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The Effect of CEO Characteristics and Profitability on Tax Aggressiveness in Companies in the Oil and Gas Sector in Indonesia for the 2021-2023 Period

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ABSTRACT

Tax aggressiveness is an issue that receives great attention in Indonesia, especially in the oil and gas sector, where companies often take advantage of legal loopholes to reduce their tax burden. This research aims to analyze the influence of CEO characteristics, including educational background, tenure, and gender, as well as profitability on tax aggressiveness in oil and gas companies in Indonesia during the period 2021-2023. This research uses a quantitative method with a panel data regression approach. The sample consists of 67 oil and gas sector companies listed on the Indonesia Stock Exchange (IDX) with a total of 201 observations over three years. Data was obtained from company financial reports and analyzed using EViews software to test the hypothesis through regression testing. The results show that the CEO's educational background and profitability have a significant effect on tax aggressiveness. CEOs with higher educational backgrounds tend to be more compliant with tax regulations and have a lower level of tax aggressiveness. On the other hand, CEO tenure and gender have no significant effect on corporate tax aggressiveness. In addition, companies with higher levels of profitability tend to be more compliant with tax obligations and avoid aggressive tax avoidance strategies. The implication of this research is that companies need to pay attention to the characteristics of CEOs in an effort to reduce tax aggressiveness, especially in the aspects of education and profitability. Company policies in recruiting and developing leaders should consider their academic background.

Keywords: Agency Theory, CEO Characteristics, Profitability, Tax, Tax Aggressiveness.

INTRODUCTION

In Indonesia, tax aggressiveness is a very interesting topic, especially because the government is trying to increase tax compliance and enforcement (Doan et al., 2025). The Indonesian tax authority, known as the Directorate General of Taxes (DJP, *Direktorat Jenderal Pajak*), has focused on aggressively tackling tax planning and has introduced various measures such as the Tax Amnesty program, increased tax audits, as well as increased cooperation with international tax authorities to curb tax avoidance and evasion. However, this situation has not effectively made companies more honest in tax reporting. Companies in Indonesia, especially large companies, may engage in aggressive tax planning by shifting profits to low-tax jurisdictions, utilizing transfer pricing strategies, or taking advantage of tax incentives provided by the government. However, the Indonesian government has strengthened regulations and enforcement to prevent such practices, including by implementing Automatic Exchange of Information (AEOI) and initiatives Base Erosion and Profit Shifting (BEPS) (Jan, 2022).

Seeing the problem of tax avoidance or tax aggressiveness which still cannot be resolved, it is very important to carry out research on tax avoidance. This is also driven by the problem of tax aggressiveness in Indonesia which is part of a broader global effort to ensure fair taxation and prevent tax base erosion through aggressive tax strategies. According to reports from the Tax Justice Network, Indonesia is predicted to lose as much as US$ 4.86M/year or the equivalent of IDR 68.7T (exchange rate IDR 14,149/USD) due to evading taxes. In the report entitled "The State of Tax Justice 2020: Tax Justice in The Time of COVID-19" which is published by Tax Justice Network, it was stated that the total loss was IDR 68.7T, more than half of which was due to Indonesian Taxpayers, a loss of US$ 4.78 B or IDR 67.6 T. The remaining loss was from individual Taxpayers of US$ 78.83 M or IDR 1.1T (Fatimah, 2020).

Examples of tax evasion cases have occurred in Indonesia, such as the tax evasion case by PT Adaro Energy Tbk, which carried out the practice of tax evasion cases through transfer pricing where the activity of transferring nominal profits in Indonesia to MNCs exempted tax. You can also divert those profits to low tax countries. The tax evasion case from PT Adaro Energy Tbk was carried out from 2009-2017. Through this activity the company was able to pay taxes amounting to US$125M or Rp. 1.75T (Sugiarto, 2019).

Apart from that, there is also the problem of tax avoidance by PT Bentoel Internasional Investama. In the Institute's report Tax Justice Network In 2019, there was evidence of a tax evasion case from British American Tobacco (BAT). BAT was proven to have circumvented it by going through PT Bentoel to obtain a large nominal loan. This activity was carried out from 2013-2015 from the Netherlands, namely Rothmaris Far East BV. The rise of this condition has even made the issue of taxation a main topic at the G20 in India (Sugiarto, 2019)..

