Effect of Profitability, and Leverage on Tax Avoidance In Manufacturing Companies Listed On The Stock Exchange In 2018 - 2020

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ABSTRACT: Tax is one of the largest revenues in the APBN, but when compared to the realization with the target of tax revenue, it is still not appropriate. In this thesis, the authors indicate that this occurs because there is resistance by taxpayers in the form of tax avoidance. This study aims to determine the influence of Profitability and Leverage on Tax Avoidance in manufacturing companies listed on the Indonesia Stock Exchange in 2018 – 2020. The data used in this thesis is secondary data, namely financial reports obtained from the official website of the Indonesia Stock Exchange (IDX). www.idx.com). Sampling by purposive sampling obtained a sample of 10 companies with research time during 2018 - 2020. The method of analysis used was the regression test method and used SPSS version 24 for data processing. The results of this study indicate that profitability partially has a significant positive effect on tax avoidance, leverage partially has a significant positive effect on tax avoidance. Profitability and leverage simultaneously have an influence on tax avoidance.

Keywords: Profitabilitas, Leverage, Tax Avoidance

INTRODUCTION

In achieving the goals of the country certainly can not be separated from the source of funding. In Indonesia, this source of funding is usually found in the APBN (State Revenue and Expenditure Budget). Before being ratified, the APBN was called the State Revenue and Expenditure Budget Plan or RAPBN. In the RAPBN, a revenue and expenditure plan for the coming year is prepared. One source of state revenue is taxes. Based on the 2018 RAPBN, tax revenue is projected to be IDR 1,424 trillion, while in 2019 it is IDR 1,577 trillion and in 2020 it is IDR 1,198 trillion. From this it can be concluded that taxes are the largest source of state revenue.

In an effort to optimize the tax sector revenue is not without obstacles, because there are different interests between the government and taxpayers. For the state, taxes are a source of revenue to finance government administration, but from a company's point of view, taxes are a cost component that reduces company profits. The following data is presented by Tax.go.id regarding tax revenue projections and tax revenue realization:

Table I.1
Realization of Indonesian state tax revenue in 2018 –2020 (In Trillion Rupiah)

Year	2020 (In Trillion Rupiah)		
	2018	2019	2020
Target	1.424,00	1.577,6	1.198,82
Realization	1.315,51	1.332,1	1.069,98

Source: Tax.go.id

It can be seen from the table above that tax revenue as the largest income in the APBN is still below the target set.

Of the tax revenue target, the manufacturing sector is the sector that contributes the most tax revenue, namely as much as 30%. Manufacturing companies are part of a sector that contributes greatly to state tax revenues, compared to sectors such as plantations, mining, and finance and others. This can be reflected in the results of its performance achievements and the movement of its share price so far has been recorded consistently and positively, both in increasing productivity, investment, exports and employment. Manufacturing companies are part of the taxpayers who are focused on the inspection list of the Directorate General of Taxes. So it is necessary to do research to prove the determinants of manufacturing companies in carrying out tax evasion, because for companies tax is a cost or cash outflow so they are very careful in calculating their taxes.

In 2018 tax revenue from the manufacturing sector was 12.7% lower compared to last year. Quoting from the Ministry of Finance's report, in 2019 Sri Mulyani described the income tax (PPh) performance of the manufacturing sector growing negatively by 9.2%. In 2020 the finance minister also said that tax revenues contracted by 19.7%. Tax payments from all major business sectors recorded negative, including the manufacturing sector which is usually the mainstay of revenues which recorded a negative growth of 20.21%.

The following table compares tax revenue from the manufacturing sector during 2018 – 2020:

Table I.2 Realization of tax revenue from the manufacturing sector (In Trillion Rupiah)

Year	2018	2019	2020
Target	394,50	391,61	314,58
Realization	344,40	355,58	251,00
Percentage	87%	91%	80%

Source: Kemenku.go.id

It can be seen in table I.2 that revenue from the manufacturing sector each year has not reached the specified target. In 2019, although it has improved from 2018 by 4%, it still has not reached the predetermined target. This means that the tax revenue target for 2018 – 2020 is not achieved, which could be caused by tax revenue from the manufacturing sector not reaching the predetermined target.

In connection with tax avoidance practices, there are companies in Indonesia that carry out tax avoidance by PT Indofood Sukses Makmur Tbk. Informed tax avoidance practices worth Rp. 1.3 billion, the case started when PT. Indofood Sukses Makmur Tbk (INDF) established a new company and transferred the assets, liabilities and operations of the Noodle Division (instant noodle factory) to PT Indofood CBP Sukses Makmur Tbk (ICBP). DGT continues to make a decision that the company must continue to pay the tax owed in the amount of Rp. 1.3 Billion (www.gresnews.com).

