THE INFLUENCE OF PROFITABILITY AND LEVERAGE TOWARD TAX AVOIDANCE (CASE STUDY ON MANUFACTURING COMPANIES IN THE AUTOMOTIVE AND COMPONENT SUB-SECTORS LISTED ON THE INDONESIA STOCK EXCHANGE FOR THE 2015-2019 PERIOD)

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ABSTRACT

This study aims to determine the effect of profitability and leverage on tax avoidance. The variables used are profitability and leverage as independent variables, and tax avoidance as the dependent variable. The research method used in this study is an explanatory method with a quantitative descriptive approach. The type of data used is pooled data using financial reports. The analytical method used in this research is multiple linear analysis method at a significance level of 5% with classical assumption test using normality test, multicollinearity test, autocorrelation test and heteroscedasticity test. The program used in analyzing the data is using the Statistical Package for Social Sciences (SPSS) Ver. 26.0. The results showed that profitability had an effect on tax avoidance, while leverage had no effect on tax avoidance. Profitability and leverage had an effect on tax avoidance of 52.8%.

Keywords: Leverage, Profitability, Tax Avoidance

I. INTRODUCTION

Tax revenue is the largest source income for Indonesia. The government's target for this tax revenue is increasing every year. The government certainly expects that taxpayers or the public are obliged to participate, so that the rate of the growth and implementation of national development will run well for the welfare of the country. But from the taxpayers or the public, paying taxes is a factor that reduces their income or income, especially by paying these taxes, people cannot feel the rewards directly. Therefore, this factor is the reason for personal and corporate taxpayers to avoid tax (Tax Avoidance) (Permata, Nurlaela, & W, 2018).

The Directorate General of Taxes at the Ministry of Finance stated that as many as 2,000 multinational companies operating in Indonesia have not paid Article 25 and Article 29 corporate income tax (PPh) due to losses. Director General of Taxes, Ken Dwijugiasteadi during the Press Conference of the Inauguration of Tax Auditors, revealed that the 2,000 companies are foreign investment companies (PMA) which are handled by the Regional Special Tax Service Office (Kanwil). He continued, The 2,000 PMA, consisted of companies in the trading sector, and so on. Ken emphasized that this foreign company had not paid taxes for 10 years.

The tax avoidance phenomenon that occurred in 2014 was carried out by PT Toyota Motor Manufacturing Indonesia (TMMIN) one of subsidiaries by Astra Internasional Tbk (ASII) announcing the export performance of their completely built up (CBU) cars last year. The number recorded a record of more than 118 thousand units. This amount is equivalent to 70 percent of total vehicle exports from Indonesia last year. If it is added with complete knock down (CKD) car products and vehicle components, the export value of the car factory, which is 95 percent controlled by Japan's Toyota Motor Corporation (TMC), will reach US$ 1.7 billion or around Rp 17 trillion. However, there is a hidden oddity behind that feat (Bella, 2014; Cesarec et al., 2020; Kayaalp et al., 2020; Kayacilar & Karaca, 2020).

The Directorate General of Taxes at the Ministry of Finance has evidence that Toyota Motor Manufacturing utilizes transactions between affiliated companies at home and abroad to avoid paying taxes (transfer pricing). The mode is simple, namely transferring the burden of excess profits from one country to another country that applies a lower...
tax rate (tax heaven). The transfer of expenses is done by manipulating prices unreasonably. It has been revealed that a thousand cars made by Toyota Motor Manufacturing Indonesia must first be sold to the Toyota Asia Pacific office in Singapore, before leaving and being sold to the Philippines and Thailand. This is done to avoid paying high taxes in Indonesia. In other words, Toyota in Indonesia is only acting "on behalf of" Toyota Motor Asia Pacific Pte., Ltd - namely the name of Toyota's business unit based in Singapore (Bella, 2014).

There are several factors that affect the fulfillment of corporate tax obligations, including profitability and leverage. Profitability is the company's ability to generate profits. Profitability measurement consists of several ratios, one of which is the use of return on assets (ROA). Return on assets (ROA) is one indicator that reflects the financial performance of a company. The higher the ROA that can be achieved by a company, the company's financial performance is classified as good. The better the management of company assets, the greater the return on assets of the company. The profit earned by the company. Leverage is also a factor that affects tax avoidance. Leverage is a ratio used to measure the extent to which a company finances through debt. In terms of taxation, if the company has high tax obligations, then the company will also have high debt. Therefore, companies will try to avoid taxes. Debt to Total Asset Ratio (DAR) is one of the ratios used to measure the company's solvency level where this ratio is used to measure how much the company's assets are financed by total debt.

