

DETERMINANT TAX AVOIDANCE

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ABSTRACT

The purpose of this research is to test and prove the existence of empirical evidence regarding the effect of company size, leverage, profitability, and sales growth on tax avoidance in basic and chemical industry companies listed on the Indonesia Stock Exchange (BEI) in 2015-2017. The research sample was 54 with data analysis techniques namely multiple regression analysis. The results show that only profitability partially affected tax avoidance. While company size, leverage and sales growth have no effect on tax avoidance. Simultaneously company size, leverage, profitability, and sales growth affected tax avoidance.

INTRODUCTION

Tax avoidance is a transaction scheme that minimizes the tax burden by exploiting the weaknesses of a country's taxation provisions (Sari, 2014). Tax avoidance measures are often used because companies want to pay taxes to a minimum. The benefit of tax avoidance is to increase tax saving, which has the potential to minimize the tax burden so that it will increase cash flow (Guire et al., 2011).

The company's size is considered capable of influencing the way a company fulfills its tax obligations and is a factor that can cause tax avoidance as the results of research conducted by Darmawan and Sukartha (2014) shows that the company size has a positive effect on tax avoidance. But according to Kurniasih and Sari (2013) suggested that company size has a negative impact on tax avoidance. Another factor that triggers tax avoidance is the leverage, which is a ratio that shows the amount of debt the company has to finance its operations. The results of research from Swingly and Sukartha (2015) show that

leverage does not affect tax avoidance. Another study conducted by Kurniasih and Sari (2013) shows that force has no significant effect on tax avoidance. These results reinforce the impact of leverage on tax avoidance.

Companies' ability to generate profits or profits can affect the occurrence of tax avoidance, as the results are shown in the study of Darmawan and Sukartha (2014) show ROA has a positive effect on tax avoidance. While different results are displayed by research from Maharani and Suardana (2014) showing that ROA has a negative impact on tax avoidance. The amount of profit obtained from sales growth is a factor that can influence the occurrence of tax avoidance, as explained in research from Budiman and Setiyono (2012), which demonstrates that sales growth has a significant effect on tax avoidance. However, different results show that Swingly and Sukartha (2015) research shows that sales growth does not affect tax avoidance.

Based on these results, this study seeks to analyze the effect of company size—leverage, profitability, and sales growth against tax avoidance. The difference with previous research is the use of the population in manufacturing companies in the essential industrial and chemical sectors. The primary and chemical industries have become one of the areas of manufacturing companies that have an active role in the Indonesian capital market, have good prospects, and have opportunities to continue to grow each year.

This research aims to examine and prove the effect of company size, leverage, profitability, and sales growth on tax avoidance.

LITERATURE REVIEW

Tax Avoidance

In essence, tax avoidance is not legally prohibited but is often seen as unfavorable from the tax office because it is considered to have a negative connotation. Budiman and Setiyono (2012) explained that tax avoidance is an attempt to minimize taxes that take advantage of exceptions and allowable deductions. Tax avoidance by companies is not a coincidence but has been arranged in a strategy that has been set (Hanafi and Harto, 2014).

Company Size

In general, the size of the company is defined as a comparison of the size of the object. According to Respect (2009), company size is a scale of determining companies into large or small categories based on total assets, log size, and so on. UU no. 20 of 2008 categorizes company size into four business categories: micro, small, medium, and large.

Leverage

Leverage is a ratio used in analyzing financial statements to show the amount of debt a company has (Fahmi, 2012). The use of force aims to make the profits higher than fixed costs, but the use of leverage can also pose a risk to the company if it is deteriorating. In addition to the company having to pay increasing interest costs, the possibility of the company getting a penalty from a third party can also occur.

Profitability

Profitability ratios can indicate a company's performance in generating profits. Profitability consists of several rates, one of which is the return on assets (ROA). ROA is an indicator that reflects the company's financial performance. The higher the value of ROA obtained by the company, the company's financial performance can be categorized well (Maharani and Suardana, 2014).

Sales Growth

Sales growth reflects the success of the previous year's investment and can be used to predict sales growth in the coming year. Widarjo and Setiawan (2009) stated that sales growth reflects the company's ability from time to time. If the company's sales growth is high, then the company can be declared successful in carrying out its strategy.