Another case related to tax avoidance that occurred in Indonesia is the case involving PT Bentoel Internasional Investama. PT. Bentoel Internasional Investama is the second largest cigarette company after HM Sampoerna in Indonesia. According to a report from the Tax Justice Network Institute on Wednesday, May 8 2019, the tobacco company owned by British American Tobacco (BAT) committed tax evasion through PT Bentoel Internasional Investama by taking on a lot of debt between 2013 and 2015 from an affiliated company in the Netherlands, namely Rothmans Far East BV to refinance bank debt and pay for machinery and equipment. Interest payments paid will reduce taxable income in Indonesia, so that taxes paid are less, as a result the state can suffer losses of US $ 14 million per year (kontan.co.id, 2019).

The high tax burden encourages many companies to try to do tax management so that they pay less tax. One of the efforts made by companies so as not to pay too much tax is tax avoidance, where companies avoid taxes in a legal way and do not conflict with applicable tax laws or by exploiting weaknesses in tax laws. applicable.

The company in an effort to optimize the tax burden, one of which is by monitoring all expenses incurred. So that all expenses incurred can be recognized as a tax expense, so that corrections do not occur and cause taxable profits to increase. Increased profits will also be accompanied by increased taxes on profits earned by the company. the greater the profit received, the greater the tax that must be deposited into the state treasury.

The problem of Tax Avoidance is very complicated but also unique. Because on the one hand, tax avoidance can help companies optimize the net profit they get by minimizing the payment of the tax burden by not violating applicable laws or regulations. will also maintain the company's image in the eyes of the DGT as a compliant taxpayer and in the eyes of the public as a tax compliant company. But on the government side, tax avoidance is undesirable because it will have an impact on reducing state revenues in the state revenue and expenditure budget (APBN). Research on tax avoidance was conducted by Ni Koming Ayu Praditasari (2020) who proved that leverage and profitability have a significant effect on tax avoidance. This proves the practice of tax avoidance still occurs today.

Profitability is a ratio or comparison to determine a company's ability to earn profit (profit) from its assets. The better the company's efficiency in using its assets, the greater the profit that can be obtained from operating these assets, as well as the greater the tax that will be deposited on the profit earned. Muhammad Ridho (2016) conducted a study to determine the effect of profitability

(ROA) on tax avoidance and obtained the result that profitability has a significant effect on tax avoidance.

The imposition of tax in the company is not only on the profit earned, but in almost every transaction that occurs in the company. for example sales, in addition to tax on income is also subject to VAT. Then there are salaries, as well as interest payments to non-bank institutions. In addition, the distribution of dividends to shareholders is also subject to tax. Therefore, when it comes to financing, companies often choose to take loans from banks or non-bank institutions rather than looking for investors to invest their capital. Leverage as measured by DAR (Debt To Asset ratio) is a ratio that measures how far a company is financed by debt and the company's ability to fulfill its obligations with the assets it owns. Companies often choose leasing as financing for additional assets, rather than choosing to seek investors to obtain new assets. Purchase expenses for asset installments can be taxed. Because the installments for the purchase of assets are often greater than the depreciation charged to commercial profit and loss. The recognition of this burden can fiscally help companies reduce the profits they receive, as well as reduce the tax burden that must be remitted to the state. Research related to leverage has been carried out by Wayan Hesadijaya Utthavi (2018) which proves that purchasing assets by way of financial leases has proven to help companies reduce profits fiscally, similar research has also been carried out by Muhammad Aprianto & Susi Dwimulyani (2019), the results leverage (DAR) has a significant effect on tax avoidance.

METHOD

This study uses a quantitative research method, a quantitative method is a research method that uses data in the form of numbers as a tool to analyze the variables to be studied (Kasiram: 2018). Because in research activities data collection and theory testing are carried out by measuring research variables with numbers (numerical) and conducting data analysis with statistical procedures, namely using statistical product and services solutions (SPSS) to test hypotheses and find out whether or not there is a significant relationship between variables Profitability and Leverage on tax avoidance in manufacturing companies listed on the stock exchange in 2018 – 2020.

The research approach used is the associative method. Associative research is research that aims to determine the influence or relationship of two or more variables (Sugiyono: 2018). In this research, a theory can be built that can function to explain, predict, and control a phenomenon. Researchers want to know the influence or relationship between two or more variables regarding how much influence Profitability and Leverage have on tax avoidance in manufacturing companies listed on the stock exchange in 2018 - 2020.

This study aims to analyze how much the relationship between variables X1, and X2 to Y is used in researching certain populations or samples and analyzed by statistics to test the established hypotheses whether the hypothesis is accepted or rejected, this study will describe and explain the data - data that has been processed and analyzed regarding the effect of Profitability (X1), and Leverage (X2) on tax avoidance (Y) in manufacturing companies listed on the stock exchange in 2018 – 2020 which conclusions will then be drawn according to the theory that has been studied.

