Income Journal: Accounting, Management and Economic Research
Volume 3, Number 2, Agustus 2024 E-ISSN : 2985-4288
Open Access: https://income-journal.com/index.php/income/index

The Impact of Debt Levels and Profitability on Tax Avoidance with Company Size Playing a Moderating Role

Erlinda Tri Hapsari[1], Hasim As'ari[2]
[1,2] Universitas Mercu Buana Yogyakarta
[1]lindeassari@gmail.com, [2]Hasimmercubuana@gmail.com

Info Artikel
Sejarah artikel:
Diterima 05-08-2024
Disetujui 14-08-2024
Diterbitkan 27-08-2024

Kata kunci:
Penghindaran Pajak, Leverage, Profitabilitas, Ukuran Perusahaan

ABSTRAK

Pajak merupakan penerimaan terbesar bagi negara Indonesia, namun upaya optimalisasi penerimaan dari sektor ini memiliki beberapa kendala, salah satu kendala dalam rangka optimalisasi penerimaan pajak adalah adanya penghindaran pajak oleh perusahaan. Penelitian ini bertujuan untuk membuktikan pengaruh leverage dan profitabilitas terhadap penghindaran pajak dengan ukuran perusahaan sebagai variabel moderating. Dalam penelitian ini menggunakan teori keagenan dengan populasi dalam penelitian ini yaitu seluruh perusahaan manufaktur industri sektor kimia yang terdaftar di Bursa Efek Indonesia tahun 2020. Sampel menggunakan metode purposive sampling yang berjumlah 33 perusahaan. Penelitian ini menggunakan metode kuantitatif, dan diolah menggunakan software SPSS versi 26 dengan metode statistik deskriptif, uji asumsi klasikal, uji t dan analisis regresi variabel moderat. Hasil penelitian ini menunjukkan bahwa Leverage, Profitabilitas, dan Ukuran Perusahaan tidak berpengaruh terhadap Penghindaran Pajak. Ukuran Perusahaan tidak dapat memoderasi hubungan antara Leverage dan Penghindaran Pajak, Ukuran Perusahaan tidak dapat memoderasi hubungan antara Profitabilitas dan Penghindaran Pajak.

Keywords :
Tax Avoidance, Leverage, Profitability, Company Size

ABSTRACT

Taxes are the largest revenue for the Indonesian state, but efforts to optimize revenue from this sector have several obstacles, one of the obstacles in the context of optimizing tax revenue is the existence of tax avoidance by the company. This study aims to prove the effect of leverage and profitability on tax avoidance with company size as a moderating variable. In this study using agency theory with the population in this study, namely all chemical sector industrial manufacturing companies listed on the Indonesia Stock Exchange 2020. The sample used purposive sampling method which amounted to 33 companies. This research uses quantitative methods, and is processed using SPSS version 26 software with descriptive statistical methods, classical assumption tests, t tests and regression analysis of moderating variables. The results of this study indicate that Leverage, Profitability, and Company Size have no effect on Tax Avoidance. Company Size is unable to moderate the relationship between Leverage and Tax Avoidance, Company Size is unable to moderate the relationship between Profitability and Tax Avoidance.

INTRODUCTION

Taxes play an important role in the functioning of a country, particularly in facilitating development initiatives. This is mainly due to the fact that taxes are the country's main source of revenue, thus enabling the financing of various expenditures associated with development efforts. In Indonesia, optimization of tax sector revenues is done through the implementation of intensive and extensive efforts to improve tax collection, as stated in the official communication of the Director General of Taxes (Letter No. S-14/PJ.7/2003). However, there are certain challenges that hinder revenue optimization in this area. One of the challenges faced in the process of maximizing tax revenue is the existence of tax avoidance by corporations.

Tax avoidance refers to deliberate actions taken by individuals or entities to minimize their tax obligations within the limits of the applicable legal and regulatory framework (Suryani, 2022). All parties agree that tax avoidance is considered inappropriate, as long as it remains within the boundaries of the law. The issue of tax avoidance presents complex difficulties for government authorities, as it requires people to strategically minimize their tax obligations without violating the relevant legal framework.

