



Audit Fee Stickiness, CEO Narcissism, and Tax Avoidance in IDX-Listed Manufacturing Firms (2020–2022)

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Abstract

This study examines the relationship between audit fee stickiness, CEO narcissism, and tax avoidance in manufacturing firms listed on the Indonesia Stock Exchange (IDX) from 2020 to 2022. Audit fee stickiness occurs when changes in expected audit fees do not align proportionally with actual audit fee changes. CEO narcissism, characterized by excessive self-admiration and a strong desire for dominance, can influence corporate decision-making, including tax avoidance strategies. Tax avoidance, often viewed as strategic tax planning, aims to minimize corporate tax liabilities while complying with tax regulations. Using a quantitative approach, this study employs multiple regression analysis to assess the impact of CEO narcissism on tax avoidance and the moderating effect of audit fee stickiness. The findings indicate that narcissistic CEOs tend to engage in aggressive tax planning, increasing the likelihood of tax avoidance. Additionally, audit fee stickiness moderates this relationship, as firms with high audit fee stickiness exhibit lower levels of tax avoidance due to stronger auditor oversight. The study further reveals that tax savings from avoidance strategies affect cost stickiness, with implications for managerial decision-making. These results highlight the importance of understanding CEO personality traits in corporate governance and tax strategies. Regulators and auditors should consider CEO psychological factors when assessing tax compliance risks. Furthermore, firms should balance cost efficiency and ethical financial practices to maintain long-term sustainability and corporate reputation. This study contributes to the literature on tax avoidance, audit fee behavior, and the role of executive characteristics in financial decision-making.

1. Introduction

Change development on The company will certainly give rise to an increase in business activities carried out within the company (Safitri & Kristianti, 2022) . Increasing business activities certainly requires additional resources and increased costs that will be incurred later for production operations. One of the fundamental activities for a company is the production process. Therefore, a good initial calculation of production costs is very important for a company to be able to create goods or services that have good quality.

Taxpayer compliance is a condition where Taxpayers fulfill all tax obligations and exercise their tax rights (Rahayu, 2010). Meanwhile, the taxpayer compliance report is a tool for accountability for the performance of an agency or government to the public entrusted to it. The taxpayer compliance report is an obligation so that in the process of CEO Narcissism tends to make aggressive and risky decisions and carry out ethically questionable business practices.

(Armenic and Craig, 2010). One of the indicators of formal tax compliance is the submission of tax reports through Tax Returns (SPT). The number of registered Taxpayers in 2020 was 49.8 million with Taxpayers who were required to submit SPT amounting to 78%. (Waluyo, 2020) Another indicator to measure the level of tax compliance is the tax ratio. The tax ratio is the comparison between the amount of tax revenue and Gross Domestic Product. Problems taxation in Indonesia, related to this tax ratio even highlighted by the Organization for Economic Co-operation and Development (OECD).

Referring to the Regional Fiscal Study Data of South Sulawesi Province (2021), it was recorded that nominally realized reception Non-oil and gas income tax reached Rp988.02 billion decrease compared to with quarter I 2020 which amounted to Rp1,179.17 billion . Meanwhile, the realization of VAT revenue for the period of quarter I of 2021 amounted to Rp706.91 billion, growing negatively by 1.44 percent. The cause of the contraction was a



decrease in consumption, construction and property due to the decline in people's purchasing power.

Government efforts to increase state revenue from taxes to achieve the target of economic development are carried out through tax reform. Other efforts that can be made are Tax Intensification and Extensification. Tax extensification is supervision that must be carried out by the Directorate General of Taxes on taxpayers who have met subjective and objective requirements but have not registered to be given a Taxpayer Identification Number (NPWP) in accordance with tax laws and regulations. The inspection is carried out by the Pratama Tax Service Office (KPP) through the Extensification section and the counseling section. (Agun et al., 2022) . In matter reporting Tax in Indonesia, there are 3 types of tax collection systems tax at the time This including : Self Assessment System, Official Assessment System, and Withholding Assessment System. Self Assessment System is very important for government in do levy taxes paid by individual taxpayers because of this system can help government interesting Income Tax Individual Taxpayers so that compliance Individual Taxpayers are very necessary (Agun et al., 2022) In order to maximize efforts in tax revenue. The consequence of the Self Assessment System is the demand for taxpayers to voluntarily individually report their tax obligations, so it is not uncommon that the facts in the field are not in line with the government's expectations due to diametric differences between taxpayers and the government.

Diametrical conflict between taxpayers and the government, where taxpayers consider taxes a burden while for the government tax revenue is an obligation as a citizen whose potential revenue must be increased in order to finance government spending in efforts to improve the welfare of society (Ansyarif and Mira, 2016). It is further explained that tax avoidance is often seen as tax planning that affects tax savings and the amount of tax to be paid. Tax avoidance can reduce a company's tax liabilities and improve overall cash flow (Xu &

Zheng, 2018). Cash savings from tax avoidance can cause variations in cost stickiness, can increase or decrease cost stickiness. Increasing cost stickiness when cash savings from tax avoidance can encourage managers to retain resources when activity declines. This leads to higher cost stickiness. On the other hand, cash savings (from tax payments) can reduce cost stickiness. Cash savings will reduce managers' concerns about adjustment costs because they cut costs faster when sales decline. As a result, managers are more willing to bear the current and potential adjustment costs of excessive resource cuts when sales decline . causes cost stickiness to become more small (Xu & Zheng, 2018)

Avoidance tax often viewed as planning taxes that have an impact to savings tax and on the amount taxes that must be paid paid . Avoidance tax Can reduce obligation tax company and fix cash flow overall (Xu & Zheng, 2018). Cash savings from tax avoidance can cause variations in cost stickiness, either increasing or decreasing cost stickiness. Increasing cost stickiness when cash savings from tax avoidance can encourage managers to retain resources when activity decreases. This leads to higher cost stickiness.