Tax aggressive activities in Indonesia can be implemented in 2 forms namely tax evasion And tax avoidance. These two are often categorized under an action called tax aggressiveness. Tax aggressiveness refers to the aggressive implementation of tax strategies aimed at reducing tax liability while optimizing legal gaps, deductions and tax exemptions, often pushing the boundaries of tax law. While these strategies are usually legal, they can be considered unethical or controversial due to their impact on reducing the overall tax burden (Astutik & Venusita, 2020).

Research into tax avoidance activities is especially important because understanding a company's tax strategy helps assess its overall financial health and risk profile. Aggressive tax tactics may indicate potential financial instability or reliance on tax avoidance to achieve profitability. Additionally, it is very important to ensure that the business complies with tax laws.

Analyzing tax aggressiveness can help identify potential legal risks and liabilities. Of course, from this explanation, it shows that tax aggressiveness is an unethical action, therefore, it must be minimized, especially in public companies in Indonesia. One sector that is very interesting to research is the sector Oil and Gas. This is based on several reasons, such as reporting PPh taxes in the sector Oil and Gas or MIGAS where MIGAS PPh is the tax that provides for deduction, as much as 7.99%. Based on sectors, mining can only increase by 44%, and will experience a significant decline from January-July 2022 to 263.7% (Annur, 2024).

This is also reinforced by data regarding the tax contribution of each sector as follows:

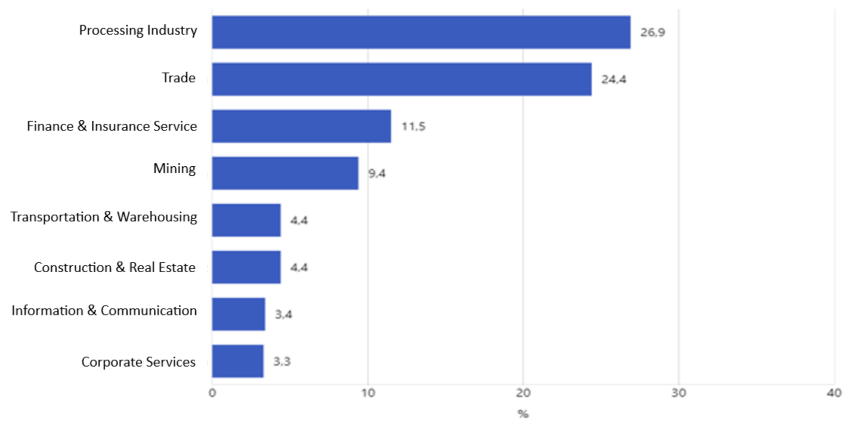

Figure 1. Tax Contribution Per Sector in Indonesia 2023 (Annur, 2024)

From the picture above, it can be seen that the oil and gas industry which is included in mining only contributes 9.4% under finance, trade and processing. This is interesting to research because Indonesia is the number 5 (five) mining producing country in the world. Thus, this research will focus on examining tax aggressiveness in the oil and gas sector in Indonesia.

Of course, there are many factors that can influence the increase or decrease in action tax aggressiveness. According to previous research (Astutik & Venusita, 2020), factors that can influence practice tax aggressiveness are CEO characteristics, Leverage, Firm Size And Profitability. However, in this research, there are differences due to the use of company size variables. In accounting, characteristics CEO refers to a person's personal characteristics as a Chief Executive Officer, such as age, gender, educational background, and professional experience. These attributes are often analyzed to understand how they can influence a company's financial decisions, accounting practices, and overall company performance. Demographics of a CEO, such as age, gender, educational background, and professional experience, can significantly influence a company's tax aggressiveness. CEO younger people may be more risk tolerant, which could lead to a more aggressive tax strategy, temporarily CEO older ones may prefer a conservative approach to avoid legal risks. CEO women often adopt less aggressive tax practices than men, reflecting differences in risk appetite. CEO with a strong financial or legal background may be more effective at exploiting tax loopholes, while those lacking this expertise may rely more on advisors, who shape their tax strategy. Overall, a person's demographic profile CEO can influence their approach in managing corporate tax obligations (Oktaviani et al., 2022).

The second factor that can influence tax aggressiveness is Profitability. The profitability ratio is mETRo financial indicators used to measure a company's capacity to create profits relative to its revenues, assets, or equity. This conveys knowledge about the company's effectiveness in managing its resources to create profits. Common profitability ratios include net profit margin, return on assets (ROA), and return on equity (ROE) (Khan & Tjaraka, 2024).

