another factor that is thought to have an effect on tax aggressiveness is company size. Company size is a company identity based on a scale where the size of the company can be classified in various ways, such as looking at the log of the company's total assets, company sales, company market capitalization, and others [6]. Company size can show the company's ability to return actions and tax decisions. The size of the company can show the ability and stability of the company to carry out its economic activities. Large companies that earn large profits will also attract the attention of the government to be taxed accordingly. So the bigger the size of the company, the more it will definitely try to do tax aggressiveness. Mustika (2017) states that company size has no effect on tax aggressiveness, this is not in line with research conducted by Leksono et al (2019) which states that company size has a negative effect on tax aggressiveness. Based on the background description above, the researcher decided to conduct research with the title "The Effect of Audit Quality, Leverage, and Company Size on Tax Aggressiveness (Case study of Manufacturing Companies listed on the IDX for the 2019-2022 Period".

## 2. METHOD

The object of this research is manufacturing companies listed on the IDX in the 2019-2022 period with the independent variable Audit Quality, Leverage, Company Size, and the dependent variable Tax Aggressiveness. The research population is a set of objects or subjects needed by researchers. The population in this study are manufacturing companies listed on the Indonesia Stock Exchange in 2019-2022 and publish financial reports consecutively. The sampling method used is purposive sampling method, namely sample selection based on criteria determined by the researcher. The criteria used are:

a. Manufacturing companies that are listed on the IDX consecutively for 2019-2022 and upload annual financial reports on www.idx.co.id
b. Companies that have a tax burden
c. The company has the data needed for the study

The type of data used is secondary data, namely data obtained from other parties in the form of historical report data and other documents. The data source for research is the financial statements of manufacturing companies listed on the Indonesia Stock Exchange (IDX) in 2019-2022 obtained at www.idx.co.id. The technique used in the documentation technique against existing data. In the form of financial reports obtained from www.idx.co.id annual manufacturing companies, and literature studies in the form of previous research, books, journals, and internet sites related to the information needed. With this technique, researchers collect data on the financial statements of manufacturing companies listed on the Indonesia Stock Exchange from 2019 to 2022. Tax Aggressiveness is an act of minimizing pre-tax profit which aims to reduce the tax burden either legally or illegally. This action is useful as a form of tax savings [3]. Audit quality is an assessment of the auditor's performance regarding the process of conducting an examination and the final results of an audit process carried out by an auditor. Audit quality can be interpreted as an indicator of the assessment of an examination that has been carried out by the auditor. [7] .

Leverage is the company's capital obtained from external parties as a cost to carry out various operational activities, the use of assets, and sources of funds (sources of funds) by companies that have fixed costs (fixed expenses) with the intention of increasing shareholder profits. Companies that use leverage with the aim that the profits earned are greater than the fixed costs (fixed expenses)[8]. Company size is a scale that can be classified as large or small companies from various points of view, one of which is judged by the size of the total assets owned. The greater the total assets, the greater the size of the company [9].

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**Table 1.** Variable Measurement

| No | Variable | Measurements | Source |
|---|---|---|---|
| 1 | Tax Aggressiveness | ETR = $\frac{tax\ expense}{income\ before\ tax}$<br>CETR = $i\ \frac{tax\ payment}{comes\ before\ tax}$<br>BTD = $\frac{\text{profit before tax} - \text{net income}}{\text{average Assets}}$ | Anggi Maulana, Ratna Hindria Dyah Pita Sari, and Ekawati Jati Wibawaningsih |
| 2 | Audit Quality | Audit quality resulting from KAP Big Four is worth = 1, and KAP Non-Big Four is worth = 0. | Alvin and Yulius Kurnia Susanto. |
| 3 | Leverage | LEV = $\frac{\text{Total } debt}{\text{Total Assets}}$ | Mustika, Vince Ratnawati, and Alfiati Silfi |
| 4 | Company Size | Size = Ln(Total Assets) | Mustika, Vince Ratmawati, and Alfiati Silfi |

Data Analysis Methods Descriptive statistics provide an overview or description of data that is seen from the average value (mean), standard deviation, variance, maximum, minimum, sum, range, kurtosis, and skewness [10].