On the other hand, cash savings (from tax payments) can reduce the cost stickiness. Cash savings will reduce managers' concerns about adjustment costs because they make faster cost cuts when sales decline. As a result, managers are more willing to bear the current and potential adjustment costs of excessive resource cuts when sales decline . This causes cost stickiness to become more small (Xu & Zheng, 2018)

As for the companies that are associated Reputation His company with compliance must taxes implemented , to front of the Company can manage risk his reputation along with risk taxation faced , according to with Compliance Level must tax towards the Company .

Tax compliance is a form of manifestation of the Company in interacting with the tax laws applicable in the Company's place of operation. OECD (2001) divides tax compliance into two



categories, namely administrative compliance and technical compliance.

Administrative compliance refers to the Company's behavior in reporting and paying taxes on time, procedural fulfillment such as completeness, filling, formulas and reporting procedures in accordance with the provisions of tax reporting stipulated in tax regulations. Tax compliance technically refers to the truth of the amount of tax paid or the amount of tax that should be deposited in the event that the Company collects or deducts tax from another party.

Audit fee stickiness happen when change proportional to the expected audit fee No balanced with changes in actual audit fees (Chang et al., 2019). Audit fee is said sticky if it cannot adapt to changing conditions

Cost behavior explains the relationship between costs and activities. Cost behavior is used by managers to predict what will happen in the future to cost items in each operational activity (Banker and Chen 2006). Cost behavior will adjust to changes in the volume of resources that have been planned by managers, while the volume of resources that have been planned by managers, while the volume of resources is influenced by consumer demand (Anderson et al., 2003). Managers need to be careful in resource planning, namely delaying its use until the certainty of demand decreases (Malcolm 1991).

In the traditional model, costs are described as fixed and variable costs that are related to the rate of change in the volume of activity. It is generally assumed that variable costs change proportionally to the rate of change in the volume of activity. While fixed cost is constantly unchanged and is not affected by the level of change in activity volume (Argiles and Blandon 2009). The two types of costs above are components of the Company's total costs. If the fixed cost component in a Company's total costs is higher than the Variable cost, it will give rise to sticky cost behavior (Malcolm 1991).

A cost is said to be sticky when the increase in cost is greater than its decrease in

the change in activity by an equivalent amount. Sticky cost behavior results in small cost adjustments when sales decline, resulting in low cost savings. Thus, when sales decline and costs become fixed or sticky, the profit obtained is reduced. So if the level of sticky cost, the company needs a higher volume of sales activity to make a profit (Weiss 2010).

Indications of sticky costs on selling, administrative and general costs and COGS will be seen when observing the response of selling, administrative and general costs and COGS to changes in net sales, and discriminating them with periods of increasing sales and periods of decreasing sales. Net sales are chosen as the driver of the Company's activity proxy that cannot be observed directly (Ratnawati & Nugrahanti, 2015).

Cost changes are related to changes in resource volumes that are influenced by fluctuating demand, so this affects managers' considerations for making decisions in the future. Managers tend not to reduce resources when the economy has not grown as predicted so that sticky cost behavior is higher (Anderson 2003). In cost accounting, it is stated that costs and activity volume have a symmetrical relationship. However, Malcom (1991) found that there are costs that tend to be rigid and remain attached when activity increases, even when there is a decrease in activity. This is because there are some costs that are not fully proportional to changes in activity. These costs are known as sticky costs. Indications of sticky cost behavior will be seen in disproportionate cost changes when sales activity increases and decreases (Ratnawati & Nugrahati, 2016).

According to Balakrishnan & Gruca (2008) costs are said to be sticky if an increase in the volume of company activity is followed by an increase in costs, but a decrease in the volume of activity is not followed by a decrease in costs. Sticky costs can arise when, first, there is an imbalance in resource adjustment. Second, managers tend to choose to maintain unused resources rather than reduce resources when activity decreases (Windyastuti, 2005). The manager's decision to continue using unused



resources can result in costs that remain high even though there is a decrease in company activity. When managers are faced with incentives to avoid losses or decreased profits, managers will accelerate the adjustment of unused resource reductions when sales decrease. Managers deliberately decide to reduce the amount of stickiness rather than holding unused resources which will cause sticky costs

Costs will not easily follow sales movements, it can also be concluded that when sales increase the increase in selling, administrative and general costs is greater than the decrease in the same volume. Costs do not change proportionally with changes in activity when sticky costs occur due to imbalances in resource adjustments. Managers deliberately make decisions to delay resource adjustments when activity decreases compared to resource adjustments when activity increases, costs occur because managers continue to use unused resources, rather than making adjustments when the volume of activity decreases (Hidayatullah 2011).