The relationship between profitability and tax aggressiveness also involves a company's financial health and risk appetite. Highly profitable companies with strong financial positions are better able to absorb the potential risks associated with aggressive tax planning. Conversely, companies with volatile or lower profits may choose to avoid aggressive tax strategies to minimize the risk of legal issues and maintain stability. Overall, profitability influences the level of tax aggressiveness by influencing the potential benefits and costs associated with aggressive tax practices (Joachim, 2024). Profitability has a significant impact on corporate tax aggressiveness. The companies that are profitable often have a lot at stake and may be more motivated to engage in aggressive tax strategies to minimize the tax burden. High profitability increases the potential benefits of tax avoidance tactics, such as claiming deductions, credits, or using tax shelters (Rahayu & Wibowo, 2023).

This research will also include 4 control variables including: Dividend policy, liquidity, Firm Size And Leverage which can also influence tax aggressiveness. Leverage refers to the use of borrowed funds (debt) in a company's capital structure to finance its operations and investments. The debt to equity ratio is a common measure of Leverage, which shows the extent to which a company relies on debt to finance its activities. Leverage a high level indicates greater reliance on debt, which can increase potential profits as well as financial risks. Leverage influences tax aggressiveness by influencing the company's financial strategy and risk tolerance (Purwantoro & Suhartono, 2024).

Firm Size can significantly influence tax aggressiveness (Ojala et al., 2023). Larger companies typically have many resources involved in complex tax planning and often benefit from economies of scale in their tax strategies, which allow them to exploit legal loopholes and minimize tax liabilities more effectively. Large companies may have more bargaining power with tax authorities and are more likely to be monitored, which may discourage aggressive tax practices or encourage them because they are perceived as immune. In contrast, small firms may engage in less aggressive tax strategies due to limited resources and higher risks of detection and sanctions.

Dividend policy can affect levels of tax aggressiveness by companies through implications for profit management and tax avoidance. Companies that have policies for dividend investors tend to distribute most of their profits to shareholders, so that there is less room to use these profits in tax avoidance schemes. Additionally, payment dividends routinely can create greater transparency, so that companies tend to avoid strategies tax aggressiveness which is risky. Instead, companies with policies dividend low have more retained earnings (retained earnings), which can be used for tax avoidance maneuvers, such as transfer pricing or the use of tax havens. However, level tax aggressiveness is also subject to pressure from shareholders and regulatory oversight. In short, policy dividend can function as a tax risk control tool, with dividend high tends to suppress tax aggressiveness, temporary dividend low has the potential to increase his chances.

The company's liquidity can affect the rate tax aggressiveness because it is related to cash availability and financial flexibility. Companies with a high level of liquidity have access to sufficient cash to meet operational and investment obligations, so they tend to have less incentive to aggressively avoid taxes. In addition, high liquidity allows companies to fulfill tax obligations on time, reducing the risk of penalties or more intensive tax audits. On the other hand, companies with low liquidity may be encouraged to minimize their tax burden in order to maintain their cash flow. Strategies such as manipulating taxable income, aggressive use of tax incentives, or deferring tax payments are often used to maintain liquidity.

Research results from (Astutik & Venusita, 2020) explain that indeed Leverage has an influence on tax aggressiveness. Leverage high levels, or significant use of debt, may encourage companies to adopt more aggressive tax strategies. However, there were several differences found between this research compared to previous studies. Previous research focused generally on companies on the BEI, then this research focused on companies on LQ 45. Therefore, although the research results show similarities, it is possible that the results of this research will be different compared to another research.

Research conducted by (Khan & Tjaraka, 2024) explains that companies that have substantial profits choose to invest in sophisticated tax planning and consulting services to minimize their tax liabilities, maximizing after-tax income. In contrast, firms with lower profitability may not engage in aggressive tax planning due to limited financial resources and less potential tax savings. However, there is a difference between this research compared to previous research which focused more on point of view CSR as the main focus of research.

Research from (Purwantoro & Suhartono, 2024) explains that profitability has an effect on tax aggressivenessHowever, there are differences between past and present research in that in previous research, all companies on the IDX were included and did not focus on one particular sub-industry or cluster, whereas in this research, the focus was directed at LQ 45 companies. According to research (Rahayu & Wibowo, 2023) explained that companies with large assets tend to reduce their assets tax aggressiveness. However, there is a difference between this research compared to previous research, especially in the sample selection factor which uses manufacturing companies, whereas in this research the focus is directed at LQ 45 companies with the consumer goods sub-sector so that differences in research results may emerge.

