

New Insights Of Shariah Maqashid Index As Determinant Of Tax Aggressiveness Level

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ABSTRACT: *The practice of tax aggressiveness refers to the practice of allowable tax planning and tax planning practices prohibited by the Taxation Act. This practice aims to minimize the income tax expense. The weakness of the previous study is still limited to examine the effect of financial ratios on tax aggressiveness such as profitability ratios, leverage, firm size, capital intensity, and inventory intensity. The novelty offered in this study is the use of syariah maqashid index as a new insight that determines the level of tax aggressiveness. This study aims to obtain empirical evidence about the new influence of the index of syariah maqashid against the level of tax aggressiveness. The population used in this study is the sharia entity listed in the Indonesia Sharia Shares Index. Sampling method in this research used purposive sampling method. Samples are selected according to certain criteria such as successive companies listed in the index from 2011-2014. Other independent variables used in this study are profitability, firm size, leverage, capital intensity, and inventory intensity. This research has proved empirically the positive influence of maqashid syariah index toward tax aggressiveness level. The larger index of maqashid syariah results in a greater level of tax aggressiveness. In addition, this study also found the effect of firm size and profitability on the level of tax aggressiveness. In contrast, the results of this study also indicate that leverage, inventory intensity, and capital intensity do not affect the level of tax aggressiveness.*

KEYWORDS: *index of maqashid sharia, tax aggressiveness rate, firm size, leverage, capital intensity, inventory intensity*

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I. INTRODUCTION

The behavior of tax aggressiveness refers to the efforts made by the taxpayer to minimize the tax burden to be paid. The act of tax aggressiveness can be done in a form that violates the law and that does not violate the Act (Chen et al., 2008). The infringing act is done in the form of tax evasion in violation of Indonesian tax laws and regulations. The non-infringing action is done in the form of tax planning. Tax planning is an effort by the company to shrink the corporate tax burden that is not contrary to the tax regulations.

Sharia principles are adopted by sharia entities as guidelines in carrying out its operational activities. This sharia principle is oriented towards material and spiritual success, as well as lawful and good (thoyyib). Maqashid syariah refers to the goal to be achieved by the entity of sharia. Sharia entities are not allowed to be profit-oriented but also required to achieve the maqashid of syariah. The elements of maqashid sharia include keeping the mind or mind (al-aql), preservation of religion (ad-diin), guarding the soul (an-nafs), custody (an-nasb), and securing property or wealth (maal). In the context of Islamic business, Mohammed and Taib (2009) explain that the achievement of maqashid sharia can be seen from 3 (three) objectives which include: educating individuals (tahdzibul fard), building justice (iqamatul 'adl), and reaching public interest (jalbul maslahah). In this context, the existing studies are still limited to studying the use of the syariah maqashid index as a performance measurement system such as Mohammed et al. (2008), Mohammed and Taib (2009), Jazil and Syahrudin (2013), and Kasri (2016). This is the basic idea of this research that is the new insight of syariah maqashid index in other contexts besides performance measurement system.

This study offers novelty over previous studies because current research would like to test whether the syariah maqashid index can be used as a new determinant of tax aggressiveness. The index of maqashid sharia in this study refers to the indicators made by Mohammed et al. (2008) and Mohammed and Taib (2009). In the study of Mohammed et al. (2008), it is explained that one element of cost calculated in measuring the performance of the syariah maqashid index is the cost of advertising. One of the empirical studies examining the effect of advertising costs on tax aggressiveness was conducted by Desai and Dharmapala (2006). Desai and

Dharmapala (2006) find that companies that are intensive in advertising costs are more likely to build brand equity and company reputation so that companies tend to be less aggressive in tax planning.

Studies Mohammed et al. (2008) indicate that one of the important cost elements in the syariah maqashid index is the cost of research and development. One of the empirical studies examining the effect of research and development costs on tax aggressiveness was carried out by Hanlon and Heitzman (2010). Hanlon and Heitzman (2010) show that the imposition of research and development costs is highly dependent on tax policies adopted by a country. Tax policies made by the Government may affect the company's investment policy in research and development activities.