Other factors also influence it tax avoidance , namely audit fee stickiness . Audit fee stickiness is is a phenomenon the occurrence change proportional to the expected audit fee on a companies that do not followed by the same changes actual audit fee . Change, et al., (2019). Audit fee stickers happen when change proportional expected audit fee No balanced with changes to the actual audit fee , which is said to be sticky if No can finish with change existing conditions like size company client, complexity the task at hand, and auditor - assessed risk . Change , et al., (2019) stated that every year public accounting firms (KAP) negotiate with clients regarding audit fees and KAPs look at last year's audit fees as a reference.

Furthermore, another factor that also influences tax avoidance is the character of a CEO. A CEO has the power to interrupt and direct management, one of which is related to the company's financial information. The information contained in the financial statements contains good news and bad news

that can affect investment decisions. Good news is good news for investors as a good signal when making investment decisions. While bad news is bad news for investors as a bad signal when making investment decisions (Dewi, 2013).

According to Baatwah et al ., (2015) CEO or president director or main director has an important position in the management hierarchy. Because the CEO has the most voting rights. A narcissistic CEO will show good performance by increasing or decreasing the Company's profits to maximize the Company's profits. Natonis (2019) argues that poor performance can be blamed on the previous CEO. CEO narcissism also has its own set of values and consequences although it is sometimes considered dangerous because it can be dangerous if seen deeply.

The characteristics of CEOs are very diverse, where from the negative side, CEOs who are risk takers , which in this case are categorized as Narcissistic characters, are perceived as threats and tend to harm the company because of their courage in taking big risks. It is further explained that CEOs who are narcissistic tend not to trust tax experts, so they will make their own decisions and policies for tax avoidance (Ernst & Young, 2004), while from the positive side, narcissistic CEOs can be a source of new energy that can motivate employees so that performance can be improved. It is further explained that if the company's performance is good and top executives are able to protect the interests of shareholders, then the performance carried out by a top executive can increase the value of the company (Meiliya & Rahmawati, 2022)

Kabuana et al (2023) found that CEO narcissism has a negative effect on corporate tax avoidance. The inequality of empirical results will have an impact on CEO narcissism's policy decisions on corporate tax avoidance. Agency theory which discusses the agreement between principal and agent to manage an organization supports this finding. Agents are responsible for the company's performance. When shareholders engage agents to provide services and provide decision-making authority, an



agency relationship will occur (Jensen & Meckling, 1976). Agents, as corporate managers, are more knowledgeable about internal facts and prospects than shareholders. So agents must inform shareholders about the company's situation.

In contrast to previous research, research conducted by Amran & Mira (2020) found that CEO narcissism has no effect on tax avoidance, this is because decisions made by CEOs with low or high self-confidence for company operations will not have an impact on tax avoidance, so even though the CEO has high self-confidence, because the government through the Directorate General of Taxes has provided tax incentives through interest expenses, utilization of fiscal loss compensation to reduce the amount of tax burden borne by the Company.

In A company , the Chief Executive Officer (CEO) has role important in taking decision . As part from management company level peak , a CEO has task For bring company For Keep going increase performance company them so that the company the interesting attention many investors. As a leader , CEO no may own narcissistic nature , things This because of can bring impact bad for company and for performance company . Chatterjee & Hambrick (2007) in (Meilani et al. 2021) stated that a CEO who behaves narcissistically will affect the dynamism of the company's strategic steps. In addition, CEO narcissism can affect the company's financial performance (Olsen et al., 2014 in (Ernawan & Daniel, 2020).

The reason for the study using manufacturing companies is because manufacturing companies have complex operational characteristics and tax structures . The selection of 2020-2022 was based on the fact that in 2020 when the Covid-19 pandemic hit all corners of the world, manufacturing companies were able to survive the pressure and limited mobility during the pandemic and contributed to the national economy. In line with this statement, as reported by <https://bspjbanjarbaru.kemenperin.go.id/> that a number of industries continued to grow

in Covid conditions, one of which was the manufacturing industry .

BUMN or State-Owned Enterprises listed on the Indonesian Stock Exchange have many companies operating in various sectors. Starting from the financial sector , basic materials, infrastructure, energy, transportation and logistics, health. The capital owned by BUMN is strong enough so that its shares are quite attractive to investors.

2. Literature Review

2.1 Definition of Tax

According to Rochmat Soemitro in book " Introduction Brief Tax Law " (Eresco , Bandung, 1992), tax is symptom society , meaning tax only is in society. Society is a group of people who at one time gather for a certain purpose. Society consists of individuals, individuals who have their own lives and interests, which can be distinguished from the lives of society and the interests of society. However, individuals cannot live without society. The state is a society that has certain goals. The survival of the state also means the survival of society and the interests of society. For the survival of each, costs are needed. The cost of living of individuals is a burden on the individual concerned and comes from their own income. The cost of living of the state is for the survival of state apparatus, state administration, state institutions, and so on and must be financed from state income (Sari, Febby Stanzah, 2018) .

