Data Article

THE EFFECT PROFITABILITY, COMPANY SIZE, AND LEVERAGE ON TAX AVOIDANCE

ABSTRACT

The purpose of this study was to determine the relationship between profitability, company size, and leverage on tax avoidance in property and real estate companies listed on the IDX in 2018-2022. This research was conducted using quantitative methods. The sample used in this study was 65 sample data selected using purposive sampling method. Data analysis method used is multiple regression analysis absolute difference method. The results of this study indicate that Profitability and Leverage have an effect on tax avoidance while company size has no effect on tax avoidance.

Keywords: [Profitability; Company Size; Leverage; Tax Avoidance; Sample]

1. INTRODUCTION

Tax is one of the obligations of society to the state and so on form of community participation in the development of the motherland and the state. Tax is one source of state revenue that aims to fulfill a country's needs. The definition of tax according to Law Number 16 of 2009 concerning General Provisions and Tax Procedures in Article 1 paragraph 1 is a mandatory contribution to the state owed by an individual or coercive body under the law, with no get the imbalance directly and used for the needs of the state for the greatest prosperity of the people. Taxes are a source of revenue countries with the most potential and occupy the highest proportion in the Budget State Income and Expenditures (APBN) compared to other revenues.

The government uses tax funds to run its programs with the aim of increasing economic growth through development infrastructure, public assets, and other public facilities. From a social perspective, tax payments are used to finance public facilities or assets (Freise et al., 2008 in Lanis and Richardson, 2012). This is done to improve welfare of the Indonesian people. Tax is an obligation to pay by the people to the government. Paying taxes is a form of dedication and support for the government in running the government.

One of the obstacles in optimizing tax revenue is tax resistance actions by companies seeking to reduce Business expenses, including tax burden. The high tax burden encourages companies to take actions to minimize the so-called tax burden with tax avoidance, tax aggressiveness, tax management, or tax planning. Unlike the case with the government, companies as taxpayers assumes that taxes are a burden borne by the company. Suandy (2011) revealed that for most companies, taxes are considered as a cost that can reduce company revenue. Difference Such interests lead to non-compliance by the obligatory corporate tax that will have an impact on the company's efforts tominimize the tax burden borne by the company.

Tax avoidance practices carried out by Enterprises are rife in the United States and this practice is also rife happened in Asia. Cahyani (2010) states that the level of adherence to personal taxpayers for developing countries in Asia between 1.5% and 3%. In Indonesia , the proportion of the level of taxpayer compliance relatively low compared to other Asian countries.

Tax avoidance cases have occurred in several large companies in the world. Which case first happened to Google. As of 2011, taxes are paid by Google only 3.2% of its total income. Google did a $2 tax evasion billion by transferring $ 9.8 billion of its income to a tax-free country. The size of a company can also affect the compliance of a company in carrying out their tax obligations.

There is one phenomenon at PT Kaltim Prima Coal is to avoid it taxes by selling coal to PT Indocoal Resource Limited use half of the usual selling price. Next, sell coal to abroad conducted by PT. Indocoal Resources Limited by using normal selling price of PT kaltim Prima Coal. So that the sales turnover received PT Kaltim Prima Coal is very low and causes high tax payments low too.

Second phenomenon of tax avoidance that occurs in Indonesia is that carried out by PT. British American Tobacco. British American Tobacco (BAT) owned tobacco company reported by the Tax Justice Network agency that has committed tax evasion through PT. Bentoel Internasional Investama by paying loan interest and royalties up to the impact of these activities the state suffered a loss of US $ 14 million per share (www.kontan.com.id, 2019).

In general, tax avoidance is considered as an act of legal because it takes advantage of many loopholes in tax regulations applicable (lawfull) (Santoso and Ning, 2013). By avoiding tax then the company can increase profitability and cash flow. However, this becomes an ethical dilemma when a company commits avoidance tax. If a company commits tax avoidance that will increase profitability, but the tax deduction could affect support to the government in development and other social programs, then companies can be categorized as socially irresponsible (Huseynov and Klamm, 2012).

There are several factors that affect a company in carry out tax avoidance, among others, profitability, company size, and leverage.