This study aims to examine the influence of the index of syariah maqashid against the level of tax aggressiveness. In this study, used several other independent variables such as profitability, leverage, firm size, capital intensity, and inventory intensity. Based on the previous background, the research problem is whether the index of maqashid sharia affects the level of tax aggressiveness?

II. LITERATURE REVIEW

The concept of Maqashid Sharia

Ghazali (1991) describes five elements in the concept of maqashid sharia that is guarding religion, soul, mind, family, and wealth. Anything that can guarantee the existence of these five elements is called *maslahah* and every that omits it is called *mafsadah*. Another view of the maqashid of shari'ah was proposed by Zahrah (1958) in Antonio et. al (2012), which divides the index of maqashid sharia into three categories namely education for individuals (*tahdzib al-fard*), justice (*iqamah al-adl*), and welfare (*maslahah*). The principles of Islam are not only applied in the field of *fiqh* solely in the form of legality of products and services in accordance with Islamic Shari'a. The principles of Islam should have a broader impact on economic and social aspects as a consequence of efforts to achieve the maqashid of sharia (Sanrego, 2010).

Mohammed and Taib (2009) developed a performance evaluation formula based on the concept of maqashid Sharia. Indicators used include educating the individual (*tahdzib al-fard*), establishing justice (*iqamah al-adl*), and welfare (*maslahah*). The first maqashid (*tahdzib al-fard*) is intended to develop the knowledge and expertise of each individual so that individual spiritual values are increased. The first maqashid has several ratios: education grant, research, training and publicity.

The second maqashid sharia (*iqamah al-adl*) indicates that Sharia entities should be honest and fair in carrying out all transactions and business activities. The second maqashid has several ratios: PER (profit equalization reserve) ratio and interest free income ratio. As for the third maqashid sharia (*maslahah*), sharia entities should develop investment projects and social services to improve the welfare of the people. This third maqashid can be seen from the ratio of zakat issued by sharia entity and investment entity sharia in real sector. The ratios that can be included in the third maqashid sharia are profit returns, personal income transfers (*zakah*), and investment ratios in real sector.

The concept of Tax Aggressiveness

Tax aggressiveness is an action that aims to reduce taxable income through tax planning and using methods that are classified or not classified as tax evasion. Even though not all tax aggressiveness is against the rules, more methods are used to make the company more assertive in its tax planning (Frank et al., 2009). Tax aggressiveness can be done in the form of actions that do not violate the law (tax avoidance) as well as acts that violate the rules (tax evasion), but more tax aggressiveness leads to unlawful acts. Thus it can be understood that tax aggressiveness has a very broad concept and includes tax planning or tax avoidance practices as well as tax evasion practices. This concept is used in this study so that companies that behave aggressively in taxes do not mean have committed fraud or tax evasion and irregularities in accounting reporting practices.

Empirical Studies Research Accomplished

Based on a review of a study by Sayler (1998); Desai and Dharmapala (2006); Dhanani and Solanji (2011); and Segarra (2012), there is no research that clearly and firmly examine the influence of maqashid syariah index toward tax aggressiveness level. Several existing studies tested one indicator of the maqashid syariah index towards the level of tax aggressiveness as did Sayler (1998), Dhanani and Solanji (2011) and Segarra (2012). The studies examined the level of tax aggressiveness in relation to research and development activities. Research and development is one component of ratio in syariah maqashid index variables. The results of their study found that the burden of research and development costs are only utilized by large companies in order to obtain tax breaks. Their study shows that the more aggressive the company has on action to reduce income taxes, the less the drive to invest in research and development in order to avoid tax oversight.

In contrast to previous studies, Desai and Dharmapala (2006) examined the effect of advertising costs on the level of tax aggressiveness. Advertising costs in Indonesian tax laws are provided for in Article 6 paragraph (1) of Law Number 36 Year 2008 regarding Income Tax as a cost that can be deducted from income.