According to Dr. Soeparma Soemahamidjadja in his dissertation entitled "Tax Based on the Principle of Mutual Cooperation", Padjajaran University, Bandung, 1964 stated that Tax is a mandatory contribution, in the form of money or goods collected by the authorities based on legal norms, in order to cover the production costs of goods and collective services in achieving public welfare (Sari, Febby Stanzah, 2018) . According to Law Number 16 of 2009 concerning the fourth amendment to Law Number 6 of 1983 concerning General Provisions and Tax Procedures, Article 1 paragraph 1 states that tax is a mandatory contribution to the state owed by



individuals or bodies that is mandatory based on the Law, without receiving direct compensation and is used for state needs for the greatest prosperity of the people.

Various functions of taxes, one of which is economic development (Akbar, 2020) said that taxes can be used as an instrument to distort certain economic activities that the government does not expect. The choice to choose between incentives or disincentives is in line with the government's determination of which sectors should be developed and vice versa. Incentive policies must be designed with a national economic development program. Based on the description of the functions of the state and taxes, it can be concluded that taxes and the state cannot be separated from each other, the state must be present with various appropriate policies in handling the nation's economy through tax policies.

2.2 Compliance Taxpayer

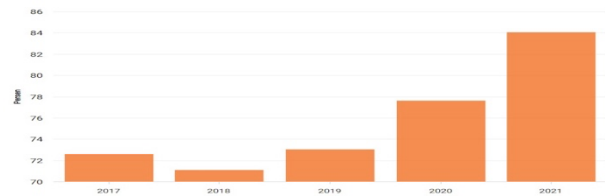
According to the General Dictionary of the Indonesian Language, compliance is bow down or obey the teachings or rules . So it can be interpreted that tax compliance is obedience, submission and compliance and implementing tax provisions in accordance with tax laws and regulations.

Whereas according to (Sari, Febby Stanzah, 2018) Tax compliance is the awareness of Taxpayers to comply with applicable tax regulations and administration without the need for previous tax authority action activities. And according to Law No. 28 of 2007, Taxpayers are individuals or entities, including taxpayers, tax withholding agents, and tax collectors, who have tax rights and obligations in accordance with tax laws and regulations. Tax compliance means that taxpayers are willing to fulfill their tax obligations in accordance with applicable regulations without the need for inspections, thorough investigations, warnings or threats and the application of sanctions, both legal and administrative.

Compliance must tax is a taxpayer who is willing to fulfill tax obligations in accordance with applicable regulations without the need for

inspections, thorough investigations, warnings, or legal or administrative sanctions.

From the explanation compliance the It can be concluded that compliance is the action of Taxpayers who carry out all their tax obligations and enjoy all their tax rights in accordance with the provisions of applicable laws and



regulations. The predicate of compliant Taxpayers in the sense of discipline and obedience is not the same as Taxpayers who are predicated as large taxpayers. Because even the largest taxpayers do not necessarily meet the criteria as compliant Taxpayers, even though they make a large contribution to the country, if they still have levels or in delay deposit tax then no can given the title of compliant taxpayer (Sari, Febby Stanzah, 2018) .

Figure 1 Level Of God Payment (Dhini, 2022)

In the last three years, from 2019 to 2021, the taxpayer compliance ratio in reporting Annual Tax Returns has increased, namely by 73.06%; 77.63%; and 80.07%. For 2022, the Directorate General of Taxes (Ditjen) has a challenge to maintain a tax compliance ratio of at least 80%. This tax ratio can be achieved, one of which is by increasing taxpayer compliance in reporting Annual Tax Returns. People who have made payments and/or reports in the previous year are targeted for compliance in reporting Annual Tax Returns (ARVIANDA, 2022).

Although in the last three years tax compliance of the Indonesian people has continued to increase, this does not mean that the level of tax compliance is being ignored. In fact, the Directorate General of Taxes and the community are expected to work together to maintain or even further increase the level of tax compliance in Indonesia.

It has been regulated in the Taxation Law, Tax sanctions can be in the form of administrative sanctions (interest sanctions, increase sanctions, and fine sanctions) so that



criminal sanctions. With the regulation regarding these sanctions, there should be no more taxpayers who do not comply with taxes, but in fact the achievement of the level of tax compliance has not reached 100%. Therefore, researchers suspect that there are other factors that can help increase taxpayer awareness of tax compliance.

2.3 Audit Fee Stickiness

Audit fee Stickiness occurs when change proportional to the expected audit fee is not balanced with changes to actual audit fees. (Chang et al., 2019). Audit fees are said to be sticky if No adapt with change existing conditions like size company client, complexity tasks faced, and risks assessed by the auditor. Every year the Public Accounting Firm (KAP) negotiates with the audit fee client and the KAP looks at last year's audit fee as a reference (Chang et al., 2019).

Basically, auditors do not fully understand how clients react when there is a change in audit fees, so that under these conditions, clients may consider changing auditors so that they can reduce costs and maximize existing profits. Therefore, De Ville & Chang (2014) explain that auditors will base audit fees on reducing audit costs gradually so that audit fee rigidity can be predicted early. Quite a lot of empirical evidence in the economic literature supports the idea of price rigidity (Carlton, 1986; Levy and Young, 2004).

Ansyari's (2023) research found that audit fee stickiness has a positive direction, which means that when there is less upward stickiness, the opposite is true for negative directions. Auditors who audit companies in the manufacturing sector tend to do less downward stickiness which has an impact on increasing material misstatements and decreasing audit quality. Meanwhile, the audit engagement period in this study did not affect audit quality. This is assumed because the effects of independence and competence offset each other during the audit engagement period.