**Hypothesis Development**

**The Effect of Audit Quality on Tax Aggressiveness**

Audit quality is the extent to which the accuracy of the information reported by the auditor is consistent with the auditing standards used by the auditor, including information about accounting errors in the financial statements of the company's customers [7]. Audit quality can be seen through the auditor's ability to audit according to applicable standards and regulations, and auditors adhere to the code of ethics for the public accounting profession. Auditors are very influential in determining whether the company is cheating or not, one of the frauds is Tax Aggressiveness.

Tax aggressiveness is an action taken by a company to minimize its tax burden by carrying out tax planning either legally (tax avoidance) or illegally (tax evasion) [3]. Based on agency theory, audit quality is in the form of accurate disclosure transparency. One form of monitoring that reduces agency costs is auditing. Transparency towards shareholders in terms of taxes is increasingly demanded by public authorities (Sartori: 2010). If the audit quality is getting better, the less fraud that occurs, one of which is tax aggressiveness. With this, the researcher states that audit quality has a negative effect on tax aggressiveness. Widyari and Rasmini's research (2019) states that audit quality has a negative effect on tax aggressiveness.

**H1: Audit Quality Has a Negative Effect on Tax Aggressiveness**

**The Effect of Leverage on Tax Aggressiveness**

According to Setyaningrum (2020), Leverage is a ratio used to measure the extent to which a company's assets for corporate financing are obtained from loans or own capital [11]. One of the funding policies is debt. For companies that use debt in the financing composition, there will be interest expenses that must be paid. The higher the leverage ratio value, the higher the amount of funding from third-party debt used by the company, and the higher the interest costs arising from the debt. Higher interest costs will reduce the company's tax burden. The principal does not approve additional funding, so the agent will do other ways to cover the lack of funds. The high value of corporate debt will affect the value of the company's tax burden will be low, if the tax burden is lower, the company is increasingly indicated to carry out tax aggressiveness.

Based on agency theory, the funding system in the company can cause conflicts between principals and agents. There is a possibility that the principal does not approve of additional funding for company activities so the agent requires other funding to cover the lack of funds, one way is to make a loan or debt. With this, the researcher states that leverage has a positive effect on tax aggressiveness. Research by Putri et al (2019) states that leverage has a positive effect on tax aggressiveness.

**H2: Leverage has a positive effect on Tax Aggressiveness**

**The Effect of Company Size on Tax Aggressiveness**

According to Ferry and Jones (1979), company size represents the size of the company and is expressed in total assets [12]. The greater the total assets owned, the larger the company size will also be. However, every year these assets experience depreciation which can reduce the net profit received by the company so that the amount of tax to be paid will also be reduced by the depreciation [13].

Based on agency theory, the resources owned by the company can be used by the agent to maximize agent performance compensation, namely by reducing the corporate tax burden to maximize company performance [14]. With this, the researcher states that company size has a negative effect on tax aggressiveness. Research by Leksono et al (2019) states that company size has a negative effect on tax aggressiveness.

**H3: Company size has a negative effect on tax aggressiveness**

**Framework of Thought**

This study takes the dependent variable, namely Tax Aggressiveness, as well as independent variables including Audit Quality, Leverage, and Company Size. The research framework is arranged as follows:

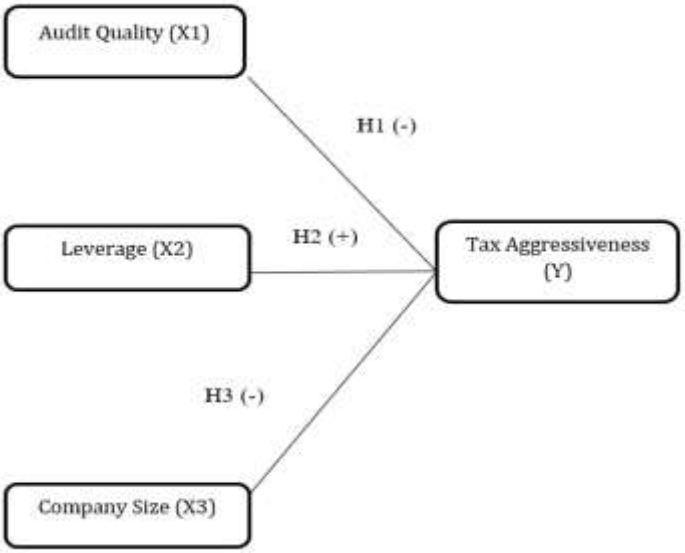


**Figure 1.** Research Framework

## 3. RESULT AND DISCUSSION

**Descriptive Statistics**

This study obtained a sample of 506 data, but because there were 169 outlier data, the sample data that was eligible for testing was 337 data.