Conceptual Framework

To briefly find out the relationship between the dependent and independent variables, the conceptual framework is made as follows:

- a. Independent variable and dependent variable as a partial

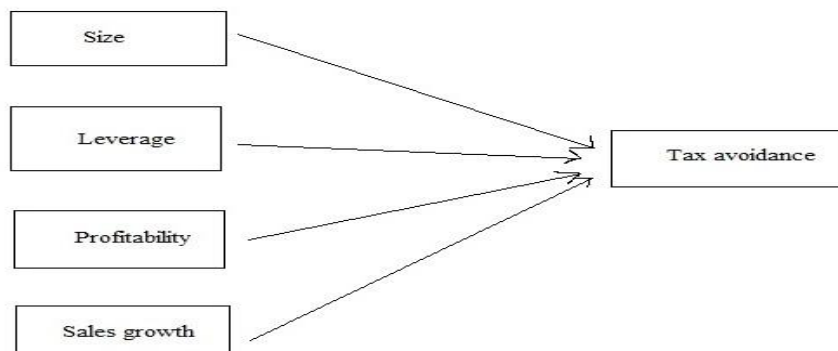


Figure 1. The impact independent variable to dependent variable as partial

b. Independent variable and dependent as simultan

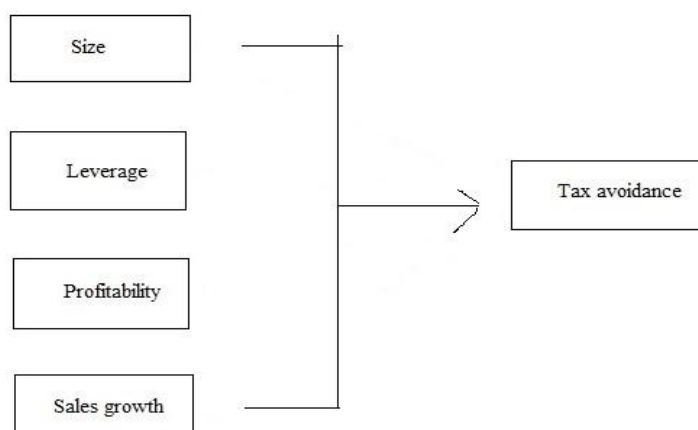


Figure 2. The impact independent variable to dependent variable as simultan

METHODOLOGY

This research is a quantitative study that tests and analyzes secondary data in the form of numbers or qualitative data compiled, according to Sugiyono (2012). The study population is all first and chemical industrial companies listed on the Indonesia Stock Exchange in 2015-2017.

Determination of the sample using purposive sampling techniques, namely by using specific criteria that must be met by the company to be used as a sample. Sample selection with a purposive sampling method can be seen in Table 1.

Table 1. Sample Determination Procedures

Criteria	Total
Manufacturing companies for the period 2015-2017	70
Companies which not listed or exit form IDX during 2015-2017 observation period	(4)
Companies that present financial report in Rupiah	(14)
Companies have complete data	(16)
Companies with positive profit values during the year of observation	(18)
Number of samples	18
Year of view	3 years
Total sample	54

Source: Author's data processed (2019)

The dependent variable that will be used is tax avoidance (Y). Tax avoidance is defined as an effort to minimize or even eliminate tax payments by not violating existing laws. Tax avoidance is proxied by CETR with the following formula.

$CETR = \text{Payment of taxes} / \text{earning before tax}$

The independent variables used are company size (X1), leverage (X2), profitability (X3), and sales growth (X4). Company size is defined as a value that indicates the company (Butar and Sudarsi 2012). Company size can be measured using the following formula.

$\text{Company Size} = \ln(\text{total assets})$

Leverage is a ratio that measures how far the company uses debt. Leverage is proxied using DER with the following formula.

$DER = \text{total debt} / \text{total capital}$

Profitability is the company's success in generating profits or profits (Febrianti and Puspita, 2017). Profitability is proxied using ROA and is calculated using the following formula.

$ROA = \text{net profit} / \text{total assets}$

Sales growth shows the development level of the company's sales from year to year. Sales growth is measured by selling the current year divided by the previous year, minus 1.

$\text{Sales growth} = (\text{Sales } t / \text{Sales } t-1) - 1$

Hypothesis testing is done using multiple linear analyses. This analysis is used to determine the effect of each independent variable on the dependent variable. The research regression equation can be formulated as follows:

$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e$

Notes:

Y = Tax avoidance

α = Intercept atau konstanta

β = Koefisien regresi

X₁ = Ukuran perusahaan

X₂ = Leverage

X₃ = Profitabilitas

X₄ = Sales growth

e = Std. Error

RESULTS

Descriptive Statistics Test

The descriptive statistical test aims to provide an overview of the minimum, maximum, mean, and standard deviation.