II. LITERATURE REVIEW

Tax Avoidance

Tax planning is carried out legally by reducing the tax objects that are the basis for taxation, and it still complies with the provisions of the applicable tax law. Tax avoidance is carried out by reducing the tax object that is subject to the tax base so that the tax burden imposed by the price is smaller than the actual tax object, so that the tax burden paid is not too large (Rizqika, 2016).

The practice of tax avoidance is actually a dilemma for the government, because the taxpayer reduces the amount of tax that must be paid, but it is done without conflicting with the applicable provisions. Tax planning that does not violate the law is also called tax avoidance, which is an implementation of efficiency for companies in a legal way due to imperfections in the Taxation Law (Kurniasih & Sari, 2013).

Profitability

Profitability is that the ability of an organization to earn a profit through all existing capabilities and resources like sales activities, cash, capital, range of staff, range of company branches, and then on (Harahap, 2011). Kasmir (2014) profitableness quantitative relation could be a quantitative relation to assess the company's ability to hunt profit. This quantitative relation provides a live of the effectiveness of a company's management.

Leverage

Solvency ratio or leverage ratio could be a ratio used to measure the extent to that company assets area unit supported with debt. this implies how much debt burden is borne by the company compared to its assets. during a broad sense it's aforesaid that the solvency ratio is employed to measure the company's ability to pay all its obligations, each short-term and the company if the corporate is dissolved (liquidated) (Kasmir, 2013).

III. RESEARCH METHODE

The research method we used explanatory with a quantitative descriptive approach and the object of the financial statements of manufacturing companies in the automotive and component sub-sectors. The population in this case are all manufacturing companies in the automotive and component sub-sector listed on the Indonesia Stock Exchange in the 2015-2019 period as many as 13 companies using purposive sampling technique because the researcher assumes that someone or something has information or characteristics that are in accordance with his research (Nuryaman & Veronica, 2015). This case study uses multiple linear regression.
IV. RESULTS AND DISCUSSION

Normality Test

Table 4.1 Normality Test Results

<table>
<thead>
<tr>
<th>Normal Parameters</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Most Extreme</td>
<td>Absolute</td>
<td>.997</td>
</tr>
<tr>
<td>Differences</td>
<td>Positive</td>
<td>.997</td>
</tr>
<tr>
<td></td>
<td>Negative</td>
<td>-.094</td>
</tr>
<tr>
<td>Test Statistic</td>
<td></td>
<td>.704</td>
</tr>
<tr>
<td>Asymp. Sig. (2-tailed)</td>
<td></td>
<td>.704</td>
</tr>
</tbody>
</table>

The normality check with the Kolmogrov-Smirnov test above obtained a standard deviation of 3.58, so the results obtained a significance of more than 0.05, namely 0.704. This shows that the data taken from the questionnaire results are normally distributed.

Multiple Linear Regression Analysis

Table 4.2 Multiple Linear Regression Analysis Results

<table>
<thead>
<tr>
<th>Model</th>
<th>ROA</th>
<th>DAR</th>
<th>Coefficients</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>Collinearity Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>B</td>
<td>Beta</td>
<td>Tolerance</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Std. Error</td>
<td></td>
<td>VIF</td>
</tr>
<tr>
<td>1</td>
<td></td>
<td></td>
<td>(Constant)</td>
<td>.462</td>
<td>.046</td>
<td>.000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>ROA</td>
<td>1.593</td>
<td>.521</td>
<td>.446</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>DAR</td>
<td>-.001</td>
<td>.001</td>
<td>-.129</td>
</tr>
</tbody>
</table>

The results of data process as presented in table 4.2 can form a regression equation for Profitability and Leverage variables on Tax Avoidance as follows:

\[ Y = 0.462 + 1.593 X1 - 0.001 X2 + 0.007 X3 \]

Based on the regression model, it can be explained:

If = constant of 0.462 it means that if the dependent variable is zero, then Tax Avoidance will be worth 982.236

If the regression coefficient value of the Profitability variable shows 1.593, it means that if the Tax Avoidance variable has increased by (one) unit, then the dependent variable, namely the Profitability variable, will increase by 0.514.

If the regression coefficient value of the Leverage variable shows -0.001, it means that if the Tax Avoidance variable increases by (one) unit, then the dependent variable, namely the Leverage variable, will decrease by -0.001.
The description above can be concluded that the greatest influence of the two X variables is the Profitability variable which will affect an increase of 1,593 so that the higher the Profitability, the higher the Tax Avoidance in a company.

Coefficient of Determination Analysis

Table 4.3 Coefficient of Determination Analysis Results

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>Durbin-Watson</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.528a</td>
<td>.278</td>
<td>.239</td>
<td>.17563</td>
<td>1.529</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), DAR, ROA
b. Dependent Variable: ETR

It are often seen that the R value is 0.528, which means that profitability and leverage have an effect of 52.8% on tax avoidance. While the remaining 47.2% is the influence of other factors outside the variables studied.