Based on the above background, this research aims to analyze the influence of CEO characteristics, including educational background, tenure and gender, as well as profitability on tax aggressiveness in oil and gas companies in Indonesia for the period 2021-2023. This research aims to understand how the individual factors of the CEO and the company's financial performance can be influenced to affect the tax strategy adopted by the company, especially in the context of aggressive tax avoidance. The benefits of this research are expected to provide input for companies in formulating more efficient tax policies and for regulators to design policies that can encourage more transparent and compliant taxation practices.

RESEARCH METHOD

This research uses quantitative methods with a multiple linear regression approach to analyze the influence of CEO characteristics and profitability on tax aggressiveness in companies in the oil and gas sector in Indonesia for the 2021-2023 period. The data used in this research comes from the annual financial reports of companies listed on the Indonesia Stock Exchange (BEI) as well as information regarding CEO characteristics obtained from annual reports and company profiles. The independent variables in this research are CEO characteristics, which are measured based on factors such as educational background, work experience, and gender as well as profitability which is measured using Return on Assets (ROA). Meanwhile, the dependent variable is tax aggressiveness which is proxied by the Effective Tax Rate (ETR).

In this research, the samples taken were purposive sampling also known as judgmental or selective sampling, is a non-probability sampling technique in which the researcher deliberately selects individuals, groups, or cases that are considered highly informative or relevant to the research question. The following are the results of calculating the company:

Table 1. Company Criteria

Description	Frequency	Results
OIL and GAS companies registered on the IDX		176
OIL and GAS companies that are delisting and relisting from the 2021-2023 period	176	90
OIL and GAS company that owns incomplete financial reports for the 2021-2023 period	90	67
The final result	67 x 3	201

The collected data is then analyzed using statistical software such as SPSS or EViews to test the relationship between independent and dependent variables. This research uses panel data regression to accommodate time series data (2021-2023 period) and cross-section (several companies in the oil and gas sector). Panel data regression allows a more accurate analysis by considering the effects of individual companies and time. The model used will be tested with three main approaches, namely the Common Effect Model (CEM), Fixed Effect Model (FEM), and Random Effect Model (REM), to determine the best model based on the Chow test, Hausman test, and Lagrange Multiplier (LM) test). Classic assumption tests, such as normality, heteroscedasticity, multicollinearity and autocorrelation tests, are carried out first to ensure that the regression model used meets the validity and reliability requirements.

Apart from that, this research also carried out a significance test using the t test and F test to determine the extent of the influence of each independent variable on tax aggressiveness, both partially and simultaneously. The t test is used to test the individual influence of CEO characteristics and profitability on tax aggressiveness, while the F test is used to test the overall influence. The coefficient of determination (R^2) was also calculated to measure how much the independent variable was able to explain variations in tax aggressiveness in the companies studied.

RESULT AND DISCUSSION

T-test

The following are the results of the t test, which can be seen below:

Table 2. t test results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.112781	0.016401	-6.876652	0.0000
EDU	-0.000509	0.007245	-0.070221	0.0023
TEN	0.000309	0.000351	0.880456	0.3797
GEN	0.016388	0.014402	1.137935	0.2566
PRO	-0.000191	0.000021	-5.419021	0.0000

Source: Data Processing Test Results Using Eviews 14 (2024)

The results of the t test in this research, which are presented in table 2, show that the variable education (EDU), tenure (TEN), gender (GEN), and profitability (PRO) has a different influence on tax aggressiveness (tax aggressiveness). Based on the regression coefficient value, the EDU variable has a negative coefficient of -0.000509 with a probability value (p-value) of 0.0023. This value shows that the EDU variable has a significant effect on tax aggressiveness at a significance level of 5% ($\alpha = 0.05$). This means that the higher the CEO's education level, the lower the level of tax aggressiveness carried out by the company. This can be interpreted to mean that CEOs with higher education tend to have a better understanding of tax ethics and regulations and thus avoid aggressive tax avoidance practices.

The TEN variable, which represents the length of the CEO's tenure, has a positive coefficient of 0.000309 with a probability value of 0.3797. Because the p-value is greater than 0.05, this variable is not significant in influencing tax aggressiveness. This shows that the length of time a CEO has served does not have a strong influence on the company's decision to implement tax management strategies. This result could be caused by other, more dominant factors, such as overall company policy or the greater influence of shareholders and the board of directors on the company's tax strategy.