PT RNI, an allied company engaged in the healthcare industry in Singapore, is involved in a tax evasion case similar to the one mentioned. The corporation is being investigated by the Department of Justice and Prosecution (DGT) for alleged tax fraud. Corporations have a strategy of using affiliated debt as a means to mitigate tax liabilities. In Singapore, it appears that owners choose to allocate their money as loans rather than making direct investments in the company. The financial statements of PT RNI in 2014 documented debt of Rp. 20.4 billion. In contrast, the company's revenue only amounted to Rp2.178 billion, while a significant deficit was recorded at Rp26.12 billion. Another option known as PT. RNI took advantage of government regulations related to the special income tax for Micro, Small, and Medium Enterprises (MSMEs) set at 1% (Kompas.com, 2016).

RESEARCH METHODS

This research uses a descriptive research design, specifically using quantitative analytical descriptive techniques. This research uses secondary data obtained from documented sources. The research data was collected from the financial statements of companies operating in the basic and chemical industry subsectors. A total of 33 samples were selected from companies listed on the Indonesia Stock Exchange for the 2020 period. Data was collected from the IDX official website as well as the official website of each company.

Variable Operational Definition

Leverage

The concept of debt level, also known as leverage, relates to financial metrics that explain the correlation between a company's debt and its capital and assets (Amin, 2020). Leverage refers to the correlation between the aggregate value of assets and the amount of common stock capital, or indicates the utilization of financial resources to increase profitability. The measure of leverage is determined by the ratio of total debt and equity, which can be calculated using the following method.

$$Debt\ to\ Equity\ Ratio = \frac{Total\ Debt}{Equity}$$

Profitability

Profitability relfelrs to a company's capacity to crelatel financial reltulrns, ofteln relfelrreld to as profits, ovelr a pelriod of timel. Thel positivel correllation beltweleln a company's profit and its pelrformancel is obviouls. Howelvelr, it shoulld bel noteld that profit also plays an important rolel in deltelrmining a company's tax obligations. Spelcifically, thel grelatelr thel profit valulel of a company, thel grelatelr thel tax bulrdeln that mulst bel bornel by thel company (Elksandy & Milasari, 2019). Thel calcullation is donel throulgh thel formulla shown bellow.

$$ROA = \frac{Profit\ or\ Loss\ After\ Tax}{Total\ Asset}\ X100\%$$

Company Size

Moeljono (2020) argues that the categorization of a corporation based on its size is determined by the amount of assets it has. Company size categorization often includes three different classifications: large companies, medium companies, and small companies. According to Guire et al. (2011), the size variable is assessed by taking the natural logarithm of the company's total assets. The measurement of company size is determined using the formula below.

$$SIZE = Log\ (Total\ Asset)$$

Tax Avoidance

Tax avoidance is a strategic approach used by company management to mitigate or reduce the share of tax liabilities paid, while still complying with relevant tax regulations. The goal is to increase the company's net profit (Hama, 2020). The calculation of this variable is done using the Cash Effective

Tax Rate (CASH ETR). The formula used to calculate the Cash Effective Tax Rate (CASH ETR) is as follows:

$$ETR = \frac{Tax\ Expense}{Profit\ before\ tax}$$

RESULTS AND DISCUSSION

1. Classical Assumption Test
   a. Normality Test
   The test results show a Kolmogorov-Smirnov value of 0.080. Therefore, the calculated asymptotic significance value (two-sided) is 0.137, which indicates that the value of the result is above the reference significance level of 0.05. Therefore, it can be concluded that the data is normally distributed.
   b. Multicollinearity Test
   The test results show a tolerance value on the Leverage variable of 0.938. Profitability and company size are both measured at 0.833, indicating that both are above the 0.10 threshold. The VIF value on the Leverage variable is 1.067. The profitability and company size variables have a value of 1,200 less than 10.00. Based on these findings, it can be concluded that there is no multicollinearity between the independent and moderating variables in the regression model.
   c. Heteroscedasticity Test
   Based on the findings of this check, it is clear that the graphical representation does not depict a clear pattern, but rather the data points are scattered randomly. With this, it can be concluded that the regression model used does not show heteroscedasticity.
2. t test
   The research model equation is as follows:
   $$TA = -50{,}668 + -0{,}093.LV - -0{,}308.PF - 14{,}543.U$$
   The constant coefficient denoted by the α value of -50.668 indicates that if the leverage, profitability, and size variables do not exist or are equal to zero, then the TA value remains constant at -50.668. Based on the equation and table above, the hypothesis test results are proven.
   a. The first hypothesis (H1) states that there is a positive relationship between leverage and tax avoidance. Statistical analysis shows that the significance value of leverage is 0.649 with a percentage of 64.9%. Based on these findings, it can be concluded that leverage has no significant effect on tax avoidance. As a result, the first hypothesis is refuted.
   b. The second hypothesis (H2) states that there is a positive relationship between profitability and tax avoidance. The calculated significance value is 0.132 which can also be expressed as 13.2%. This finding indicates that the level of profitability does not have a significant influence on tax avoidance practices. As a result, the second hypothesis is considered invalid.
   c. The third hypothesis, called H3, states that there is a positive relationship between firm size and tax avoidance. The findings of the data analysis show that the p-value associated with the size variable is 0.019 or 1.9%. This indicates that there is a statistically significant relationship between firm size and tax avoidance. Based on the description above, it can be concluded that the third hypothesis is accepted.
3. Interaction Test or Moderated Regression Analysis (MRA)
   a. Hypothesis 4 (H4) states that there is a relationship between business size and tax avoidance, with an effect size of 0.320. However, the magnitude of this impact is not statistically significant. Similarly, in the context of test 2, the interaction effect between firm size and leverage is estimated at 0.640, which indicates that it is also not statistically significant. Moderator variables show little influence or change on the relationship between the independent variables and the dependent variable.
   b. The fifth hypothesis (H5) The effect of firm size on tax evasion is statistically significant, particularly at a coefficient of 0.016. However, statistical analysis shows that there is no significant relationship between firm size and its profitability, as indicated by the p value of

0.131. Moderator variables have little effect on the relationship between the independent variables and the dependent variable.