Advertising cost is one component of the ratio of syariah maqashid index variables. The results of both studies prove empirically that companies that have a large portion of advertising costs are not involved in tax aggressiveness. This is due to two reasons: (1) intensive companies in advertising are more likely to build brand equity and company reputation than by tax evasion; and (2) intensive firms in advertising and promotion are linked to a more transparent information environment that can hinder tax planning activities.

In contrast to previous research (Sayler, 1998; Desai and Dharmapala, 2006; Dhanani and Solanji, 2011; Segarra, 2012), the current study seeks to examine the effect of the maqashid syariah index on tax aggressiveness. The index of maqashid syariah in this study refers to Mohammed et al. (2008) and Mohammed and Taib (2009) covering three indicators of educating individuals, building justice, and public interest. Each indicator has several performance measurement ratios.

III. RESEARCH HYPOTHESIS

Relationship between Tax Aggressiveness Level and Maqashid Sharia Index

Mohammed et al. (2008) developed a formula for operationalizing maqashid sharia index variables. In the formula there are three objectives of educating individuals, building justice, and public interest. Each goal has several elements or ratios to measure performance. One element or ratio is the cost of publication or promotion. The study examining the effect of publication cost (promotion) on tax aggressiveness was done by Desai and Dharmapala (2006). The results of Desai and Dharmapala (2006) study proved empirically that companies that have a large portion of advertising costs are less involved in tax aggressiveness. This is due to two reasons: (1) intensive companies in advertising are more likely to build brand equity and company reputation; and (2) intensive firms in advertising and promotions reinforced by a more transparent information environment may hinder tax planning activities.

H₁: Maqashid Sharia Index affects the level of tax aggressiveness

The Relationship between Tax Aggressiveness Level and Company Size

Company size has been a major concern of most studies on tax aggressiveness and gives inconsistent results. Studies by Hsieh (2012) and Salman and Farid (2016) proved empirically that firm size has a positive effect on tax aggressiveness. Firms that have larger firm sizes can record more depreciation expenses than smaller firms so that firms can take advantage of tax incentives to lower taxable income and income taxes so that the effective tax rate (ETR) becomes lower. A low ETR shows companies are more likely to be aggressive in their tax planning. Studies conducted Hanum and Zulaikha (2013), Zemzem and Ftouhi (2013), Noor et al. (2010) and Wang et al. (2014) found a negative effect of firm size on tax aggressiveness. In contrast, Khaoula and Ali (2012) studies do not succeed in proving the effect of firm size on the level of tax aggressiveness.

H₂: The size of the company affects the level of tax aggressiveness

The Relationship between Tax Aggressiveness Level and Profitability

Studies by Derashid and Zhang (2003), Adhikari et al. (2006), Rohaya et al. (2008), Noor et al. (2010), and Salman and Farid (2016) provide empirical evidence that ETR and ROA are negatively related. Firms with high profitability tend to be high in tax aggressiveness, because companies can take advantage of tax incentives and tax provisions to reduce income taxed and income taxes so that the effective tax rate becomes low. A low effective tax rate shows the company's aggressive tendency in its tax planning. In contrast, the study of Zemzem and Ftouhi (2013) and Hsieh (2012) provide a different finding that profitability has a positive effect on the effective tax rate. The results of other studies obtained Hanum and Zulaikha (2013) who did not find the effect of profitability affect the level of tax aggressiveness.

H₃: Profitability affects the level of tax aggressiveness

The Relationship between Tax Aggressiveness Level and Leverage

Studies by Gupta and Newberry (1997), Buijink and Janssen (2000), Adhikari et al. (2006) found a negative relationship between effective tax rates and leverage (Noor et al., 2010). Noor et al. (2010) and Lanis and Richardson (2011) support the studies by complementing the negative relationship between leverage and the effective tax rate. These studies show that higher leverage can increase the level of tax aggressiveness. This is because companies with large liabilities can charge interest expenses in their fiscal financial statements. Such efforts may decrease income to be taxed and income taxes resulting in a declining effective tax rate. Declining effective tax rates indicate that firms tend to be more aggressive in tax-aggressive behavior. In contrast Hanum and Zulaikha (2013); Wang et al. (2014); and Hsieh (2012) gave different results of leverage have a positive

effect on the effective tax rate. The Salman and Farid (2016) study failed to prove empirically the effect of leverage on the level of tax aggressiveness.