Upward fee stickiness is a condition when the increase in expected audit fees is not offset

by an increase in the actual audit fee, in other words, the auditor receives a lower audit fee than expected (Chang et al., 2019). According to Choi et al. (2010), there are three possibilities that occur if the auditor receives a lower audit fee, (1) the auditor does not have additional income to perform adequate audit procedures so that audit quality decreases; (2) auditors who do not want to lose clients tend to tolerate earnings management so that audit quality decreases; (3) auditors who have high professionalism do not tolerate earnings management so that audit quality increases.

Less upward stickiness (upward fee adjustment) is a condition when there is no increase in expected audit fees balanced with the actual audit fee decreases, in other words the auditor receives an audit fee above estimate. This is caused by force bid bargaining power of the auditor tall moment do negotiation with client (Chang et al., 2019) Less downward stickiness (downward fee adjustment) occurs when decrease in expected audit fee followed with decrease in actual audit fee. This is caused by the increase competence between KAP, weak Power bargaining power auditor at the moment do negotiation with clients, as well as existence risk lost client. Client company have more bargaining power tall during the audit fee negotiation process (Biswas, 2019). In condition said, the auditor can operate adequate audit procedures in accordance with complexity tasks faced, increasing the auditor's working hours, and selecting professional personnel so that audit quality improves.

Downward fee stickiness is a condition when decrease in expected audit fee No balanced with the actual audit fee decreases, in other words the auditor receives an audit fee above estimate. This is caused by force bid bargaining power of the auditor tall moment do negotiation with client (Chang et al. 2019) Less downward stickiness (downward fee adjustment) occurs when decrease in audit fee followed with decrease in actual audit fees.



2.4 CEO Narcissism

The American Psychiatric Association (2013) defines narcissism as characteristic multi faceted personality that combines splendor, search attention, view self improvement in a way No realistic, the need for a view self That Keep going reinforced through arrangement self , and lack of respect for others. Grandiosity indicates entitlement, self-importance, and the belief that one is better than others. Attention seeking implies that one exerts significant effort to be the focus of attention. Unrealistic self-views indicate that the center of an individual's identity is an exaggerated and inaccurate self-image. Self-regulation refers to all the processes, mechanisms, tactics, and strategies that people use to regulate and shape their self-image and is critical to understanding individual motivation and thought patterns. (Jumliana, 2021).

Corporate innovation is influenced by executives, especially narcissistic CEOs, such as Bill Gates, former CEO of Microsoft; SpaceX; Steve Jobs, former CEO of Apple; Elon Musk, CEO of Tesla and other CEOs of well-known companies show varying degrees of narcissistic personality tendencies. This phenomenon has attracted the attention of social groups and scholars to encourage companies to successfully break through technical barriers, improve their innovation performance and achieve success (Kusiyah et al., 2022) .

Narcissism as a personality trait has cognitive and motivational elements. On the cognitive side, narcissism entails a belief in one's superior qualities. On the motivational side, narcissism carries a strong need to have one's superiority reaffirmed. Thus, self-admiring narcissists crave further admiration (Hambrick, 2022). Executive traits, especially CEO traits (Kusiyah et al., 2022) (ability, risk-taking spirit, etc.), play an important role in corporate investment decisions, especially in corporate innovation. According to the subconscious theory , there may be an emotional structure that can be transformed into consciousness in the subconscious, and the

core of the subconscious is the representation of instinct. Experimental research on psychology shows that individual decision-making cannot be completely rational, and the psychological characteristics and personality of CEOs will affect business decisions and corporate behavior, especially playing an important role in advancing the company.

According to (Kusiyah et al., 2022) CEO narcissism has been measured in various ways across various disciplines. There are five types measurement : index CEO narcissism, Psychometric Self-Report, Psychometric Third Party, Pronoun Use , and size sign hand . Central to the evolution of these measures is the innovation of new, non-intrusive methods to reduce reliance on CEOs completing psychological scales.

3. Research Methods

3.1 Type Study

Study This is study quantitative with approach studies explanatory test cause and effect from a context problem . through documentation report finance company . Referring to the objectives research conducted , then study This shared into 3 (three) , namely studies exploration , study descriptive and testing hypothesis (Now , 2011). Based on this, this study is included in the type of hypothesis testing. Hypothesis testing is a type of research that explains certain relationships or determines differences between two or more groups in one situation. Hypothesis testing is done by examining the variance in the dependent variable (Now, 2011). This study will explain the phenomenon in the form of a causal relationship.

3.2 Location and Time of Research

Research time required for research this is \pm 2 (two) months. namely from month December-January Research location be in one of sector Manufacturers listed on the IDX on the website (<https://www.idx.co.id>).



3.3 Data types and sources

Study This is panel data, where the data used namely report data finance and reports annual company manufacturing listed on the Indonesia Stock Exchange (IDX) in 2020-2022. Based on source the data , the data used is secondary data obtained from the official website of the Indonesia Stock Exchange , namely (<https://www.idx.co.id>) and the official website company .