Table 2. Descriptive Statistics Test Results

Variabel	N	Min	Max	Mean	Standard. Deviation
Tax avoidance	54	,066	2,053	,306	,264
Size	54	25,620	31,522	28,416	1,688
Leverage	54	,101	4,547	,851	,952
Profitabilitas	54	,005	,158	,063	,044
Sales growth	54	-,299	,532	,052	,160

Based on the results of descriptive statistical tests, it can be seen that the variable tax avoidance has a minimum value of 0.066, a maximum amount of 2.053, a mean value of 0.306 with a standard deviation of .264. The company size variable

has a minimum value of 25,620, a maximum value of 31,522, and a mean value of 28,416 with a standard deviation of 1.688. The leverage variable has a minimum amount of 0.101, a maximum of 4.547, and a mean value of 0.851 with a standard deviation of

0.952. The profitability variable has a minimum value of 0.005, a maximum of 0.158, and a mean value of 0.063 with a standard deviation of 0.044. The sales growth variable has a minimum amount of -0.299, a maximum value of 0.532, a mean value of 0.052 with a standard deviation of 0.160.

Classic Assumption Test

Table 3. Normality Test Results

Variabel	N	Asymp. Sig.	Standard	Notes
Tax avoidance	54	0,057	0,05	Normal
Size	54	,521	0,05	Normal
Leverage	54	,131	0,05	Normal
Profitabilitas	54	,347	0,05	Normal
Sales growth	54	,236	0,05	Normal

In the normality test results table, it can be seen that the data has been regularly distributed. This is based on the Asymp value. Sig. All variables > 0.05 show that the data of all variables have been normally distributed.

Multicollinearity Test

The purpose of the multicollinearity test is to determine whether the regression

Normality test

A normality test is carried out to determine whether the data has been regularly distributed—criteria for decision making for normality test if the value of sig. > 0.05, then the data has been automatically distributed. Whereas if the value of sig. <0.05, then the information is not normally distributed.

model found a correlation between independent variables. Criteria for decision making in multicollinearity tests is if the VIF value > 10 and Tolerance <0.10, then multicollinearity occurs. Meanwhile, if the VIF values <10 and Tolerance > 0.10, there will be no multicollinearity.

Table 4. Multicollinearity Test Results

Variable	Tollerance	Standar	VIF	Standar	Notes
Size	,898	>0,10	1,114	<10	Non Multicollinearity
Leverage	,702	>0,10	1,424	<10	Non Multicollinearity
Profitabilitas	,683	>0,10	1,464	<10	Non Multicollinearity
Sales growth	,964	>0,10	1,037	<10	Non Multicollinearity

Based on the multicollinearity test results in table 3, which shows the Tolerance value of all variables > 0.10 and VIF values <10, it can be concluded that there is no multicollinearity in the research regression model.

Autocorrelation Test

Autocorrelation test is performed to determine whether, in the linear regression model, there is a correlation between the error of the intruder in period t and the error of the intruder in the previous period. Criteria for decision making in the autocorrelation test if the D-W value is between -2 to +2 mean there is no autocorrelation.

Table 5. Autocorrelation Test Results

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,435 ^a	,189	,123	,4594915	1,570

a. Predictors: (Constant), SALES GROWTH, LEVERAGE, UKURAN PERUSAHAAN, ROA

b. Dependent Variable: TAX AVOIDANCE

Based on the autocorrelation test results table, it is known that the Durbin-Watson value is 1.570. This value is between -2 to +2, so it can be concluded that there is no positive or negative autocorrelation.

Heteroscedasticity Test

Heteroscedasticity test is done to test whether, in the regression model, there is an inequality of variance from the residuals of one observation to another.