**Table 2.** Before Outliers

| Descriptive Statistics | | | | | |
|---|---|---|---|---|---|
| | N | Minimum | Maximum | Mean | Std. Deviation |
| CETR | 506 | ,00 | 19,63 | ,6071 | 1,49611 |
| ETR | 506 | ,00 | ,96 | ,2739 | ,15200 |
| BTD | 506 | ,00 | 1,00 | ,0244 | ,04919 |
| DER | 506 | -2,18 | 10,28 | ,8835 | ,95387 |
| SIZE | 506 | 11,01 | 19,84 | 14,7577 | 1,70953 |
| KA | 506 | 0 | 1 | ,35 | ,479 |
| Valid N (listwise) | 506 | | | | |

Source: Data processed by researchers, 2023

**Table 3.** After Outliers

| Descriptive Statistics | | | | | |
|---|---|---|---|---|---|
| N | | Minimum | Maximum | Mean | Std. Deviation |
| CETR | 337 | .00 | .57 | .2299 | .11601 |
| ETR | 337 | .10 | .38 | .2380 | .04795 |
| BTD | 337 | .00 | .07 | .0233 | .01517 |
| DER | 337 | .03 | 1.85 | .6628 | .41923 |
| SIZE | 337 | 11.01 | 19.72 | 14.7597 | 1.67034 |
| KA | 337 | 0 | 1 | .37 | .483 |
| Valid N (listwise) | 337 | | | | |

Source: Data processed by researchers, 2023

**Tax Aggressiveness**

Based on table 3, shows that the CETR data has the highest value of 0.57 with the lowest value of 0.00, CETR also has an average value of 0.299 and a standard deviation value of CETR of 0.11061. In addition, ETR has the highest value of 0.38 with the lowest value of 0.10, ETR also has an average value of 0.2380 and a standard deviation value of ETR of 0.04795, and BTD has the highest value of 0.07 with the lowest value of 0.00, BTD also has an average value of 0.0233 and a standard deviation value of BTD of 0.01517. The three measurements have a lower value than the average so it can be interpreted that the data spreads heterogeneously, this shows that the CETR, ETR, and BTD data in each company have relatively different amounts.

**Leverage**

Based on table 3, shows that DER has the highest value of 1.85 with the lowest value of 0.03. Leverage also has an average value of 0.6628. Meanwhile, the standard deviation of leverage is 0.41923, where the value is lower than the mean so that it can be interpreted that the data spreads heterogeneously which shows that leverage has a relatively different amount.

**Company Size**

Based on table 3, shows that Size has the highest value of 19.72 with the lowest value of 11.01. Size also has an average value of 14.7597. Meanwhile, the standard deviation of Size is 1.67034, where the value is lower than the mean so that it can be interpreted that the data spreads heterogeneously which shows that Size has a relatively different amount.

**Audit Quality**

Based on table 3, shows that KA has the highest value of 1 with the lowest value of 0. Leverage also has an average value of 0.37. Meanwhile, the standard deviation of KA is 0.483, where this value is lower than the mean so that it can be interpreted that the data spreads homogeneously, which shows that KA has a relatively different amount.

