The Effect of Company's Performance on Tax Avoidance

Lilis Renfiana ^{1*},

Sevrina Candra Dewi ²,

¹ Faculty of Sharia Economics, STEBIS Nur Ilmi, Jl. Protocol No. 68 Sukadamai Natar Lampung, Indonesia

² Faculty of Economics, Janabadra University, Jl. Tentara Rakyat Mataram No 58, Jetis, Yogyakarta, Indonesia

ARTICLE INFO	ABSTRACT
ISSN: 2723-1097 Keywords: Tax Avoidance; Return on Asset; Company performance; LQ-45 Index .	<i>Researchers want to examine tax avoidance that occurs in companies listed in LQ45. As is well known, the LQ45 index represents 45 companies that have gone through a selection process with high liquidity (Liquid) and considerations of large market capitalization. Companies that are listed in LQ45 are very interesting to research, which companies that go public and liquid are doing Tax Avoidance or tax avoidance. Tax avoidance variables use CETR or (Cash Effective Tax Rate) and company performance variables use ROA (Return on Asset).</i> <i>Analyzed by quantitative, secondary data obtained from the financial statements of companies that consistently included in the LQ45 index in the year 2014 to 2018 on the website Stock Exchange Indonesia, namely www.idx.co.id. The number of samples obtained were 21 companies. The data analysis technique used simple regression with the SPSS application.</i> <i>The results showed that company performance did not affect tax avoidance attitudes. companies listed on LQ45 are still compliant with tax payments in accordance with the portion</i>

INTRODUCTION

Taxes are a very important element to support income in a country. Taxes are also one of the obligations of society to the state and as a form of community participation in the development of the homeland and the state. The definition of tax according to Law Number 16 of 2009 concerning the fourth amendment to Law Number 6 of 1983 concerning General Provisions and Tax Procedures in Article 1 paragraph 1 reads "Taxes are a mandatory contribution to the state owed by an individual or entity that is forcing

based on the Law, without getting direct compensation and being used for the state's needs for the greatest prosperity of the people ”.

Taxes are the biggest support for Indonesia's state budget expenditure burden. Increasing state expenditure has an impact on the tax target which continues to increase every year (Astuti and Aryani, 2016) . After the Directorate General of Taxes stated that the outlook for revenue was only 94.9% of the APBN target. Within five years back, or since the 2013-2017 Indonesian tax revenue is never reached (finance.detik.com, 25/12/2019).The largest source of state revenue comes from the taxation sector. From an economic perspective, taxes play an important role as an indicator in increasing the rate of growth and implementation of the country's development. The following is a picture of data on the target and realization of tax revenues in Indonesia:

Picture I
Target and Realization of Indonesian Tax Revenue Data
(in trillion)

Source : www.cnbcindonesia.com

From the pict, it can be seen that the tax revenue target is always not in accordance with the realization, this is because the implementation of tax collection by the government does not always get a good response from the company. This is caused by differences in the interests of the tax authorities who want large and continuous tax revenues as opposed to the interests of companies that want to pay as little tax as possible. This difference in interests causes tax payers to tend to reduce the amount of their taxes, both legally and illegally. (Fanny, 2017) Tax minimization can be done in various ways, ranging from those

that are still within the frame of taxation regulations to those that violate tax regulations. This tax minimization effort is called *tax planning*. Minimizing tax obligations that do not violate laws is often called *Tax Avoidance*. Practice *Tax Avoidance* usually exploit the weaknesses of the tax law and not violate tax laws.