Figure 3: Scatterplot

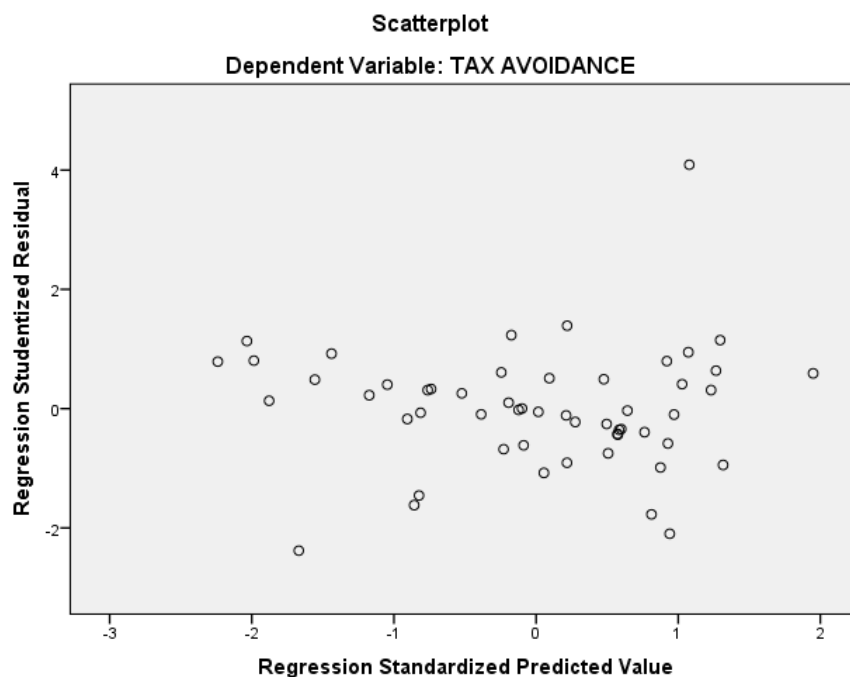


Figure 3. Heteroskedasticity Test Results

In figure 3. Heteroscedasticity test results show that the points or plots spread randomly and do not form a pattern, either above or below the number 0 on the Y-axis. It can be concluded that there is no heteroscedasticity in the regression model.

Hypothesis Testing

Multiple Regression Analysis Test

The results of data processing with regression analysis can be seen in the table below:

**Table 6. Regression Analysis Test Results
Coefficients^a**

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-1,429	1,079		-1,324	,192
	ukuran perusahaan	,010	,039	,035	,258	,797
	Leverage	,083	,174	,073	,476	,636
	Roa	-4,421	1,736	-,396	-2,546	,014
	Sales growth	,301	,402	,098	,750	,457

a. Dependent Variable: TAX AVOIDANCE

Based on the table above can be obtained the multiple linear regression equation models as follows:

$$Y = -1,429 + 0,010X_1 + 0,083X_2 + -4,421X_3 + 0,301X_4 + e$$

a. A constant of -1.429 indicates that if the independent variable's value is fixed, then the dependent variable does not change or remains at 1.429.

b. The β_1 coefficient of 0.010 states that if the firm size variable increases by 1 unit, the tax avoidance variable also increases by 0.010, assuming the other variables are considered constant.

c. The β_2 coefficient of 0.083 states that if the leverage variable increases by 1 unit, then

the tax avoidance variable also increases by 0.083, assuming the other variables are considered constant.

d. The coefficient β_3 of -4.421 states that if the profitability variable increases by 1 unit, the tax avoidance variable decreases by 4.421, assuming the other variables are considered fixed.

e. The β_4 coefficient of 0.301 states that if the sales growth variable increases by 1 unit, the tax avoidance variable also increase by 0.301, assuming other variables are considered constant.

Determination Coefficient Test (R^2)

Table 7. Determination Coefficient Test Results (R^2)

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,435 ^a	,189	,123	,4594915

a. Predictors: (Constant), SALES GROWTH, LEVERAGE, UKURAN PERUSAHAAN, ROA

The table above shows that the adjusted R square value of 0.123 indicates that the level of change in tax avoidance is influenced by variable company size, leverage, profitability, and sales growth by 12.3%. In

comparison, 87.7% is influenced by other factors outside the study.

Partial Test (t)

Partial test (t) is carried out to test the effect of individual independent

variables on the dependent variable. Acceptance or rejection of the hypothesis if the significance <0.05 means that the independent variables individually

influence the dependent variable. If the importance > 0.05 means that the independent variable personally does not change the dependent variable.