**Table 4.** Data Processing Results

| | | CETR | ETR | BTD |
|---|---|---|---|---|
| Normality Test | Before Outliers | Skewness = 7,841<br>Kurtosis = 80,262 | Skewness = 1,948<br>Kurtosis = 5,725 | Skewness = 15,624<br>Kurtosis = 302,763 |
| | After Outliers | Skewness =0,131<br>Kurtosis =0,110 | Skewness = 0,254<br>Kurtosis =0,437 | Skewness =0,014<br>Kurtosis =0,386 |
| **Classical Assumption Test** | | | | |
| Heteroscedasticity Test | | R Square = 0,035 | R Square = 0,030 | R Square = 0,046 |
| Autocorrelation Test | | DW = 1,830 | DW = 1,835 | DW = 1,978 |
| Multicollinearity Test | Tolerance | KA = 0,782<br>DER = 0,927<br>Size = 0,745 | KA = 0,782<br>DER = 0,927<br>Size = 0,745 | KA = 0,781<br>DER = 0,915<br>Size = 0,736 |
| | VIF | KA = 1,278<br>DER = 1,079<br>Size = 1,343 | KA = 1,278<br>DER = 1,079<br>Size = 1,343 | KA = 1,280<br>DER= 1,093<br>Size = 1,358 |
| **Model feasibility test** | | | | |
| F test | F count | 2,870 | 3,759 | 21,854 |
| | Sig | 0,037 | 0,011 | 0,000 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| R test | | Adj. R Square = 0,016 | | Adj. R Square = 0,024 | | Adj. R Square = 0,157 | |
| T-test | Audit Quality | -0,034 | 0,973 | - 0,131 | 0,896 | -5,087 | 0,000 |
| | Leverage | 2,798 | 0,005 | -3,184 | 0,002 | 5,023 | 0,000 |
| | Company Size | 0,095 | 0,924 | -0,170 | 0,865 | -0,653 | 0,514 |

Source: Data processed by researchers, 2023

**Normality Test**

The normality test aims to test whether, in the regression model, confounding or residual variables have a normal distribution. In this study, the normality test used the skewness and kurtosis ratio values. The normality test results are presented as follows:

Normality Test Before Outliers

Based on Table 4 CETR shows that the skewness - kurtosis test results have the following values, skewness / standard error = 71.935 and kurtosis / standard error = 80.262/0.217 = 369.870, besides that ETR shows that the skewness - kurtosis test results have the following values, skewness/standard. error = 1,948/0,109 = 17,871 and kurtosis/std.error = 5,725/0,217 = 26,382, and BTD shows that the skewness - kurtosis test results have the following values, skewness/std.error = 15,624/0,109 = 143,339 and kurtosis/std.error = 302,763/0,217 = 1,395,221. The normality test uses the skewness and kurtosis ratio values where the N value is the number of samples, the provisions of whether the data is normally distributed or not by looking at if the skewness and kurtosis ratio values are in the range of values -1.96 to 1.96, it is normally distributed, on the other hand, if the skewness and kurtosis ratio values are not in the range of values -1.96 to 1.96, it can be said that the data is not normally distributed. It can be seen with the values of CETR, ETR, and BTD that it can be assumed that normality in the skewness-kurtosis test is not met.

Normality Test Results After Outliers

Based on Table 4 CETR shows that the skewness - kurtosis test results have the following values, skewness/std.error = 0.131 / 0.133 = 0.984 and kurtosis/std.error = 0.110 / 0.265 = 0.415 besides that ETR shows that the skewness - kurtosis test results have the following values, skewness/std. error = 0.254/0.133 = 1.901 and kurtosis/std.error = 0.437/0.265 = 1.649, and BTD shows that the skewness - kurtosis test results have the following values, skewness/std.error = -0.014/0.133 = -0.105 and kurtosis/std.error = -0.386/0.265 = -1.457. The normality test uses the skewness and kurtosis ratio values where the N value is the number of samples, the provisions of whether the data is normally distributed or not by looking at if the skewness and kurtosis ratio values are in the value range of -1.96 to 1.96, it is normally distributed, on the other hand, if the skewness and kurtosis ratio values are not in the value range of -1.96 to 1.96, it can be said that the data is not normally distributed. It can be seen that with the values of CETR, ETR, and BTD, it can be assumed that normality in the skewness-kurtosis test is fulfilled.

**Classical Assumption Test**

Multicollinearity Test

Based on Table 4, it can be seen that the VIF value for CETR, ETR, and BTD measurements for all independent variables is not more than 10 and the tolerance value of all independent variables is also close to 1. Based on these results, it can be concluded that the measurements proxied by CETR, ETR, and BTD and all independent variables consisting of audit quality, leverage, and company size do not have symptoms of multicollinearity.