H3: Leverage affects the level of tax aggressiveness

The Relationship between Tax Aggressiveness Level and Capital Intensity

The negative effect of capital intensity on the effective tax rate has been investigated by Gupta and Newberry (1997), Hsieh (2012) and Noor et al. (2010). Negative effects occur because firms with large fixed assets proportions tend to produce low effective tax rates (Noor et al., 2010). Large amounts of fixed assets enable firms to charge a larger depreciation of fixed assets. It may lower taxable income and subsequently result in a low effective tax rate. A low effective tax rate indicates that taxpayers are more likely to have higher tax aggressiveness behavior. In contrast, Hanum and Zulaikha (2013) studies were unable to prove empirically the effect of capital intensity on the level of tax aggressiveness.

H4: The intensity of capital affects the level of tax aggressiveness

The Relationship between Tax Aggressiveness Level and Inventory Intensity

Studies by Hanum and Zulaikha (2013) were unable to prove the effect of inventory intensity on the level of tax aggressiveness. In contrast, the Hsieh study (2012) found a positive relationship of effective tax rates with inventory intensity. Firms that are stocked have higher effective tax rates (Noor et al., 2010). This can be explained because a company with multiple inventories has the potential to generate large amounts of sales so that the company can increase taxable income. Increasing the amount of taxable income indicates an increasing effective tax rate. While Salman and Farid's (2016) study failed to prove empirically the effect of inventory intensity on the level of tax aggressiveness.

H5: Intensity of inventory affects the level of tax aggressiveness

IV. METHODOLOGY

Research Design

This research is designed as a study that aims to test the hypothesis based on the study of theory and concepts relevant to the formulation of hypotheses (Jogiyanto, 2004). The research that tested the hypothesis as explained by Sekaran and Bougie (2010) aims to examine the nature of relationships, or differences between groups, or variable independence in certain situations. This study aims to test empirically the influence of maqashid sharia index and firm characteristics to the level of tax aggressiveness. The characteristics of the company in this study include firm size, profitability, leverage, capital intensity, and inventory intensity.

Population and Sample

The population of this study is a company listed on the Indonesia Stock Exchange (BEI). Samples are selected according to certain criteria based on purposive sampling method, ie public company whose shares are listed in Indonesia Sharia Shares Index (ISSI) for 5 years period from 2011 to 2014. The data used in this research is taken from Indonesian Capital Market Directory (ICMD), and Indonesian Stock Exchange website (idx.co.id).

Model of the Research

The study used research model that uses index of maqashid sharia, company size, ROA, leverage, capital intensity, and inventory intensity as independent variables and tax aggressiveness as the dependent variable. The following was the statistical formula:

$$ETR_t = \alpha_0 + \beta_1 IMS_t + \beta_2 SIZE_t + \beta_3 ROA_t + \beta_4 LEV_t + \beta_5 CAPINT_t + \beta_6 INVINT_t + e$$

Description

ETR_t = effective tax rate in year t

IMS_t = index of maqashid sharia in year t

SIZE_t = firm size in year t

ROA_t = return on investment in year t

LEV_t = leverage in year t

CAPINT_t = capital intensity in year t

INVINT_t = inventory intensity in year t

Variable Descriptions and Indicators

Tax aggressiveness is an action that has a purpose to reduce taxable income through tax planning and using methods that are classified or not classified as tax evasion. (Frank et al., 2009). The level of tax aggressiveness in this study is defined as the level of tax aggressiveness actions undertaken by the company. The level of tax aggressiveness is proxied at the effective tax rate. The effective tax rate is measured against current income tax expense divided by pre-tax income.