T-test

Table 4.3 T-test Results

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>Collinearity Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>.462</td>
<td>.046</td>
</tr>
<tr>
<td></td>
<td>ROA</td>
<td>1.593</td>
<td>.521</td>
</tr>
<tr>
<td></td>
<td>DAR</td>
<td>-.001</td>
<td>.001</td>
</tr>
</tbody>
</table>

a. Dependent Variable: ETR

Based on the results of the analysis within the table above, the t-count is 3,054 > 1.684 and the significance value (p-value = 0.004 < 0.05). Then the Profitability variable (X1) partially affects Tax Avoidance (Y).

Based on the results of the analysis within the table above, the t-count is -0.887 < 1.684 and the significance value (p-value = 0.381 > 0.05). Then the Leverage variable (X2) partially has no effect on Tax Avoidance (Y).

Discussion of Hypothesis Results

The Effect of Profitability on Tax Avoidance

Based the test results above, the t-test table show thats profitability has an influence on tax avoidance in the company, because the value of tcount > ttable is 3,054 > 1,684, and the value of Prob. for Profitability is 0.004 smaller than α = 0.05 (5%). Thus the test results, which indicate that the increase in the value of profitability tends to be followed by an increase in Tax Avoidance.

The highest percentage of ROA occurred in the company PT. Indomobil Sukses Internasional in 2019 was 272.94% because the profit generated in that year was 272.94% of the total assets owned by the company. While the lowest of 0.03% occurred in the company PT. Prima Alloy Steel Universal in 2016.

The high profit generated by the company can occur because it increases sales (both volume and selling price) and reduces costs. Costs can be reduced by paying less for an item or service received or by using existing equipment...
more efficiently. Any cost reduction will definitely increase the company's profit. In addition, this profit can also be increased by investing in more profitable assets, which in this case are fixed assets that are able to produce higher products and sales.

The Effect of Leverage on Tax Avoidance

Based the test results above, the t test table show thats Leverage has no effect on Tax Avoidance in the company, because the value of tcount > ttable is <0.887 < 1.684, and the value of Prob. for Leverage is 0.381 which is greater than =0.05 (5%). In this study, leverage has no effect on tax avoidance. This indicates that during the observation period, the company did not fully utilize debt to minimize the tax burden. If the company uses debt in the composition of the company's operational financing, there will be an interest expense that must be paid so that it will be a deduction from taxable income. This is beneficial for the company because tax payments are lower so that net income can increase.

The highest percentage of DAR occurred in the company PT. Astra Otoparts Tbk in 2018 was 282.84% the result of a high DAR means the higher the risk of the company in paying off its obligations, this can later affect the use of the resulting net profit margin. The profit generated can be diverted to pay off debt rather than increasing the inventory turnover ratio if the liquid assets owned are not sufficient. While the lowest of 3.75% occurred in the company PT. Prima Alloy Steel Universal in 2016.

In this study leverage has no effect on tax avoidance so it can be said that there is a possibility that companies in using debt are not solely to create income, maybe debt is used for long-term investment, so that interest expense does not arise per period in the financial statements, so it cannot be used as a source of income. reducing the tax burden that must be paid by the company.

V. CONCLUSION

This study aims to see the result of profitableness and Leverage on tax avoidance in Indonesia automotive sub-sector manufacturing companies listed on the Indonesia Stock Exchange. supported the analysis leads to accordance with the formulation of the matter are as follows:

Profitability has an effect on Tax Avoidance for automotive sub-sector manufacturing companies listed on the Indonesia Stock Exchange for the 2015-2019 period.

Leverage has no effect on Tax Avoidance in Indonesia for automotive sub-sector manufacturing companies listed on the Indonesia Stock Exchange for the 2015-2019 period.

Suggestion

For Companies

It is expected to be additional careful by implementing tax administration ranging from registration, determination to assortment in victimization debt to finance its operational activities thus as to not cause too high a risk for the company's survival.

For issuer companies, the results of this study are expected to add insight by integrating information systems on the factors that influence tax avoidance and can be a reference in making decisions in the future.

It is expected to reduce the potential for tax avoidance by conducting regular tax audits so that it can attract investors to invest in their companies, and issuer companies should also be able to avoid tax so that financial performance is good in the eyes of investors and companies. If the company wants to reduce corporate tax avoidance, the company can increase the role of GCG.

For Further Researchers

For further researchers who will conduct similar research, it is expected to use other independent variables, and increase the research period, and are expected to conduct research other than all over Indonesia.
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