Heteroscedasticity Test

Based on Table 4, it can be seen that the measurement proxied by CETR has an R Square value of 0.035, with this data obtained chi-square count where the results obtained are (0.035 x 337 = 4.795), the measurement proxied by ETR has an R Square value of 0.030, with this data obtained chi-square count where the results obtained are (0.030 x 337 = 10.11), and the measurement proxied by BTD has an R Square value of 0, 046, with this data obtained chi-square count where the results obtained are (0.046 x 337 = 13.48), heteroscedasticity testing can be seen by means of the value of c square count x number of samples, this is done to compare c square count and c square table, if c square count> table square value then heteroscedasticity occurs and vice versa if the value of c square count < c square table value no heteroscedasticity occurs. From the three measurements, it can be seen that the calculated c square value is smaller than the c square table, it can be concluded that with the measurement of CETR, ETR, and BTD there is no heteroscedasticity in the regression model in this study.

Autocorrelation Test

Based on the Autocorrelation test that has been carried out, it shows that CETR has a DW value of 1.830, ETR has a DW value of 1.835, and BTD has a DW value of 1.978, which means that the value is between -2 to +2, so it can be concluded that CETR, ETR, and BTD do not have autocorrelation problems.

**Model feasibility test**

F test

The F test is used to test the ability of all independent variables together in explaining the dependent variable. Based on the F test, the Fcount value is 2.870 and the probability value is 0.037. The Fcount value will be compared with the Ftable value of 2.6317. The Fcount> Ftabel value and the probability value <0.05, so it can be concluded that the leverage variable, company size, and audit quality together have an effect on cetr. Based on the F test, the Fcount value is 3.759 and the probability value is 0.011. The Fcount value will be compared with the Ftable value of 2.6317. The value of Fhitung> Ftabel and the probability value <0.05, so it can be concluded that the leverage variable, company size, and audit quality together have an effect on etr. Based on the F test, the Fcount value is 21.85 and the probability value is 0.000. The Fcount value will be compared with the Ftable value of 2.6317. The value of Fhitung> Ftabel and the probability value <0.05, so it can be concluded that the variables of leverage, company size, and audit quality together have an effect on btd.

Test Coefficient of Determination ($R^2$)

The coefficient of determination ($R^2$) test is used to measure the level of model capability and explain the dependent variable. Based on Table 4 CETR obtained, the adjusted r square value is 0.016, meaning that the leverage variable, company size, and audit quality can explain cetr by 1.6% and the rest is explained by variables outside this research model. Based on Table 4 ETR, the adjusted R square value of 0.024 is obtained, which means that the leverage, company size, and audit quality variables can explain etr by 2.4% and the rest is explained by variables outside this research model. Based on Table 4 BTD, the adjusted R square value of 0.157 means that the leverage, company size, and audit quality variables are able to explain btd by 15.7% and the rest is explained by variables outside this research model.

T test

The t test is used to determine the effect of the independent variable on the dependent variable individually (partially).

Results of t test 1 (CETR)

a. Testing the effect of audit quality on Tax Aggressiveness (CETR) Based on this table, the t value of audit quality is 0.034 < t table 1.967, it can be concluded that hypothesis 1 is rejected, which means that the audit quality variable has no effect on CETR.
b. Testing the effect of leverage on tax aggressiveness (CETR)
   Based on this table, the t value of leverage is 2.798> t table 1.967, it can be concluded that hypothesis 2 is accepted, which means that the leverage variable has a positive effect on CETR.
c. Testing the effect of company size on tax aggressiveness (CETR)
   Based on this table, the calculated t value of company size is 0.095 < t table 1.967, it can be concluded that hypothesis 3 is rejected, which means that the company size variable has no effect on CETR

Results of t-test 2 (ETR)

a. Testing the effect of audit quality on Tax Aggressiveness (ETR) Based on this table, the t value of audit quality is 0.131 < t table 1.967, it can be concluded that hypothesis 1 is rejected, which means that the audit quality variable has no effect on ETR.
b. Testing the effect of leverage on tax aggressiveness (ETR)
   Based on this table, the t value obtained for leverage is 3.184> t table 1.967, it can be concluded that hypothesis 2 is rejected, which means that the leverage variable has a negative effect on ETR.
c. Testing the effect of company size on Tax Aggressiveness (ETR) Based on this table, the t value of company size is 0.170 < t table 1.967, it can be concluded that hypothesis 3 is rejected, which means that the company size variable has no effect on ETR.