Profitability is the ability of a company to generate profits related to sales, total assets and own capital (Elvira, et al., 2022). Profitability is a percentage measure to assess a company's ability to generate profits at an acceptable level (Mahdiana and Amin, 2020). The measurement of profitability consists of several ratios, one of which is using Return On Assets (ROA). Return On Assets (ROA) is an indicator that reflects a company's financial performance, the higher the value of ROA that is able to be achieved by a company, the better the company's financial performance is, the better the management of a company's assets and the greater the profit the company earns. When a company earns a large profit, the tax borne by the company is even greater in accordance with the increase in company profits so that the tendency of the company to do tax avoidance (tax avoidance) to minimize tax payments that must be borne. In addition, in previous research conducted by Kurniasih with the result that ROA has a significant effect on tax avoidance. (Kurniasih and Sari, 2013).

Factor Company Size will affect the income to be earned company. Viewed from the tax side, then any company wants little tax payment. Business entities whose business size is relatively large will also bear a relatively large burden. Rosa Dewinta & Ery Setiawan (2016) said in their research that Firm size has a positive effect on tax avoidance. Where the high size of the company will be able to increase the level of tax avoidance practices. However, another study by (Adhivinna, 2017) states that company size has no effect on tax evasion.

Several researchers have also examined the relationship between Leverage with tax avoidance. According to Dewi & Noviari (2017), financial leverage is the proportion of longterm and short-term debt to total assets. A company's probability of avoiding taxes is proportional to its level of debt. According to Gibson, CH (1990) Leverage is "the use of debt, called leverage, can greatly affect the level and degree of change is the common earning". To calculate the extent to which the Company's assets are financed with debt, a ratio called leverage can be used, as described by Kasmir (2015) in consultation with the source. It compares the total amount of debt carried by the company with its total assets. Given the above definition, it is possible to explain why leverage is used to determine how much of a company's assets are funded by debt, which results in interest expense incurred by the business. Interest expense is a type of fixed expense which ultimately becomes the responsibility of the corporation. The use of the leverage ratio is evaluated based on the comparison of total assets and total debt.

the purpose of this study namely: 1.) To determine the effect of Profitability against tax avoidance. 2.) To determine the effect of Company Size against tax avoidance. 3.) To determine the effect of Leverage against tax avoidance.

2. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

Teori Agensi (Agency Theory)

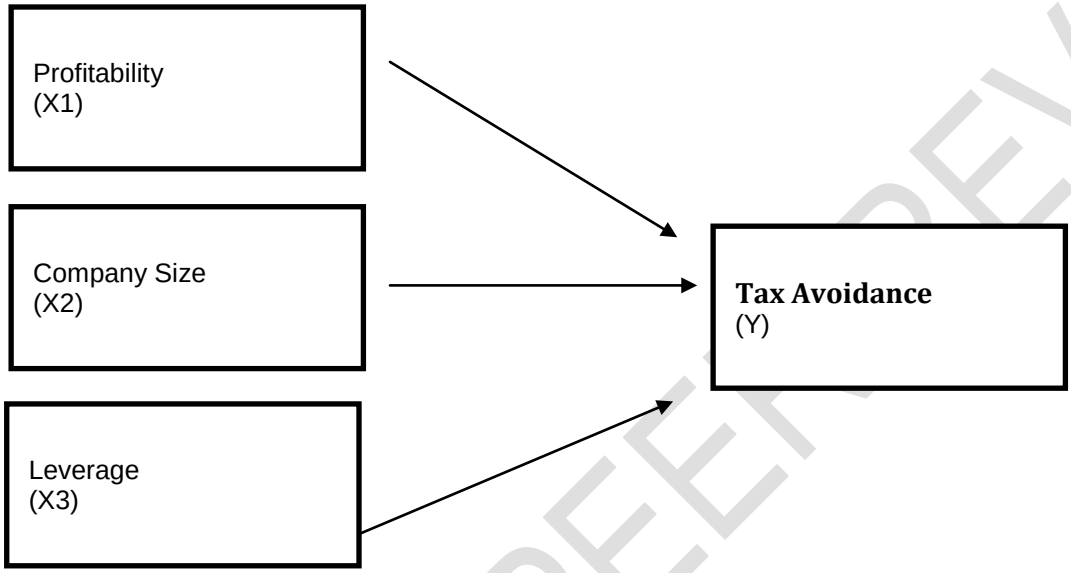
This theory is defined by Jensen and Meckling (1976) as theory that explains the agency relationship arising from a contract between one or more people (principal) with another person (agent) to carry out the delegation of authority agents in decision making. Saftiana et al. (2017) explained that The problem with agency theory is that there is a separation of interests between the owner and the agent management. Conflict arises when management is not doing the

job it delivers profit for the owner or shareholder. Conflict based on asymmetry information between agents and capital owners (Lukman & Geraldline, 2020)