Meanwhile, the GEN variable, which represents CEO gender, has a positive coefficient of 0.016388 with a p-value of 0.2566. Because this probability value is greater than 0.05, the effect of gender on tax aggressiveness is also not significant. This means that, in the context of this research, whether the CEO is male or female does not have a large role in determining the level of corporate tax aggressiveness. These results may indicate that tax policy is determined more by other factors, such as company strategy, industry environment, or pressure from stakeholders, rather than differences in gender characteristics.

Finally, the PRO (profitability) variable has a negative coefficient of -0.000191 with a p-value of 0.0000, which shows that this variable has a significant effect on tax aggressiveness at a significance level of 1% (α = 0.01). The negative coefficient value indicates that the higher the company's profitability, the lower the level of tax aggressiveness. These results are consistent with the theory that more profitable companies tend to be more compliant with tax regulations because they have higher exposure to tax authority supervision. In addition, companies with high profitability are also more likely to want to protect their reputation and thus avoid aggressive tax management strategies.

R Square

The following are the results of the R square, which can be seen below:

Tabel 3. R Square

Weighted Statistics			
R-Squared	0.130974	Mean dependent var	-0.125672
Adjusted R-squared	0.094765	S.D. dependent var	0.027086
S.E. of refression	0.025771	Sum squared resid	0.127516
F-statistic	3.617134	Durbin-Watson stat	1.745821
Prob(F-statistic)	0.000611		

Source: Data Processing Test Results Using EViews 14 (2024)

From table 3 above, you can see from the results of the test model R Square that the independent variable has an effect on the dependent variable with a contribution of 0.130974 or 13.09%. The figure of 13.09% is said to be able to explain the influence of the independent variable used on the dependent variable.

Uji F

The following are the results of the F test , which can be seen below:

Table 4. F test

Weighted Statistics			
R-Squared	0.130974	Mean dependent var	-0.125672
Adjusted R-squared	0.094765	S.D. dependent var	0.027086
S.E. of refression	0.025771	Sum squared resid	0.127516
F-statistic	3.617134	Durbin-Watson stat	1.745821
Prob(F-statistic)	0.000611		

Source: Data Processing Test Results Using EViews 14 (2024)

From table 4 the values can be seen as probability F = 0.0006, which means that all independent variables used in this research simultaneously have a significant effect on the dependent variable.

The Influence of CEO Educational Background on Tax Aggressiveness

The CEO's educational background has an important role in determining the tax strategy taken by the company, including in terms of tax aggressiveness. Higher and relevant education in the fields of finance, law, or business can provide greater insight into tax regulations and the risks associated with tax avoidance practices. Based on the results of this research, variable education (EDU) has a negative and significant influence on tax aggressiveness, which means that the higher the CEO's education level, the lower the company's tendency to carry out aggressive tax avoidance strategies. This can be explained by the assumption that CEOs with higher educational backgrounds better understand the legal and reputational consequences of aggressive tax practices, so they are more careful in making tax-related decisions.

Previous research also shows results that are in line with these findings. For example, a research conducted by (Astutik & Venusita, 2020) found that CEOs with higher education degrees, especially in accounting and law, tend to be more compliant with tax regulations and less involved in tax aggressive practices compared to CEOs who have a general educational background. or technical. However, research by (Suharto et al., 2022) found an impact that contradicts this finding, while (Ernawati & Suryarini, 2024) found no significant effect of CEO education on tax aggressiveness.

The relationship between CEO educational background and tax aggressiveness can also be explained through agency theory (agency theory). This theory explains that there are differences in interests between agents (CEOs) and principals (shareholders), where the CEO acts as a company manager who is responsible for making strategic decisions, including tax policy (Zolotoy et al., 2021). CEOs with higher levels of education tend to have a better understanding of the long-term impact of tax policy on corporate sustainability, and are therefore more likely to make decisions that are in line with the long-term interests of shareholders and other stakeholders. On the other hand, CEOs with less education may focus more on short-term profits and use aggressive tax avoidance strategies to increase profitability in the short term, even though they may be high risk in the long term.

The implications of these findings are very relevant for shareholders, boards of directors and regulators in determining company policies regarding CEO recruitment and tax management. If the company's goal is to reduce the risk of aggressive taxation and increase regulatory compliance, then the CEO's educational background should be one of the factors considered in the company's leadership selection process. Additionally, governments and tax regulators can use these findings to develop policies that encourage tax transparency and compliance by providing incentives to companies led by individuals with high academic credentials. Thus, understanding the relationship between CEO education and tax aggressiveness can contribute to more ethical and sustainable business practices.