RESULT AND DISCUSSION

After conducting descriptive statistical tests, four classical assumption tests and hypothesis testing. It can be concluded that the regression model has been normally distributed and the data can be said to be linear. The test analysis of each hypothesis can be described as follows:

1. The effect of profitability on tax avoidance

The results of data processing on the t test show that the calculated t value of the profitability variable is greater than the t table value (2.723 > 2.055) with a significant level below 0.05, namely (0.006 <0.05) then H0 is rejected and Ha is accepted. This means that Profitability has a significant effect on Tax Avoidance in manufacturing companies listed on the IDX in 2018 – 2020.
From the results of research using the correlation coefficient between the variables Profitability and Tax Avoidance obtained a coefficient value of 0.639. Based on the guidelines for interpreting the correlation coefficient, the coefficient value lies between 0.60–0.799, so it can be concluded that profitability and tax avoidance have a strong relationship.

The results of the study using multiple regression obtained a regression coefficient of 0.113 which has a positive effect on tax avoidance (Y). This means that if the profitability is getting better with the assumption that other variables are constant, then this can increase the level of tax avoidance by taxpayers by 0.113.
The higher the value of profitability as measured by ROA, the higher the incentive for company management to take Tax Avoidance. The greater the ROA, it means that the company's ability to generate profit from the assets obtained is better and can generate maximum profit from the assets owned. The greater the profit earned, the greater the possibility that the income tax will be paid at the end of the period. This encourages company management to take action on tax avoidance or efficiency of the tax burden, so that the tax on profits earned is not too large.

The results of this study support the results of previous research by Indah Sekar Palupi (2018) which states that profitability has a positive effect on tax avoidance.

2. Leverage terhadap Tax Avoidance

The results of data processing on the t test show that the calculated t value of the Leverage variable is greater than the t table value (10.531 > 2.055) with a significant level below 0.05, namely (0.000 <0.05) then H0 is rejected and Ha is accepted. This means that Leverage has a significant effect on Tax Avoidance in manufacturing companies listed on the IDX in 2018 – 2020.

From the results of research using the correlation coefficient between Profitability and Tax Avoidance variables obtained a coefficient value of 0.805. Based on the guidelines for interpreting the correlation coefficient, the coefficient value lies between 0.80–1.000, it can be concluded that leverage and tax avoidance have a very strong relationship.

The results of the study using multiple regression obtained a regression coefficient of 0.401 which has a positive effect on tax avoidance (Y). This means that if the leverage is getting better assuming other variables are constant, then this can increase the level of tax avoidance by taxpayers by 0.401.

Management's decision to take a long-term loan to increase asset value is one of the tax avoidance efforts being made. Funding assets with financing by leasing will cause the company's expenses to increase because the installments on the financing will be corrected negatively and the depreciation

of these assets will be corrected positively, which causes the company's expenses to increase. Because the leasing installment will definitely be greater than the depreciation cost of the asset. This research is in line with research conducted by Novita Wahyu Triyanti (2020) which states that leverage has an effect on tax avoidance. and make efficiency of the tax burden.

3. Profitability, and Leverage, against Tax Avoidance.

Results of data processing on the F test that the calculated f value of the profitability variable (X1) and leverage (X2) is greater than the f table value (64.395 > 3.37) with a significant level below 0.05, namely (0.000 <0.05) then H0 is rejected and Ha is accepted. This means that Profitability and leverage simultaneously have a significant effect on Tax Avoidance in manufacturing companies listed on the IDX in 2018 – 2020.

From the results of research using the coefficient of determination between the variables Profitability (X1) and leverage (X2) with Tax Avoidance, a coefficient value of 0.827 is obtained. This means that as much as 82.7% of the dependent variable tax avoidance (Y) can be explained by the independent variables namely profitability (X1) and leverage (X2).

The results of this study support the research results of Mayarisa Oktamawati (2017) and Novita Wahyu Triyanti (2020) who say Profitability and Leverage have a significant effect on Tax Avoidance.

CONCLUSION

Based on research on profitability and leverage on tax avoidance in Manufacturing companies listed on the IDX in 2018 – 2020 which has been carried out. the following conclusions can be drawn:

1. Based on the research results, it is known that the effective contribution calculation value (SE) for the Profitability variable (X1) on Tax Avoidance (Y) is 21.9%. It can be interpreted that Profitability which is represented by Return on Assets (ROA) has a significant influence on Tax Avoidance.
2. Based on the research results, it is known that the effective contribution calculation value (SE) for the Leverage variable (X2) on Tax Avoidance (Y) is 60.9%. It can be interpreted that Leverage represented by Debt to Assets (DAR) has a significant influence on Tax Avoidance.
3. Based on the test of the coefficient of determination, the coefficient value is 82.7%. This means that both profitability (X1) and leverage (X2) are sufficient to explain the variable Tax Avoidance (Y).

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