Tax Avoidance

Tax Avoidance or tax avoidance is an effort to avoid taxes that are carried out legally and safely for taxpayers because it does not conflict with tax provisions, where the methods and techniques used tend to take advantage of weaknesses (gray area) contained in the tax laws and regulations themselves for reduce the amount of tax owed Pohan, (2016). Tax Avoidance is legal utilization is a legal act by exploiting a loophole in the law taxation to minimize the tax burden that should be paid by the company (Widyawati, 2016). Regulations that can be used as loopholes by companies in minimizing

Fig 1. Conceptual Framework



Hypotesis

Effect of Profitability on Tax Avoidance

Profitability is used to measure the financial performance of a company that shows the company's ability to generate profits. Return on Assets (ROA) is one way to determine the high and low profitability of the company. ROA shows the amount of profit earned by the company by using the total assets owned. The results of previous research by Yuni and Setiawan (2019) and Mahdiana and Amin (2020) concluded that "profitability has a significant positive effect on taxes avoidance". This is supported by the results of Wahyuni and Wahyudi's (2021) research which concluded "Profitability has a significant positive effect on tax avoidance, because the company has a big advantage so that it is more flexible in exploiting loopholes against management of the tax burden and also supported by a good corporate tax planning".

H1: Profitability has an effect on tax avoidance.

Effect of Company Size on Tax Avoidance

According to Machfoedz in Suwito and Herawati (2005) size company is a scale which can be used for classify one company to company small and large with various ways such as total assets company, total assets, market value shares as well as the number of sales and average sales rate. On generally the size of the company as well can be divided into several categories include, namely the first large firms, both medium firms, and the third is small firms. Proxy company size is used is the total asset that is with formula as follows: Firm size = Ln (total assets)

H2: Company Size has an effect on tax avoidance.

Effect of Leverage on Tax Avoidance

According to Cahyono, Andini, Raharjo (2016) leverage is which can describe the proportion of the company's total debt as well as total assets owned by a company with the aim of knowing the funding decisions made by the company the. Leverage can be calculated by dividing the total debt by total equity. Ngadiman & Puspitasari (2014) also said that leverage is a ratio that can measure debt capability both long term and short term to finance company assets. The formula for finding the Debt to Equity Ratio can be used to compare total debt to total equity Ngadiman and Puspitasari (2014).

H3: Leverage has an effect on tax avoidance.

3. RESEARCH METHOD

The data is processed using secondary data in the form of company financial reports and property and real estate annual reports with the object of research being all property and real estate companies listed on the IDX for the 2018-2022 period. Therefore, the population in this study are property and real estate companies listed on the Indonesia Stock Exchange for the 2018-2022 period with a total population of 85 companies on the main board and development board. The samples obtained in this study were 20 property and real estate companies.

The variables of this study consist of two main groups, namely the dependent variable and the independent variable. The following is a measurement of each variable proposed in this study consisting of:

The dependent variable (dependent) is the variable that is affected or becomes the result, because of the independent or independent variables. The dependent variable used in this research is tax avoidance.

TAX AVOIDANCE

Tax avoidance is an effort to avoid tax legally and safely by taxpayers because it does not conflict with tax laws to reduce the amount of tax owed, the following formula for calculating tax avoidance using the Cash Effective Tax Rate (CETR) measurement is as follows:

$$\text{CETR} = \frac{Payment\ \ of\ taxes}{Profit\ before\ tax}$$

The independent variable (independent) is a variable that influences or causes a change or the emergence of the dependent or dependent variable. The independent variables in this study are profitability (X1), company size (X2) and leverage (X3).