Results of t-test 3 (BTD)

a. Testing the effect of audit quality on tax aggressiveness (BTD)
   Based on this table, the t value of audit quality is 5.087> t table 1.967, it can be concluded that hypothesis 1 is accepted, which means that the audit quality variable has a negative effect on BTD.

b. Testing the effect of leverage on tax aggressiveness (BTD)
   Based on this table, the t value of leverage is 5.023> t table 1.967, it can be concluded that hypothesis 2 is accepted, which means that the leverage variable has a positive effect on BTD.
c. Based on this table, the t value of company size is 0.653 < t table 1.967, it can be concluded that hypothesis 3 is rejected, which means that the company size variable has no effect on BTD.

**Discussion**

**The Effect of Audit Quality on Tax Aggressiveness**

Based on the results of the hypothesis carried out, it is concluded that audit quality proxied by BTD has a negative effect on tax aggressiveness, with the existence of Big-four KAPs that have better abilities in conducting audits will have an impact on tax aggressiveness, because the higher the quality of auditors is thought to be more able to detect and find tax aggressiveness committed by clients [15]. The results of this study are in line with research conducted by Widyari and Rasmini (2019) which states that audit quality has a negative effect on tax aggressiveness. However, the effect of audit quality proxied by CETR and ETR has no effect on tax aggressiveness because companies audited by Big Four and non-Big Four KAP auditors do not affect management as agents in making decisions with the high and low risks taken in carrying out tax aggressiveness actions, research conducted by Big Four KAP auditors does not affect company risk [16]. The results of this study are in line with research conducted by Putri et al (2019) and Alvin and Susanto (2022) which state that audit quality has no effect on tax aggressiveness.

**Leverage Effect on Tax Aggressiveness**

The results of hypothesis testing conducted obtained the conclusion that leverage proxied by CETR and BTD has a positive effect, this is due to the influence between leverage in tax aggressiveness with debt, there will be a tax burden to pay, the high value of leverage makes the high level of debt which will lead to higher interest expense and high interest expense can reduce the tax burden of a company so that the company's tax burden will be low, if the company's low tax burden is increasingly indicated to carry out tax aggressiveness. The results of this study are in line with research conducted by Putri et al (2019) which states that leverage has a positive effect on tax aggressiveness. However, leverage proxied by ETR has a negative effect because the high value of corporate debt affects the low tax aggressiveness. Companies that have more debt have good effective tax rates so that the level of tax aggressiveness tends to be lower [17]. The results of this study are in line with research conducted by Mustika et al (2017) which states that leverage has no effect on tax aggressiveness.

**Effect of Company Size on Tax Aggressiveness**

Based on the results of the hypothesis carried out, the results show that company size proxied by CETR, ETR, and BTD measurements of company size has no effect on tax aggressiveness. A company must have good planning to reduce the amount of tax that must be paid so that taxes are still considered a burden so as to reduce profits in a company. The larger the company does not affect its tax aggressiveness even though large companies are better able to use their resources to make good tax planning. However, companies cannot always use their power for tax planning due to certain restrictions. The results of this study are in line with research conducted by Mustika et al (2017) which states that company size has no effect on tax aggressiveness.

## 4. CONCLUSION

The research conducted on the effect of audit quality, leverage, and company size on tax aggressiveness obtained the following results: Audit quality proxied by book-tax difference (BTD) has a negative effect on tax aggressiveness, but audit quality proxied by cash effective tax rate (CETR) and effective tax rate (ETR) has no effect on tax aggressiveness Leverage proxied by book-tax difference (BTD) and cash effective tax rate (CETR) has a positive effect, but leverage proxied by the effective tax rate (ETR) has a negative effect on tax aggressiveness Company size proxied by book-tax difference (BTD), cash effective tax rate (CETR), and effective tax rate (ETR) has no effect on tax aggressiveness. The coefficient of determination ($R^2$) proxied by the cash effective tax rate (CETR) obtained an R adjusted r square value of 1.6%, the coefficient of determination proxied by the effective tax rate (ETR) obtained an R adjusted r square value of 2.4%, and the coefficient of determination proxied by the book-tax difference (BTD) obtained an R adjusted r square value of 15.7%.

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