The Directorate General of Taxes of the Ministry of Finance has stated that as many as 2,000 multinational companies operating in Indonesia do not pay Corporate Income Tax (PPh) Article 25 and Article 29 for reasons of loss, tax avoidance is carried out by *transfer pricing* mode or transfer taxable profits or profits from Indonesia to other countries and it was also found that the mode of profit reduction occurred due to royalty payments and improper purchase of raw materials and sales. (Laurel, 2017)

In 2014 tax evasion was carried out by Astra International Tbk (ASII), one of its subsidiaries, namely PT Toyota 5 Motor Manufacturing. The method is simple, which is to transfer the burden of excess profits from one country to another that applies a cheaper tax rate (*tax haven*). Transfer of expenses is carried out by improperly manipulating prices. 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 only acts *on behalf of* Toyota Motor Asia Pacific that is, the name of a Toyota business unit based in Singapore. (Investigasi.tempo.co.id, 10/01/2020)

Then another case is PT Garuda Metalindo. From the Company's balance sheet, there is an increase in the amount of debt (banks and financial institutions). In the financial statements the value of short-term bank debt reached 200 billion until June 2016, an increase from the end of December 2015 valued at 48 billion. This issuer coded as BOLT shares utilizes capital obtained from loans or debt to avoid paying taxes that must be borne by the company. Companies that finance with debt will incur interest costs that must be paid, the bigger the debt,

the greater the interest costs borne by the company. Large interest costs will have the effect of reducing the tax burden.

In this study, the researcher wants to examine tax avoidance that occurs in companies listed on LQ45 on the Indonesia Stock Exchange (IDX). As is well known, the LQ45 index represents 45 companies that have gone through a selection process with high liquidity (*Liquid*) as well as several other selection criteria. These criteria may include consideration of market capitalization. The 45 companies are adjusted every six months (every early February and August). Thus, companies that are listed in LQ45 are very interesting to study, which companies that *go public* and are *liquid* are doing *Tax*. So that the researchers gave the title in this study " *The Effect of Company's Performance on Tax Avoidance*"

METHOD

This study uses quantitative research methods with a secondary data analysis approach. Secondary data obtained is the company's annual financial report data listed on the Indonesian Stock Exchange website. This research took a sample of 21 companies with specific criteria. The data processing in this study used linear regression analysis with some classical assumption tests assisted by SPSS software. There are several things obtained in this research, namely the test results that allow accepting or rejecting the hypothesis and using the results of previous research for reference material for this study, whether the results will support or reject the theory carried out by previous researchers.

The proxies used in this study are CETR as Tax Avoidance and ROA as company performance, Return On Asset (ROA) This ratio is one of the profitability ratios that will be used to measure company performance. ROA describes the company's ability to generate profits from every dollar of assets used and also provides a better measure of the company's profitability because it shows the effectiveness of management in using assets to earn income and can assess

whether the company is efficient in utilizing its assets to carry out the company's operational activities. The bigger this ratio the better because it means the greater the company's ability to generate profits. This ratio is calculated by dividing net income to total assets. Companies that have good financial performance will be synonymous with efforts to make wider disclosures.

Companies with high performance will increase company value in the process of forming an image which is very influential in gaining the trust of its stakeholders. The main goal of the shareholders is to want the company to have maximum corporate value. When viewed from the perspective of traditional theory, that tax avoidance is an activity to transfer resources from the state to shareholders (Desai & Dharmapala, 2009). By utilizing applicable regulations, tax planning activities aim to obtain an increase in profit after tax which will have an impact on improving company performance. When viewed from the perspective of agency theory, that corporate tax avoidance decisions are made by managers so that corporate tax avoidance opens opportunities for managers to be opportunistic by avoiding taxes which can have a negative impact on company performance. Based on the description above, the hypothesis is:

Ha: Company performance has a significant effect on Tax Avoidance.

The objects in this study are all companies listed on the LQ45 index on the Indonesia Stock Exchange (BEI) from 2014-2018. While sampel in this study were selected based on the method of *purposive sampling* that samples that meet certain criteria to obtain a representative sample. The sample selection criteria are as follows:

1. Companies that are listed and consistent in LQ45 and publish *annual reports* for the 2014-2018 period.
2. Having complete data related to the variables in this study for 5 consecutive years of observation (2014-2018).