PROFITABILITY

Profitability is a percentage measure to assess a company's ability to generate profits at an acceptable level. Therefore Profitability is used to measure the financial performance of a company that shows the company's ability to generate profits, here is the formula to calculate profitability is as follows:

$$\text{Return on Assets} = \frac{Net\ profit}{Total\ Assets}$$

COMPANY SIZE

Company size is a scale where the size of the company can be classified according to various ways. Measurement of company size is proxied by natural logarithm values with the aim of smoothing the size of the numbers and equalizing the size at the time of regression, here is the formula for calculate company size is as follows:

SIZE = Ln Total Assets

LEVERAGE

The leverage ratio has a function to find out each own capital in rupiah which is used as collateral for debt. The higher the amount of debt funding used by the company, the higher the interest costs arising from the debt which will have an effect on reducing the company's tax burden, here is the formula for calculate leverage is as follows:

$$DER = \frac{\text{Total Debt}}{\text{Total Equity}}$$

DATA ANALYSIS TECHNIQUE

Multiple linear regression analysis is used because the independent variables in this study are more than one. Multiple linear regression analysis is a test used to determine the effect of the independent variables on the dependent variable. All data were analyzed using the Statistical Package for Social Science (SPSS) 27 for Windows with the following equation.

$Y = \alpha + \beta1X1 + \beta2X2 + \beta3X3 + e$

Keterangan:

Y = Tax Avoidance

α = Constant

X1 = Profitability

X2 = Company Size

X3 = Leverage

β1 β2 β3 = Partial Regression Coefficient

e = Error

4. RESULTS

Descriptive Data

Descriptive statistics are used to analyze data by describing or describing the variables studied using statistics that refer to the mean, standard deviation, maximum, and minimum values and of all the variables in this study, namely profitability, company size, leverage, and tax avoidance during the period the 2018-2022 research is presented in the table below.

Table 1.
Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
ROA	65	-.0623	.1242	.032015	.0412539
Size	65	15.4630	30.5418	25.536048	4.2204341
DER	65	.0511	1.8316	.673493	.5153124
CETR	65	-.0475	.0793	.010475	.0222271
Valid N (listwise)	65				

Source: Author's processed data SPSS (2023)

Normality Test

Determine whether the data under study has a normal distribution or not by using the Kolmogorov-Smirnov method which is assisted by using a system, namely SPSS.

Table 2. Normality Test
One-Sample Kolmogorov-Smirnov Test

			Unstandardized Residual
N			65
Normal Parameters[a,b]	Mean		.0000000
	Std. Deviation		.01860488
Most Extreme Differences	Absolute		.098
	Positive		.098
	Negative		-.091
Test Statistic			.098
Asymp. Sig. (2-tailed)[c]			.194
Monte Carlo Sig. (2-tailed)[d]	Sig.		.122
	99% Confidence Interval	Lower Bound	.113
		Upper Bound	.130

a. Test distribution is Normal.
b. Calculated from data.
c. Lilliefors Significance Correction.
d. Lilliefors' method based on 10000 Monte Carlo samples with starting seed 1502173562.

Source: Author's processed data SPSS (2023)

Based on the table 2, it is known that the Kolmogrov-Smirnov test results showed a sig value of 0.194, so it can be said that the data in this study were normally distributed because the sig value >0.05.

Multicollinearity Test

To see whether or not there is multicollinearity in this regression, it can be seen from the magnitude of the Tolerance and VIF values. If the Tolerance value is > 0.10 and the VIF value is < 10, it can be concluded that there is no multicollinearity between the independent variables in the regression model.

Table 3. Multicollinearity Test
Coefficients[a]

Model		Collinearity Statistics Tolerance	VIF
1	ROA	.818	1.222
	Size	.764	1.310
	DER	.792	1.263