Sharia entities have sharia principles and must be run in their operational activities (Salman, 2012). Maqashid shari'a is a goal to be achieved by a sharia entity. Objectives to be achieved by entities of sharia include guarding religion, soul, mind, family, and wealth. Maqashid sharia in this study is measured by the index of maqashid sharia proposed by Zahrah (1958) in Antonio et. al (2012). The maqashid sharia index is divided into three categories: education for individuals (tahdzib al-fard), justice (iqamah al-adl), and benefit/welfare (maslahah). Tahdzib al-fard means the entity of sharia should develop the knowledge and expertise of each individual so that spiritual values increase. Iqamah al-adl implies that sharia entities should be honest and fair in all transactions and business activities undertaken. Maslahah implies that Sharia entities should develop investment projects and social services to improve people's welfare.

Profitability is a measure used to determine the company's ability to generate profits during a certain period and also provides an overview of the effectiveness of management in carrying out its operations. Profitability in this study is measured by return on assets (ROA) where ROA is the ratio of profitability before tax to total assets.

The size of a company is a scale by which it can be classified by small companies in various ways, including total assets, total sales, logarithms of total sales, total revenues, stock market values, and so on. The size of the firm in this study is measured by the log of total sales.

Leverage reflects the company's financial risk that describes the company's capital structure and knows the risk of uncollectible debt. Leverage in this study is measured by total liabilities divided by total assets.

The capital intensity describes the size of the company invested in fixed assets. Capital intensity is used to identify future prospects through fixed asset investment. The intensity of capital in this study is measured by fixed assets divided by total assets.

The inventory intensity is measured by inventory divided by total assets.

V. RESULTS

Based on the data screening, it is known that 144 companies are listed in the Indonesia Sharia Share Index (ISSI) in the period 2011 to 2014. However, from that number, the final sample is 71 companies per year so the total panel data for 4 years is 284 (71 x 4 years). Table 1 shows the sample of this study.

Table 1 Population and Sample

No	Information	Quantity
1	consistently listed in Indonesia's Sharia stock index 2011-2014	144
2	incomplete financial report	(5)
3	inventory value is missing	(6)
4	earning before tax is negative	(49)
5	corporate income tax expense is negative	(7)
6	incomplete other data	(6)
Number of sample companies		71
The amount of panel data used		284

Multiple Regression Analysis

Based on SPSS results, the regression equation is presented as follows:

$$ETR = 0.476 - 0.930 IMS - 0.013 SIZE + 0.175 ROA - 0.011 LEV + 0.024 CAPINT - 0.009 INVINT$$

Based on the regression equation above, it can be described as follows:

1. The coefficient of β_0 is 0.476 indicates that if the value of all independent variables is 0 then the value of the effective tax rate is 0.476.
2. The coefficient of β_1 is -0.930 indicates that the effective tax rate will decrease by 9.3% if the variable of maqashid sharia index rises by 10%. Regression coefficient is negative indicating a negative relation between effective tax rate and index of maqashid sharia that is higher index of maqashid sharia hence lower value of effective tax rate and vice versa.

3. The coefficient of β_2 is -0.013 indicates that the value of the effective tax rate will decrease by 0.013 or 1.3% if the firm size variable increases by 1 unit. The regression coefficient is negative indicating a negative relationship between the effective tax rate and the firm size. The larger the size of the company the lower the effective tax rate and vice versa.
4. The coefficient of β_3 is 0.175 indicates that the effective tax rate will increase by 0.0175 or 1.75% if the ROA rises by 10%. The regression coefficient is positive indicating a positive relationship between the effective tax rate and ROA that the higher the ROA, the higher the effective tax rate and vice versa.
5. The coefficient of β_4 is -0.011 indicates that the effective tax rate will decrease by 0.0011 or 0.11% if leverage rises by 1%. The regression coefficient is negative indicating a negative relationship between effective tax rate and leverage that is the higher leverage the lower the effective tax rate and vice versa.
6. The coefficient of β_5 is 0.024 indicates that the effective tax rate will increase by 0.0024 or 0.24% if the capital intensity rises by 10%. Regression coefficient is positive indicates a positive relationship between effective tax rate and capital intensity that is the higher the intensity of the capital the higher the effective tax rate and vice versa.
7. The coefficient of β_6 is -0.009 indicates that the value of the effective tax rate will decrease by 0.9% if the inventory intensity increases by 1 unit. The regression coefficient is negative indicating a negative relationship between the effective tax rate and the inventory intensity ie the higher the inventory intensity the lower the effective tax rate and vice versa.