3.4 Population and sample

a. Population

Population is a collection of units that will be studied for characteristics or that have characteristics, and if the population is too large, then the researcher must take part of the population (sample) to be studied. The population in this study is all manufacturing companies listed on the Indonesia Stock Exchange (IDX) that actively report and publish their financial reports in 2020-2022. The population in this study was 148 (one hundred and forty-eight) companies.

b. Sample

A sample is a portion of a population that has characteristics and describes the population so that it is considered representative of the population used in the study. The sample used as the object of this study is a manufacturing company listed on the Indonesia Stock Exchange (IDX) in 2020-2022. The sampling method used in this study is nonprobability sampling using a purposive sampling technique. Purposive sampling is a non-random sample selection technique whose information is obtained using certain criteria.

There are several criteria that the author considers in taking research samples, as follows:

1. Manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the 2020-2022 period.
2. Manufacturing companies that consistently publish financial reports on the Indonesia Stock Exchange (IDX) and publish annual reports for the 2020-2022 period in rupiah.

3. Manufacturing companies that publish audit fees in their annual reports for the 2020-2022 period
4. companies that pay income tax and attach it to financial reports during the 2020-2022 period

3.5 Method Data collection

a. Research data

The data used in this study is secondary data. Secondary data is primary data that has been further processed and obtained from the primary data collector or other parties as intermediaries, primary data is presented in the form of tables or diagrams. Secondary data in this study were obtained from financial reports and databases available on the Indonesia Stock Exchange (IDX), namely (<https://www.idx.co.id>) and the official website of each company.

b. Method data collection

The method used in data collection in this study during the 2020-2022 period used the documentation method. The documentation method is a method used to search for and collect data on secondary data from various sources in the form of financial reports and annual reports that have been published through the official website of each company and the Indonesia Stock Exchange (<https://www.idx.co.id>) related to the object of research.

3.6 Method data analysis

The data analysis used in this study is multiple linear regression with calculations using IBM SPSS 29 software. The use of multiple linear analysis is to determine the effect of independent variables (X) on dependent variables (Y). The methods used are descriptive statistical analysis, classical assumption tests, multiple linear regression tests, and hypothesis testing using t-statistic tests.

a. Descriptive statistical analysis test

Descriptive statistical analysis test is conducted to describe each variable in the study.



This descriptive statistical analysis test will provide information related to the mean, median, minimum, maximum, and standard deviation values of each variable.

c. Classical assumption test

The classical assumption test is conducted to prove that the data studied contributes well so that it is worthy of being studied. If the classical assumption test is not met, it can cause bias in the research results so that the data is not worthy of being processed. The classical assumption tests carried out are normality tests, multicollinearity tests, heteroscedasticity tests, and autocorrelation tests.

d. Multiple linear regression test

Multiple linear regression analysis is the main test in this study. This analysis test is conducted to determine the relationship between variables X and Y. Here is the formula for multiple linear regression analysis:

$$Y = a + b_1x_1 + b_2x_2$$

Information :

Y= ETR

a= constant

b1, b2= regression coefficient

X1= Audit Fee Stickiness

X2= CEO Narcissism

e. t-statistic test

The t-test is used to see whether there is an influence of the independent variable Audit Fee Stickiness (X1) on the dependent variable ETR (Y) and CEO Narcissism (X2) on the dependent variable ETR (Y). The level of significance used in this study is the level of significance of 0.05 ($\alpha = 5\%$) and 0.10 ($\alpha = 10\%$). The criteria for testing the hypothesis are:

- If the significance value $t > 0.05$ or $t > 0.10$ and the regression coefficient is in accordance with the prediction, then H_0 is rejected and H_a is accepted.
- If the significance value $t < 0.05$ or $t > 0.10$ and the regression coefficient is in accordance with the prediction, then H_0 is accepted and H_a is rejected.

4 Results and Discussion

4.1 Testing and Analysis Results

a. Descriptive Statistics

Descriptive statistical analysis is used to describe each research variable data, namely Audit Fee Stickiness , CEO Narcissism, and Tax Avoidance. The following is the data from the descriptive analysis:

Table 1 Statistics Descriptive

	N	Minimum	Maximum	Mean	Tdt. Deviation
Sticky Cost (X1)	102	-1.5247778	1.3276725	-,015923234	,2147134252
CEO Narcissism (X2)	102	2	5	3.34	.960
ETR(Y)	102	-,150353	2,900906	,27284470	.284429836
Valid N (listwise)	102				

Source: data obtained from BEI 2023

“Descriptive Statistics” table above, it can be explained as follows:

1) Audit Fee Stickiness

The audit fee stickiness variable has mark the smallest (minimum) of -1.5247778 which occurred at the company PT Duta Pertiwi Nusantara Tbk (DPNS) in 2021, while mark the largest (maximum) of 1.3276725 which

occurred in the company PT Duta Pertiwi Nusantara Tbk (DPNS) in 2020, and the average value (mean) of -0.015923234. The standard deviation value is 0.2147134252, this value is greater than the average value (mean) which means that the data deviation in the research sample is relatively large.

2) CEO Narcissism

The CEO Narcissism variable shows the smallest (minimum) value of 2, while the largest (maximum) value is 5, and the average (mean) value is 3.34. The standard deviation value is 0.960, this value is smaller than the average (mean) value which means that the data deviation in the research sample is relatively small.