a. Dependent Variable: CETR

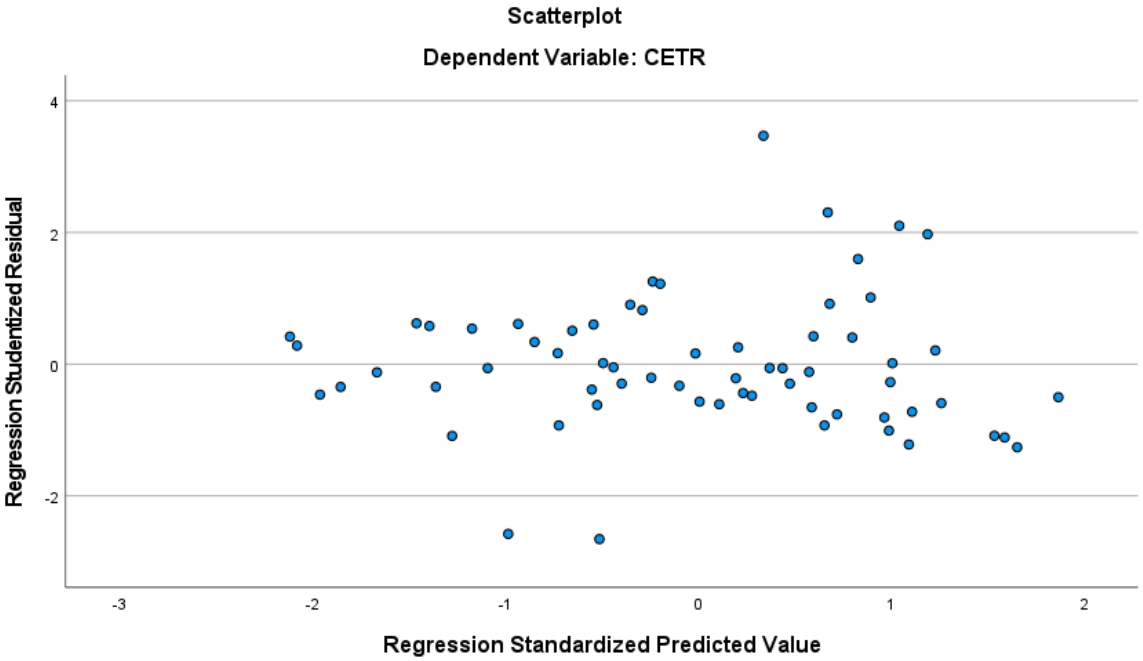
Source: Author's processed data SPSS (2023)

Based on table 3, it can be concluded that the resulting VIF value is less than 10 and the tolerance value is more than 0.10 meaning that in the regression model of this study there is no multicollinearity between the independent variables.

Heteroscedasticity test

The heteroscedasticity test aims to test whether in the regression there is variance inequality from one residual observation to another, to test whether or not heteroscedasticity can be seen by the presence or absence of certain patterns on the Scaterplot graph.

Fig 2. Heteroscedasticity Classical Assumption Test



Source: Author's processed data SPSS (2023)

Based on Figure 1, it shows that the data points spread above and below or around the number 0, the data points do not collect only above or below, the distribution of data points does not form a certain pattern. Therefore, it can be concluded that there is no heteroscedasticity in this study.

Autocorrelation Test

Seeing whether in a linear regression model there is a correlation between the confounding variable and the previous variable, therefore the autocorrelation test appears in the regression using time series data. A good autocorrelation model must be free from autocorrelation.

Table 4. Autocorrelation Test

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.547[a]	.299	.265	.0190569	1.756

a. Predictors: (Constant), DER, ROA , Size

b. Dependent Variable: CETR

Source: Author's processed data SPSS (2023)

Based on the table 4, the results of the autocorrelation test data can pass the test if the Durbin-Watson value is between the dU and 4 – dU values. Where the value of Du is obtained from the Durbin-Watson table of 1.6960 and for a value of 4 – dU is 2.304. If put into the equation dU < d < 4 – dU the result is 1.6960 < 1.756 < 2.304. Thus, it can be concluded that in this study there was no autocorrelation.

Multiple Linear Regression Analysis Test Results

Table 5. Multiple Linear Regression Analysis Test Results

Coefficients[a]

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	-.010	.019		-.494	.623
	ROA	.247	.064	.459	3.873	.000
	Size	5.942E-6	.001	.001	.009	.993
	DER	.018	.005	.411	3.413	.001

a. Dependent Variable: CETR

Source: Author's processed data SPSS (2023)

Based on table 5, the multiple linear regression equation can be obtained as follows:

Y = -0.010 + 0.247ROA + 5.942SIZE + 0.018DER + e

Partial Significance Test (T Test)

Partially examine the effect of each independent variable, namely Profitability (X_1), Company Size (X_2), Leverage(X_3) on the dependent variable, namely Tax Avoidance (Y).