Simultaneous and Partial Test

Table 2 presents the results of the F test. Based on Table 2 it is known that the fit model means that this model can be used for further testing of t test because it has a significance of 0.000 below the 5% significance level.

Table 2 Simultaneous Test Results

	Sum of Squares	Df	Mean Square	F	Sig.
Regression	.849	6	.142	24.737	.000 ^b
Residual	1.585	277	.006		
Total	2.434	283			

Table 3 shows there are two independent variables that significantly influence the level of tax aggressiveness ie index of maqashid sharia (IMS) and return on asset (ROA) at 5% significant level. The size of the firm significantly affects the maqashid sharia index at a significant level of 10%. The other independent variables such as leverage, capital intensity, and inventory intensity have no effect on tax aggressiveness because it has significance above 5%.

Table 3 Individual Test Results

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.476	.084		5.683	.000
IMS	-.930	.084	-.680	-11.038	.000
SIZE	-.013	.007	-.099	-1.909	.057
ROA	.175	.052	.219	3.400	.001
LEV	-.011	.030	-.019	-.366	.715
CAPINT	.024	.024	.050	.965	.335
INVINT	-.009	.036	-.012	-.245	.807

Based on Table 4 can be seen that the coefficient of determination adjusted R-square of this research model of 0.335 which means that the level of tax aggressiveness can be explained by factors in the current research model of 33.5%, while the remaining 66.5% influenced by other factors in outside model.

Table 4 R-Square Ajusted

R	R Square	Adjusted Square	R	Std. Error of the Estimate
.591 ^a	.349	.335		.07564

VI. DISCUSSION

Maqashid Sharia Index towards Tax Aggressiveness Level

Based on the previous analysis, it is concluded that the maqashid sharia index has a negative and significant effect on tax aggressiveness. These results indicate that the higher the maqashid sharia index then the effective tax rate (ETR) is lower. A low effective tax rate shows a higher level of tax aggressiveness. These findings prove empirically that the high index of maqashid sharia resulted in higher levels of tax aggressiveness. This empirical finding is supported by the provisions of the taxation laws of Indonesia stipulated in Law Number 36 Year 2008 regarding Income Tax categorizing the costs of research, education, training and advertising as a deductible expense of income as provided in Article 6 paragraph (1) . Thus, firms that pay higher research and development fees, education, training, and advertising in their financial statements benefit from a reduction in income tax expense.

Company Size towards Tax Aggressiveness Level

Based on the result of data analysis, company size has negative and significant effect to effective tax rate. The larger the size of the company, the less tax paid. Firms with large corporate size have a high availability of human resource competencies so that the company is capable of making efforts that minimize the amount of income tax. The results of this study are in line with Hsieh's (2012) study which found that firms with larger firm sizes could benefit from more tax incentives to reduce the amount of taxes paid by companies. Such companies perform higher levels of tax aggressiveness.

Profitability towards Tax Aggressiveness Level

Based on the result of data analysis, it is known that profitability have positive and significant effect to effective tax rate. This shows that firms with high profitability tend to pay higher income taxes as well. The results of this study also support the results of previous studies conducted Zemzem and Ftouhi (2013) and Hsieh (2012) who successfully proved empirically effects of profitability to the level of tax aggressiveness. The results of this study are in line with the taxation provisions in Indonesia contained in Article 31 E of Taxation Law Number 36 Year 2008 regarding Income Tax. In the said provision, it is stated that the Taxpayer who has gross income up to fifty billion rupiah receive a tariff reduction facility of 50% from the original tariff of 25%. This provision indicates that a Taxpayer whose gross income exceeds fifty billion rupiah does not receive a tax deduction facility.