The Effect of CEO Tenure on Tax Aggressiveness

CEO tenure (tenure) is one of the factors that can influence a company's tax policy, including tax aggressiveness. CEOs with longer tenure tend to have broader experience in managing a company's business strategy and taxation. However, based on the results of this research, variable tenure (TEN) has no significant effect on tax aggressiveness, as indicated by a probability value greater than 0.05. This shows that the length of time someone has served as CEO does not always correlate with the company's decision to carry out tax avoidance strategies. In some cases, other factors such as pressure from shareholders, tax regulations, or overall company policy may be more dominant than the CEO's own individual experience.

Previous research also shows mixed results regarding the relationship between CEO tenure and tax aggressiveness. For example, a research conducted by (Karina & Jeksen, 2021) found that CEOs with longer tenure tend to have broader networks and experience, which allows them to develop more complex and efficient tax strategies, including more aggressive tax avoidance strategies. On the other hand, research conducted by (Doho & Santoso, 2020) shows that CEO tenure has a positive effect on tax aggressiveness, meaning that CEOs with longer terms of office tend to be more aggressive in tax avoidance.

The relationship between CEO tenure and tax aggressiveness can also be studied through agency theory (agency theory). In this theory, the CEO acts as an agent who manages the company on behalf of the principal (shareholders) (Armour et al., 2017). CEOs with longer tenure may have two possible attitudes: first, they may develop closer relationships with shareholders and better understand the long-term interests of the company, so they are less likely to avoid aggressive tax policies. Second, in some cases, long-serving CEOs may have more freedom in decision-making and feel more confident to implement aggressive tax avoidance strategies without fear of losing their positions. Therefore, the insignificance of the effect of tenure on tax aggressiveness in this research may reflect the existence of complex dynamics between CEO leadership, company policy, and external pressure.

The implication of these results for companies and regulators is that the CEO's tenure factor alone is not enough to be used as a reference in assessing a company's tax policy. Therefore, in determining tax strategies, shareholders and the board of directors need to consider other factors, such as the CEO's educational background, regulatory pressure, and the incentive structure given to the CEO. Apart from that, the government and tax authorities also need to pay attention that CEOs with longer tenures do not always mean they are more aggressive or more compliant with tax policies. Therefore, effective tax regulations must consider various leadership and company structure factors in order to encourage better tax compliance in the corporate sector.

The Influence of CEO Gender on Tax Aggressiveness

CEO gender is one factor that can influence strategic decision making in a company, including tax policy. Based on the results of this research, variable gender (GEN) has no significant effect on tax aggressiveness, as indicated by a probability value greater than 0.05. This suggests that gender differences do not directly determine whether a CEO will be more or less aggressive in a company's tax strategy. In this context, other factors such as educational background, experience, as well as pressure from shareholders and tax regulations are likely to be more dominant in influencing tax decisions than the CEO's gender itself.

Several previous studies have examined the relationship between CEO gender and tax aggressiveness, with varying results. A research conducted by (Dewi et al., 2022) found that companies led by female CEOs tend to be more compliant with tax regulations and have lower levels of tax aggressiveness compared to companies led by male CEOs. They argue that women are more careful in taking risks and consider ethical factors more in making business decisions. On the other hand, research conducted by (Rayani, 2022) shows that the influence of gender on tax aggressiveness tends to be weak and depends on the industrial context and external pressures faced by the company. Thus, the results of this research which show the insignificance of the influence of gender on tax aggressiveness are in line with findings which state that other factors play a more important role in determining company tax policy.

The relationship between CEO gender and tax aggressiveness can also be explained through agency theory (agency theory). This theory states that the CEO as an agent is responsible for managing the company in the interests of shareholders as principals. In some cases, female CEOs may be more likely to make more conservative decisions in tax strategies to reduce legal and reputational risks, which may support the long-term interests of the company (Christensen et al., 2015). However, under conditions where pressure from shareholders to maximize profitability is higher, both male and female CEOs may be encouraged to implement aggressive tax avoidance strategies. Therefore, the results of this research which show that gender does not have a significant influence on tax aggressiveness indicate that the role of gender in tax decision making may be influenced by external factors such as the regulatory environment and shareholder expectations.