Table 6. T Test Result

Coefficients[a]

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	-.010	.019		-.494	.623
	ROA	.247	.064	.459	3.873	.000
	Size	5.942E-6	.001	.001	.009	.993
	DER	.018	.005	.411	3.413	.001

a. Dependent Variable: CETR

Source: Author's processed data SPSS (2023)

First Hypothesis (H1)

Based on the table, the t count value is 3.873 >t table 1.999 and a significant value is 0.000 < 0.05 in the sense that the profitability variable has an effect on tax avoidance in other words H1 is accepted.

Second Hypothesis (H2)

Based on the table, the t count value is 0.009 < t table 1.999 and a significant value is 0.993 > 0.05, meaning that the Company Size variable has no effect on tax avoidance, in other words H2 is rejected.

Third Hypothesis (H3)

Based on the table, the t value is 3.413 > t table 1.999 and a significant value is 0.001 < 0.05, meaning that the leverage variable does affect tax avoidance, in other words H3 is a accepted.

Simultaneous test (F Test)

Testing together (simultaneously) the independent variables namely Profitability (X_1), Company Size (X_2), and Leverage (X_3) on Tax Avoidance (Y) which is the dependent variable.

Table 7. F Test Result

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.009	3	.003	8.688	.000[b]
	Residual	.022	61	.000		
	Total	.032	64			

a. Dependent Variable: CETR

b. Predictors: (Constant), DER, ROA , Size

Source: Author's processed data SPSS (2023)

Based on table 7 above, the value of Sig. 0.000, probability level is 0.05 or 0.00 < 0.05 and the value of Fcount > Ftable is 8.688 > 2.755. Then it can be concluded that which states "Profitability, leverage, and firm size simultaneously influence tax avoidance", is declared accepted.

Coefficient of determination (R2)

This test was carried out with the aim of know the ability of the independent variable namely Profitability, Company Size, and Leverage explaining the variation of the dependent variable, namely Tax Avoidance

Table 8. Coefficient of determination Result

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.547[a]	.299	.265	.0190569	1.756

a. Predictors: (Constant), DER, ROA , Size

b. Dependent Variable: CETR

Source: Author's processed data SPSS (2023)

Based on the test results of the coefficient of determination in table 8, it can be seen that the value of the correlation coefficient is 0.547, then the coefficient of determination (R^2) obtained is 0.299.

5. DISCUSSION

Effect of profitability on tax avoidance

The results of the authors' research state that profitability has a positive effect on tax avoidance. The results of this study are in line with research conducted by Handayani (2018), Praditasari dan Setiawan (2017), which states that Profitability has a positive effect on tax avoidance. That is, the higher the return on assets, the greater the profit generated by the company and the greater the tax burden to be paid by the company. This encourages companies to do tax avoidance actions

Effect of Company Size on Tax Avoidance

The results of the author's research indicate that the company size variable has no effect or has a negative effect on tax avoidance. It can be concluded that the variables in this study have no effect because the larger the size of the company, the lower the level of tax avoidance in a company, in other words companies that are grouped into large sizes (have large assets) can significantly influence the decrease in tax avoidance practices can occur within the company.

Effect of Leverage on Tax Avoidance

The results of the authors' research indicate that the leverage variable has a positive effect on tax avoidance. In line with the results of research conducted by Maria Qibti M and Muhammad Nuryanto A. (2020) showed that leverage has a significant positive effect on tax avoidance. Companies will carry out tax avoidance if they have high debt, so that the interest expense of the debt will also increase, the high interest expense borne by the company can be used to reduce taxable profits and make the tax payable more low.

6. CONCLUSION

Based on research that has been conducted on the effect of Profitability, Leverage, and Company Size on Tax Avoidance in property and real estate sub-sector companies listed on the Indonesia Stock Exchange in 2018-2022, it can be concluded that partially Profitability and Leverage have an effect on Tax Avoidance, while Size company has no effect on Tax Avoidance. And Simultaneously Profitability, Leverage, and Company Size have an influence on Tax Avoidance.

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