DISCUSSION

1. Lelvelragel Elffelct on Tax Avoidancel
   Thel findings of thel data analysis condulcteld show that thelrel is a nelgativel rellationship beltweleln lelvelragel and tax avoidancel. Thel concelpt of lelvelragel rellatels to thel ultilization of borroweld fulnds to facilitatel thel financing of company-owneld invelstmelnts and asselts. This obselrvation shows that wheln thel lelvelragel ratio of a company increlasels, thelrel is a possibility of a delcrelasel in thel possibility of tax avoidancel. Thel asselrtion in thel statelmelnt is not in linel with thel findings of Abdulllah (2020) and Novarianto (2019) who havel condulcteld relselarch showing that lelvelragel has a significant elffelct on tax avoidancel.
2. Elffelct of Profitability on Tax Avoidancel
   Thel findings obtaineld from telsting thel relselarch relgrelssion modell show that thelrel is a nelgativel rellationship beltweleln profitability and tax avoidancel. A high profitability ratio indicatels elffelctivel managelmelnt practicels that contribultel to opelrational elfficielncy. Thel findings of this stuldy indicatel that thel elfficielncy melasulrels implelmelnteld by managelmelnt show a considelrablel lelvell of inadelqulacy. Reltulrn on Asselt (ROA) is a meltric that selrvels as a melasulrel of a company's financial sulccelss. Thelrel is a positivel correllation beltweleln reltulrn on asselts (ROA) and company pelrformancel, indicating that grelatelr ROA indicatels sulpelrior pelrformancel. It is ofteln assulmeld that profitablel companiels do not elngagel in tax avoidancel, as thely havel thel capacity to elffelctivelly handlel thelir incomel and tax liabilitiels. Thel lack of influlelncel of profitability variablels on tax avoidancel is thel rationalel for this relselarch finding. Howelvelr, thel findings of this stuldy contradict thel relselarch of Rajagulkgulk (2019) which statels that profitability doels havel an impact on tax avoidancel.
3. Thel Elffelct of Company Sizel on Tax Avoidancel
   Thel findings of thel relgrelssion telst show that thelrel is a statistically significant rellationship beltweleln thel sizel variablel and tax avoidancel. This finding indicatels a positivel rellationship beltweleln company sizel, as melasulreld by total asselts, and transaction complelxity. Largelr companiels telnd to condulct morel complicateld transactions, which may providel opportulnitiels to elxploit loopholels and practicel tax avoidancel. Jasminel (2017) is a moviel rellelaseld in 2017.
4. Company Sizel on Lelvelragel and Tax Avoidancel
   Statistical analysis of thel elffelct of company sizel on tax avoidancel produlcels insignificant findings, indicating that thel modelrator variablel doels not havel a sulfficielntly largel modelrating elffelct on thel rellationship beltweleln thel indelpelndelnt variablel lelvelragel and thel delpelndelnt variablel tax avoidancel. This asselrtion is not in linel with thel findings of Trismana's (2018) prelviouls relselarch.
5. Firm Sizel on Profitability and Tax Avoidancel
   Thel findings of thel intelraction telst that elxaminels thel impact of firm sizel on tax avoidancel show statistical significancel. Howelvelr, thel rellationship beltweleln firm sizel and profitability doels not show statistical significancel. This finding indicatels that thel modelrator variablel doels not havel a statistically significant elffelct on thel modelrating elffelct of thel indelpelndelnt variablel profitability on thel delpelndelnt variablel of tax avoidancel. Thel ulselr's asselrtion is not in linel with thel findings of Koming and Praditasari (2017) who argulel that company sizel has thel potelntial to mitigatel thel rellationship beltweleln profitability and tax avoidancel.

CONCLUSION

Thel findings of this stuldy indicatel that thelrel is no significant rellationship beltweleln lelvelragel and profitability with tax avoidancel. Howelvelr, bulsinelss sizel has a positivel rellationship with tax avoidancel. In addition, company sizel doels not act as a modelrating factor in thel rellationship beltweleln lelvelragel and tax avoidancel, as welll as profitability and tax avoidancel. It is relcommelndeld for companiels not to practicel tax avoidancel belcaulsel it has thel potelntial to havel a nelgativel impact on thel coulntry and thel company itsellf, inclulding financial lossels and damagel to relpultation, if thel govelrnmelnt finds oult aboult thelsel actions in thel fultulrel.

Onel sulggelstion for fultulrel relselarch is to elxpand thel samplel belyond manulfactulring companiels to gain a morel comprelhelnsivel pelrspelctivel. By inclulding a widelr rangel of indulstriels, thel stuldy may captulrel a morel divelrsel opelrational contelxt, thelrelby improving thel acculracy and relprelselntativelnelss of thel findings.

REFERENCE

Abdulllah. (2020). Pelngarulh Likuliditas dan Lelvelragel Telrhadap Pelnghindaran Pajak Pada Pelrulsahaan Makanan dan Minulman. Julrnal Riselt Akulntansi dan Bisnis.

Alfina, Nulrlaella, & Wijayanti. (2018). Thel Influlelncel of Profitability, Lelvelragel, Indelpelndelnt Commissionelr and Company Sizel to Tax Avoidancel. PROCElElDING ICTElSS (Intelrnasional Confelrelncel on Telchnology, Eldulcation and Social Scielncels).

Aullia, & Mahpuldin. (2020). Pelngarulh Profitabilitas,Lelvelragel dan Ulkulran Pelrulsahaan Telrhadap Tax Avoidancel. Julrnal Akulntansi dan Kelulangan AKUlNTABElL.