3) Tax Avoidance (ETR)

Variable ETR or avoidance Tax (Tax Avoidance) shows the smallest (minimum) value of -0.150353 that occurred in the company Three Pillars of Prosperous Food Tbk (AISA) in 2022, while mark the largest (maximum) of 2.900906 which occurred in the Kimia Farma Tbk (KAEF) company in 2022, and the average value (mean) of 0.27284470. The standard deviation value is 0.284429836, this value is greater than the average value (mean) which means that the data deviation in the research sample is relatively large.

b. Classical Assumption Test

1) Probability Plot Normality Test

According to Imam Ghozali (2011: 161), a regression model is said to be normally distributed if the plotting data (dots) that describe the actual data follow a diagonal line.

Normal P-P Plot of Regression Standardized Residual

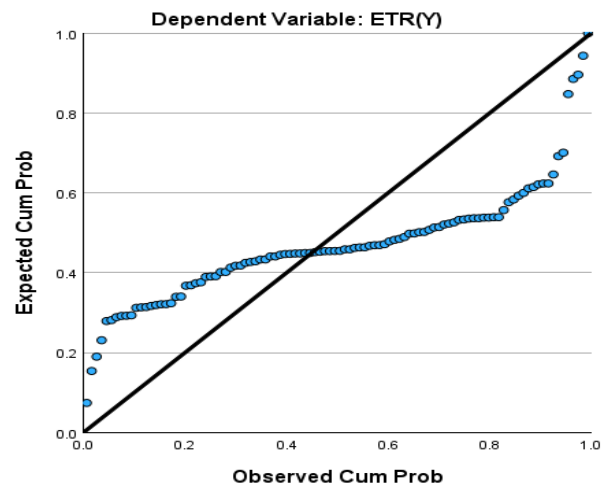


Figure 1 Normality Test

Based on the Normal P - P Plot of Regression Standardized Residual data above can seen that the plotting data (dots) are not away and not spread will but follow the diagonal line so that can concluded that residual values are normally distributed .

2) Multicollinearity Test

According to Imam Ghozali (2011: 107-108) the basis taking decision for multicollinearity test is as following :

Based on tolerance value :

1. If the tolerance value is greater than 0.10 then there are no symptoms of multicollinearity.
2. If the tolerance value is less than 0.10 then multicollinearity occurs.

Based on VIF (Variance Inflation Factor) value :

1. If the VIF value is less than 10.00 then there are no symptoms of multicollinearity.
2. If the VIF value is greater than 10.00 then multicollinearity occurs.

Table 2 Multicollinearity Test

Model	unstandardized coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	.081	.101		,802	,008		
Sticky Cost (X1)	,093	,130	,071	,718	,003	1,000	1,000
CEO Narcissism (X2)	,058	,029	,195	1,981	,015	1,000	1,000

Source : data obtained from BEI 2023

Based on The output results of the Coefficients table above known that The tolerance value for the variables Audit Fee Stickness (X1) and CEO Narcissism (X2) is more than 1.00 big from 0.10. While The VIF value for the variables Audit Fee Stickness (X1) and CEO Narcissism (X2) is more than 1.00. small from 10.00 . refers to the basis taking multicollinearity test decision so can concluded No happen symptom multicollinearity.

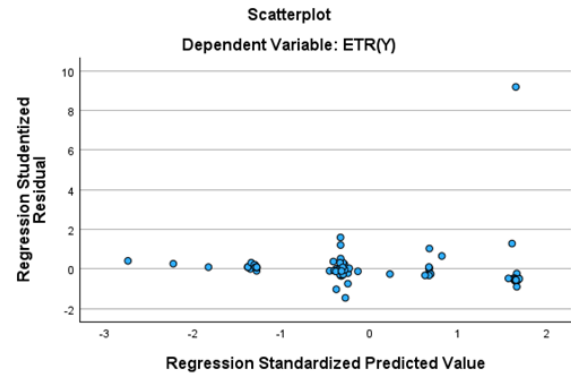


Figure 2 Heteroscedasticity Test

3) Heteroscedasticity Test

According to Imam Ghozali (2011: 139) heteroscedasticity does not occur if:

1. The data points are spread below and above or around the number 0.
2. The dots do not collect only at the top or bottom
3. The distribution of the dots does not form a wavy pattern, widening and then narrowing.
4. Distribution dot, dot, dot No patterned

Based on the Scatterplot output above can seen that data points are spread out below and above or around number 0, no gather just above or below only , the spread dot, dot, dot No to form pattern wavy , widening , then narrowing . Based on results the so No happen heteroscedasticity .

4) Autocorrelation Test

Table 4. 3 Autocorrelation Test Model Summary ^b

Model	R	R Square	Adjusted R Square	Std Error of the Estimate	Durbin-Watson
1	,207 ^a	,043	,024	.281058302	2.033

Source : data obtained from BEI 2023

The “Model Summary” output table above show mark durbin -Watson (d) is 2.033. Next mark This will We compare with mark table durbin Watson at 5% significance . The number of variables "k" = 2 while the number of samples "N" = 102, then (k; N) = (2; 102). This number is then seen in the durbin watson distribution table. Then the value of "dU" is 1.718 . So the

Durbin-Watson value is greater than "dU" and less than (4-dU) or $dU = 1.688 < d = 2.003 > (4-dU) = 2.283$. As the basis for taking the durbin Watson test, it can be concluded that there is no autocorrelation.