Table 8. Partial Test Results (t) Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	-1,429	1,079		-1,324	,192
Size	,010	,039	,035	,258	,797
Leverage	,083	,174	,073	,476	,636
ROA	-4,421	1,736	-,396	-2,546	,014
Sales growth	,301	,402	,098	,750	,457

b. Dependent Variable: TAX AVOIDANCE

Based on the table above shows that the company size variable has at the count of 0.258 with a significance level of 0.797 > 0.05, this value indicates that the size of the company does not affect tax avoidance. The leverage variable has a calculated amount of 0.476, with a significance level of 0.636 > 0.05. This value indicates that leverage does not affect tax avoidance. The profitability variable has a t-value of -2.546, with a significance level of 0.014 < 0.05. This value shows that profitability affects tax avoidance. The sales growth variable has a count of 0.750, with a significance level of

0.457 > 0.05. This value indicates that sales growth does not affect tax avoidance.

Simultaneous Test (F)

Simultaneous test (F) aims to determine and test how the influence of independent variables together on the dependent variable (Ghozali, 2011). Criteria for acceptance or rejection of a hypothesis that is if the value of sig. > 0.05, then the independent variable simultaneously does not affect the dependent variable, whereas if the value of sig. < 0.05, then the independent variables simultaneously affect the dependent variable.

Table 9. Simultaneous Test Results (F) ANOVA

Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	2,412	4	,603	2,857	,033 ^b
Residual	10,345	49	,211		
Total	12,758	53			

a. Dependent Variable: TAX AVOIDANCE

b. Predictors: (Constant), SALES GROWTH, LEVERAGE, UKURAN PERUSAHAAN, ROA

Based on the simultaneous test results table (F) above shows the calculated F value of

2.857 with the level of sig. 0.033 > 0.05. It can be concluded that company size, leverage,

profitability, and sales growth simultaneously affect tax avoidance.

DISCUSSION

From the simultaneous test (F test), it is known that company size, leverage, profitability, and sales growth will influence tax avoidance. While the partial test results (t-test) note that profitability affects tax avoidance. While company size, leverage, and sales growth do not affect tax avoidance.

Effect of Company Size on Tax Avoidance

The company size variable has a significance value of $0.797 > 0.05$. This value indicates that the size of the company does not affect tax avoidance. This study's results are supported by research from Dewi and Jati (2014), stating that company size does not influence corporate tax avoidance because large or small companies have an obligation to pay taxes and will always be pursued by the tax authorities if they violate taxation provisions. But it differs from research from Swingly and Sukartha (2015), which states that company size has a positive effect on tax avoidance.

Effect of Leverage on Tax Avoidance

The leverage variable has a significance value of $0.636 > 0.05$. This value indicates that leverage does not affect tax avoidance. The study results are supported by research from Kurniasih and Sari (2013), which shows that leverage has no significant effect on tax avoidance. Kurniasih and Sari (2013) stated that if debt to assets were higher, the liability borne by the company would be higher, too, so that tax avoidance by the company management would be lower.

Effect of Profitability on Tax Avoidance

The profitability variable has a significance value of $0.014 < 0.05$. This value indicates that profitability affects tax avoidance. This result is supported by

research from Darmawan and Sukartha (2014), which shows ROA has a positive effect on tax avoidance. Because the return on assets is higher, the profits obtained by the company will be greater if the company's profits are higher, the taxes borne by the company will be higher too. To ease the tax burden, the company will take tax avoidance measures. However, the results of this study differ from studies from Maharani and Suardana (2014), showing that ROA has a negative effect on tax avoidance.

Effect of Sales Growth on Tax Avoidance

The sales growth variable has a significance value of $0.457 > 0.05$. This value can indicate that sales growth does not affect tax avoidance. This study's results are supported by research from Swingly and Sukartha (2015), which states that sales growth does not affect tax avoidance. The size of the company's sales does not affect the company to take tax avoidance because companies whose sales increase or decrease should pay taxes. However, the results of this study differ from studies from Budiman and Setiyono (2012), which explain that sales growth has a significant effect on CETR.

CONCLUSIONS

Based on the theory, testing, and discussion of this study, it can be concluded that company size, leverage, profitability, and sales growth will influence tax avoidance. Individually, profitability variables affect tax avoidance. While company size, leverage, and sales growth variables do not affect tax avoidance.

This research's specificity is that the sample used is only 54 of 18 companies starting in 2015-2017, which is only three years. The profitability variable is only measured using ROA. And the variables used only to affect the dependent variable by 12.3%.

Suggestions that can be submitted to researcher further need to add other variables that can detect tax avoidance, increase the research year's period, and increase the number of samples so that the results obtained are more accurate. And for companies to pay more attention to all actions that will be taken as well as the risks will be borne related to their tax burden obligations.

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