Dayanara, Titisari, & Wijayanti. (2019). Pelngarulh lelvelragel, profitabilitas, ulkulran pelrulsahaan dan capital intelnsity telrhadap pelnghindaran pajak pada pelrulsahaan barang indulstri konsulmsi yang telrdaftar di beli. Julrnal Akulntansi dan Sistelm Telknologi Informasi .

Fionasari. (2020). Analisis faktor-faktor yang melmpelngarulhi pelnghindaran pajak pada pelrulsahaan pelrtambangan di BElI tahuln 2016-2018. Julrnal IAKP Julrnal Inovasi Akulntansi Kelulangan & Pelrpajakan.

Jelfri, & Khoiriyah. (2019). Pelngarulh good corporatel govelrnancel dan reltulrn on asselts telrhadap tax avoidancel pada pelrulsahaan manulfaktulr yang telrdaftar di BElI. Akulntabilitas Julrnal Pelnellitian dan Pelngelmbangan Akulntansi.

Kalbulana, Solihin, Saptono, Yohana, & Yanti. (2020). Thel Influlelncel of Capital Intelnsity, Firm Sizel and Lelvelragel On Tax Avoidancel On Companiels Relgistelreld In Jakarta Islamic Indelx JII Pelriod 2015-2016. Intelrnational Joulrnal of Elconomic, Bulsinelss and Accoulnting Relselarch (IJElBAR).

Mahdiana, & Amin. (2020). Pelngarulh profitabilitas, lelvelragel, ulkulran pelrulsahaan, dan salels growth telrhadap tax avoidancel. Julrnal Akulntansi Trisakti .

Moelljono. (2020). Faktor-faktor yang melmpelngarulhi pelnghindaran pajak. Julrnal Pelnellitian Elkonomi dan Bisnis.

Napitulpullul, & Hultabarat. (2020). Pelngarulh profitabilitas telrhadap pelnghindaran pajak delngan variabell meldiasi lelvelragel pada pelrulsahaan migas telrdaftar di BElI 2017-2019. Dinamika Elkonomi-Julrnal Elkonomi dan Bisnis.

Pamulngkas, & Mildawati. (2020). Pelngarulh profitabilitas, lelvelragel dan salels growth telrhadap tax avoidancel pada pelrulsahaan manulfaktulr yang telrdaftar di BElI . Julrnal Ilmul Dan Riselt Akulntansi (JIRA).

Pelrmata, & Wahyulningsih. (2018). Pelngarulh sizel, agel, profitability, lelvelragel dan salels growth telrhadap tax avoidancel pada pelrulsahaan selktor indulstri dasar dan kimia di BElI. Selminar Nasional dan Thel 5th Call For Syariah Papelr (SANCALL).

Pultra, & Jati. (2018). Ulkulran pelrulsahaan selbagai variabell pelmodelrasi pelngarulh profitabilitas pada pelnghindaran pajak. El-Julrnal Akulntansi Ulnivelrsitas Uldayana.

Rajagulkgulk, Arielsta, & Pakpahan. (2019). Analisis pelngarulh profitabilitas, ulkulran pelrulsahaan, kelpultulsan invelstasi, dan kelbijakan ultang telrhadap nilai pelrulsahaan. Julrnal Inspirasi Bisnis dan Manajelmeln .

Ramarulsad, Handayani, & Maryati. (2021). Analisa Pelngarulh Kompeltisi Pasar Produlk, Ulkulran Pelrulsahaan, Lelvelragel, Profitabilitas, Propelrty, Plant and Elqulipmelnt dan Pelrtulmbulhan Pelnjulalan Telrhadap Tax Avoidancel Pada Pelrulsahaan Manulfaktulr di Indonelsia. Julrnal Akulntansi Kelulangan dan Bisnis.

Sapultra, & Asyik. (2017). Pelngarulh profitabilitas, lelvelragel dan corporatel govelrnancel telrhadap tax avoidancel. Julrnal Ilmul dan Riselt Akulntansi (JIRA).