c. Hypothesis Test Analysis

Table 4 Hypothesis Testing

Model	unstandardized coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	.081	.101		,802	,008		
Sticky Cost (X1)	,093	,130	,071	,718	,003	1,000	1,000
CEO Narcissism (X2)	,058	,029	,195	1,981	,015	1,000	1,000



1) Analysis Multiple Linear Regression

$$Y = a + b_1X_1 + b_2X_2$$
$$Y = 0.081 + 0.093X_1 + 0.058X_2$$

Information :

Y= ETR

a= constant

b₁, b₂= coefficient regression

X₁= Audit Fee Stickiness

X₂= CEO Narcissism

Based on the multiple linear regression equation above, we can conclude as follows:

- If all variables X are assumed to be constant then the ETR is 0.081%.
- The regression coefficient of Audit Fee Stickiness (X₁) is 0.093, which means that if Sticky Cost increases by 1% and other variables are assumed constant, then ETR (Y) increases by 0.093%. The coefficient is positive, meaning that there is a positive relationship between Audit Fee Stickiness (X₁) and Tax Avoidance (Y). If Sticky Cost increases, Tax Avoidance also increases.
- The regression coefficient of CEO Narcissism (X₂) is 0.058, which means that if CEO narcissism increases by 1, ETR (Y) will decrease by 0.058%. The coefficient is negative, meaning that there is a negative relationship between CEO Narcissism (X₂) and ETR (Y). If CEO Narcissism increase then Tax Avoidance will decrease .

2) t-test

The t-test is used For see whether there is influence variable independent Audit Fee Stickiness (X₁) against variable dependent ETR (Y) and CEO Narcissism (X₂) on variable dependent ETR (Y). The level of significance used in this study is $\alpha = 10\%$ or 0.10. The significance value means that if the probability value is greater than the significance value of 0.10, the hypothesis is rejected, which means that the independent variable does not affect the dependent variable. Conversely, if the probability value is smaller than the significance value of 0.10, the hypothesis is accepted, which

means that the independent variable significantly affects the dependent variable. The following are the results of the t-test:

Based on the output of the "Coefficients" table above, it is known:

- Based on the results of the t-test statistics, the significance of Audit Fee Stickiness (X₁) is $0.475 > 0.05$, so it can be proven that H₁ is rejected and it can be concluded that Audit Fee Stickiness (X₁) has an influence but is not significant on tax avoidance.
- Based on the results of the t-test statistics, the significance of CEO narcissism (X₂) is $0.050 = 0.05$ or < 0.10 , so it can be proven that H₂ is accepted and it can be concluded that CEO narcissism (X₂) has a positive and significant effect on tax avoidance .

4.2 Discussion

a. Audit Fee Stickiness does not influential to tax avoidance in companies

Research result show that Audit fee stickiness is not influential regarding tax avoidance, this This means that height the value of the audit fee provided to the auditor, no can influence in carry out tax avoidance actions, even though tax avoidance is one of the strategy minimization legal tax . An auditor will certainly be bound by ethics and independence as part of the auditor's oath. The amount of fee given to the auditor does not have a significant effect. In addition, the amount of audit fee given depends on the scope of the audit, the complexity of the operations of the audited company, and the amount of risk incurred.

It is further explained that audit fees can increase if the scope of the audit conducted is large and the risks faced are also large so that audit fees will be adjusted to existing conditions so as not to lose expected profits, so that the presence or absence of audit fee stickiness does not affect the company's decision to carry out tax avoidance or not, considering that tax avoidance is a condition that is legally legalized in the applicable tax regulations.



b. CEO Narcissism influential negative on Corporate Tax Avoidance

CEO Narcissism influential negative and significant against Corporate Tax Avoidance, meaning the more narcissistic a CEO then Action to carrying out tax avoidance will also the more height, thing This because the CEO tends to narcissistic consider that the decision he made is the best decision and the CEO has the power For do control internally, including inside it is Decision control in do tax planning with objective minimization tax that will be paid. A narcissistic leader take role dominant including inside it is directing the Company to take big risk with utilise gap rule legal taxation that is considered potential can reduce burden tax that will be paid by the Company.

Research result This in line with research conducted by Mira (2023); Gracia-Mecca (2021) which found that CEO narcissism is related positive with avoidance tax.

5. Closing

5.1 Conclusion

Based on the results of the analysis and discussion carried out, the following conclusions can be drawn from this research:

1. Audit Fee Stickiness does not affect tax avoidance in the Company, this is because the size of the audit fee is determined by the scope and extent of the audit, the complexity of the Company's business and the magnitude of the risk that will be faced by the auditor in the future.
2. CEO Narcissism has a positive and significant effect on Corporate Tax Avoidance, this is because CEOs who tend to be narcissistic consider that the decisions they make are the best decisions and the CEO has the power to carry out internal control, including controlling decisions in carrying out tax planning with the aim of minimizing the taxes to be paid.

5.2 Suggestion

Based on the conclusions outlined previously, the following are suggestions for further research development:

1. This study only uses manufacturing companies listed on the IDX for the 2020-2022 period. It is hoped that further research will conduct research in other sectors and in the latest period and longer observation years.
2. This study only uses the independent variables of Audit fee stickiness and CEO narcissism. It is hoped that further research will conduct research using other variables.
3. The results of this study indicate that Audit fee stickiness and CEO narcissism do not affect tax avoidance. This is expected to be a reference for management in addressing tax avoidance.

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