The implication of this finding is that in determining tax policy, companies and regulators cannot simply rely on the assumption that female CEOs will be more tax compliant than male CEOs. Instead, there needs to be a greater focus on other aspects such as corporate governance systems, managerial incentives and tax policy transparency. In addition, tax regulators must also realize that effective tax policy must not only consider the individual characteristics of company leaders, but also the broader structural factors that influence decision making within a company. Thus, a more holistic approach in understanding tax aggressiveness can help create a fairer and more sustainable tax system.

The Effect of Profitability on Tax Aggressiveness

Profitability is one of the main factors that can influence a company's tax policy, including tax aggressiveness strategies. Based on the results of this research, variable profitability (PRO) has a significant influence on tax aggressiveness with a negative coefficient and a probability value of less than 0.05. This shows that the higher the profitability of a company, the lower the level of tax aggressiveness carried out. These findings indicate that more profitable firms tend to be more compliant with their tax obligations, possibly because they have sufficient resources to meet tax obligations without having to find ways to avoid them. Additionally, companies with high profitability may be more concerned about reputation and want to avoid legal risks that could harm their business in the long run.

Several previous studies showed results that are in line with these findings. (Rifai & Atiningsih, 2019) found that companies with higher levels of profitability tend to be more tax compliant than companies with low profitability. They argue that profitable companies have greater incentives to maintain good relations with regulators and avoid the risk of litigation resulting from aggressive tax avoidance. On the other hand, (Anggriantari & Purwantini, 2020) found that more profitable companies actually have a higher level of tax aggressiveness, because they have more resources to develop complex tax strategies to reduce the tax burden. The differences in the results of this research indicate that the effect of profitability on tax aggressiveness can vary depending on other factors such as tax regulations in certain countries, corporate culture, and shareholder pressure.

From the perspective of agency theory (agency theory), the relationship between profitability and tax aggressiveness can be explained through the conflict of interest between management and shareholders. The CEO and management as agents are responsible for managing the company in the interests of shareholders as principals. In more profitable companies, management may be more focused on business continuity and maintaining reputation, so they tend to avoid overly aggressive tax strategies that could result in legal and reputational risks. Conversely, in companies with low profitability, pressure to increase profits may encourage management to seek ways to reduce tax liabilities through more aggressive tax avoidance strategies. Therefore, the results of this research which show a negative relationship between profitability and tax aggressiveness may reflect management's strategy in balancing the company's short-term and long-term interests.

The implication of the results of this research is that tax regulators and policy makers need to pay more attention to companies with low profitability which may be more vulnerable to aggressive tax avoidance practices. In addition, for shareholders and the board of directors, it is important to consider strong corporate governance factors so that tax policies remain in line with the principles of compliance and business sustainability. With stricter regulations and transparency in tax reporting, it is hoped that companies can be more compliant in fulfilling their tax obligations without having to sacrifice sound business strategies. Therefore, effective tax policy must consider the dynamics of profitability and company incentives in carrying out tax practices in accordance with applicable regulations.

CONCLUSION

Conclusions in research that analyzes the influence of CEO characteristics, including educational background, tenure, and gender, as well as profitability on tax aggressiveness in oil and gas companies in Indonesia in the period 2021-2023. The results show that only the CEO's educational background and profitability have a significant effect on tax aggressiveness, while the CEO's tenure and gender have no significant effect. CEOs with higher educational backgrounds tend to have a better understanding of taxation regulations and risks, thus reducing the tendency to engage in aggressive tax avoidance. In addition, companies with high profitability also show a lower level of tax aggressiveness, possibly due to their desire to maintain reputation and compliance with tax regulations. These findings support the agency theory which states that corporate taxation decisions can be influenced by the individual characteristics of the leader and the company's financial condition.

The results of this research contribute to academics, business practitioners, and tax regulators. Academically, this research adds insight into the factors that influence corporate tax strategies in the oil and gas sector, as well as enriching the literature on the relationship between CEO characteristics and tax decisions. For business practitioners, especially in the process of recruitment and leadership development, this research provides an understanding that CEO education can be an important factor in determining corporate tax policy. In addition, for policymakers, these findings emphasize the importance of more transparent taxation policies based on corporate executive education to reduce tax aggressiveness practices. Further research can broaden the scope by including additional variables such as ownership structure, corporate governance, and external factors such as global tax regulations to gain a more comprehensive understanding.

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