Leverage towards Tax Aggressiveness Level

Based on the results of data analysis, it is known that leverage does not affect the level of tax aggressiveness. The results of this study provide interesting findings because it is different from the results of previous studies. The results of this study confirm that leverage does not affect the level of tax aggressiveness in Islamic entities in Indonesia. The results of Gupta and Newberry (1997); Buijink and Janssen (2000); Adhikari et al. (2006) and Lanis and Richardson (2011) all succeeded in proving a negative influence on the level of tax aggressiveness. The results of this study are also different from those of Hanum and Zulaikha (2013); Wang et al. (2014); and Hsieh (2012) who successfully proved empirically that leverage has a positive effect on the level of tax aggressiveness. The results of this study are supported by empirical data showing the low average leverage ratio owned by sharia entities in Indonesia. This is because Islamic entities listed in the Indonesia Sharia Shares Index (ISSI) have low interest or interest liabilities when compared to other entities. Thus, the sharia entity does not engage in tax-aggressive practices relating to interest expenses or liabilities.

Capital Intensity towards Tax Aggressiveness Level

As the results of data analysis, this study also failed to prove empirically the effect of capital intensity on the level of tax aggressiveness. The results of this study are in line with Hanum and Zulaikha (2013), but contrary to the study of Gupta and Newberry (1997) and Hsieh (2012). Gupta and Newberry (1997) and Hsieh (2012) succeeded in proving empirically the negative effect of capital intensity on the level of tax aggressiveness. The findings of this study differ from previous studies due to differences in the object under study. This study uses sharia entity listed in Indonesia Sharia Shares Index (ISSI) while the previous studies are still using conventional entities. The results of this study indicate that the entity of sharia does not practice tax aggressiveness through the utilization of loopholes Tax Law especially relating to the method of depreciation of fixed assets.

Inventory Intensity towards Tax Aggressiveness Level

The results of this study are not able to prove empirically the effect of inventory intensity to the level of tax aggressiveness. The results of this study support previous research conducted Hanum and Zulaikha (2013), but contrary to the results of studies Hsieh (2012) which successfully proved empirically the effect of inventory

intensity to the level of tax aggressiveness. The results of this study indicate that the entity of sharia does not conduct tax aggressiveness through the amount of inventory it has. This is due to the demands of sharia principles for a sharia entity to present and report the merchandise inventory honestly and determine the value of sales with a reasonable margin. Thus, the Sharia entity has no incentive or incentive to tax aggressiveness through its merchandise inventory.

VII. CONCLUSIONS

Still at least research using sharia entity as the object of research become the basis of this research. In addition, this study is the first study to examine the effect of maqashid sharia index on the level of tax aggressiveness. Research on maqashid sharia index has been done is limited in context as performance appraisal system. Therefore, this study aims to determine the influence of maqashid sharia index to the level of tax aggressiveness. The result of this research has proven empirically the influence of maqashid sharia index toward tax aggressiveness level. The higher the index of maqashid sharia the higher the level of tax aggressiveness. This indicates that companies that have large tuition, training, research and advertising costs can significantly reduce the amount of income tax payable. In addition, the results of this study also shows that firm size and profitability affect the level of tax aggressiveness. The larger the size of the company, the higher the level of tax aggressiveness the company undertakes. Conversely, the higher level of profitability generated by the company results in lower tax aggressiveness. The other independent variables such as leverage, inventory intensity, and capital intensity have no effect on the level of tax aggressiveness.

Further research can expand this research by adding other independent variables such as Islamic governance and corporate social responsibility disclosure levels. In addition, further research can focus more on sharia banking entity, sharia insurance, baitul maal wa tamwil (BMT) as the object of research so that variable level of social responsibility disclosure and index of maqashid sharia can be adjusted with condition at special sharia entity.

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