3. *Financing* (Bank, Insurance) was not included in the sample of this study, because it has different characteristics. Ex: CAR = 8% in banking can be said to be good, but not in other companies. (Lilis Renfiana, 2018)

Obtained samples of 21 companies as follows:

TABLE I
COMPANY PERFORMANCE AND TAX AVOIDANCE SAMPLE MEMBERS

NO	CODE	NAME	ROA	CETR (T/IBT)
1	ADHI	PT Adhi Karya (Persero) Tbk	2,104	0,455
2	ADRO	PT Adaro Energy Tbk	4,68	0,429
3	AKRA	PT AKR Corporindo	5,986	0,119
4	ASII	PT Astra International Tbk	7,404	0,198
5	BSDE	Bumi Serpong Damai Tbk	12,266	0,021
6	GGRM	Gudang Garam Tbk	10,056	0,254
7	ICBP	Indofood CBP Sukses Makmur Tbk	11,09	0,279
8	INDF	Indofood Sukses Makmur Tbk	5,204	0,327
9	INTP	Indocement Tunggul Prakasa Tbk	11,124	0,253
10	JSMR	Jasa Marga (Persero) Tbk	3,14	0,208
11	KLBF	Kalbe Farma Tbk	14,548	0,239
12	MNCN	Media Nusantara Citra Tbk	10,058	0,278
13	PGAS	Perusahaan Gas Negara (Persero) Tbk	5,678	0,266
14	PTBA	Tambang Batubara Bukit Asam (Persero) Tbk	15,01	0,249
15	PTPP	PP (Persero) Tbk	3,64	0,227
16	SMGR	Semen Gresik (Persero) Tbk	9,32	0,21
17	TLKM	Telekomunikasi Indonesia (Persero)	14,414	0,246
18	UNTR	United Tractors Tbk	7,724	0,274
19	UNVR	Unilever Indonesia Tbk	39,85	0,252
20	WIKA	Wijaya Karya (Persero) Tbk	3,366	0,186
21	WSKT	Wijaya Karya (Persero) Tbk	3,636	0,198

(Source : idx.co.id)

The sample obtained was then analyzed using Simple Regression Analysis, which previously carried out the Classical Assumption test or data feasibility test, namely Normality and Heteroscedasticity Test. (Imam Ghozali, 2016)

RESULT AND DISCUSSION

TABLE II
DESCRIPTIVE DATA

<i>ROA</i>		<i>CETR</i>	
Mean	9,538	Mean	0,246095
Median	7,724	Median	0,249
S. Deviation	8,038174	S.Deviation	0,090911
Minimum	2,104	Minimum	0,021
Maximum	39,85	Maximum	0,455
Count	21	Count	21

Source: processed data, output SPSS

In table II, we can see that the CETR (tax avoidance) research variable as the dependent variable with a sample size of 21 companies has a maximum value of 0.455 owned by PT. Adhi Karya Tbk. (ADHI), the minimum value of 0.021 owned by PT. Bumi Serpong Damai (BSDE). Then it has a mean value of 0.246 and a standard deviation of 0.09. This indicates that the mean value is greater than the standard deviation value which indicates a fairly good distribution of the data and the mean value can represent the entire data.

The research variable ROA (company performance) as an independent variable with a sample size of 21 companies has a minimum value of 2.104 owned by PT. Adhi Karya Tbk. (ADHI)., Has a maximum value of 39.85 which is owned by PT. Unilever Tbk. (UNVR), has a mean value of 9,538 and a standard deviation of 8.03.

PT. Unilever Indonesia (UNVR) was founded on December 5, 1933 as Lever Zeepfabrieken N.V. On 22 July 1980, the company name was changed to PT Lever Brothers Indonesia and on 30 June 1990, the company name was changed to PT Unilever Indonesia Tbk. Unilever Indonesia released 15% of its shares on the Jakarta Stock Exchange and the Surabaya Stock Exchange in 1981. Unilever Indonesia has more than

1,000 distributors throughout Indonesia. Unilever has several subsidiaries in Indonesia, namely:

1. PT Anugerah Lever-was founded in 2000 and is engaged in manufacturing, developing, marketing and selling soy sauce, chilli sauce and other sauces under the trademark Bango, Parkiet and Sakura and other brands
2. PT Technopia Lever - founded in 2002 as a joint venture with Technopia Singapore Pte. Ltd. Techopia is engaged in the distribution, export and import of goods using the Domestos Nomos trademark.
3. PT Knorr Indonesia - acquired on January 21, 2004
4. PT Sara Lee

Unilever Indonesia won the 2005 Energi Globe Award for their waste management scheme in villages near the Brantas river in Surabaya. This scheme involves compost. Organic and recycled waste, and has resulted in improved local water quality in rivers. In May 2011, PT Unilever Indonesia Tbk will invest at least £ 300 million in the next 2 years to expand its factories in Cikarang, West Java and Rungkut, East Java. Currently, Unilever Indonesia operates 8 factories and 3 distribution centers. PT Unilever Indonesia Tbk is part of the Unilever Group NV / plc to manufacture and supervise all brands produced by Unilever (such as Surf, Close-up, Clear etc.). PT Unilever is very well known for its familiar products in Indonesian society.

PT Adhi Karya (Persero) Tbk. (ADHI) is a public company engaged in construction services headquartered in Jakarta, Indonesia. The history of the establishment of ADHI began when the Minister of Public Works and Electricity, through a Decree dated March 11, 1960, decided to establish a construction service company. A year later ADHI was legalized as a State Company (P.N.) Adhi Karya based on PP No. 65 in 1961 with the merger of a former Dutch-owned building company that had been nationalized under PP No. 2 of 1960, namely "Naamloze Vennootschap" Architecten-Ingenieurs en Aannemersbedrijf Associatie Selle en de Bruyn, Reyerse en de vries NV

"(Associatie NV) into PN Adhi Karya. ADHI's status as a State Company changed to Limited Liability Company in 1974 and has the status as Public company in 2004.

Bumi Serpong Damai (BSD) or BSD City (idx: BSDE) is one of the planned cities in Indonesia, which is located in the sub-district of Serpong, South Tangerang. The city was inaugurated on January 16, 1984. BSD City is one of the satellite cities of Jakarta which was originally intended to be an independent city, where all facilities are provided in the city including industrial areas, offices, trade, education, tourism, as well as housing. The planners are Pacific Consultant International, Japan City Planning Inc, Nihon Architect Engineer and Consultant Inc, and Doxiadis; and the developer is Sinarmas Land, a subsidiary of a conglomerate group of companies in Indonesia, Sinarmas Group, which works in the property sector. Currently the name 'BSD' does not refer to an abbreviation, but rather is a standalone word. The Sinar Mas group has more popularized the BSD City name as a differentiator from the previous developers, and also added the slogan "Big City. Big Opportunity" to promote BSD City. In 2005 the city had 100,000 inhabitants.

BSD City is a project

Researchers used statistical tests. For statistical tests, researchers used Kolmogorov S. Mirnov Test. Normality testing is done by looking at the Asymp Sig value. (2-tailed). The following are the results of the KS Test. From the test using Kolmogorov-Smirnov statistic, value Asymp. Sig (2-tailed) is 0.200 greater than the significance level of 0.05. So it can be concluded that H_0 is accepted with the information that the residual data is normally distributed .

Then the Heteroscedasticity Test aims to test whether in the regression model there is an inequality of variance from the residuals of one observation to another. In this test, researchers used the G-Lejser test. If the significance probability value > 0.05 or above 5%, it can be concluded that it does not contain heteroscedasticity. From the Sig. on each variable indicates a number greater than 0.05 or above 5%. So it can be concluded that

there is a difference in variance from the residuals of one observation to another and the regression model does not contain heteroscedasticity .

The analysis technique in this study uses regression analysis with the independent variable, namely company performance and the dependent variable, namely *tax avoidance* . In general, the simple linear regression equation formula is $Y = a + bX$, while to find out the regression coefficient value can be seen in the following table:

Table III
Simple Regression Test Results

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	1,136	,028		40,713	,000
ROA	-,007	,009	-,171	-,755	,459

a. Dependent Variable: CETR

$$Y = 1,136 - 0,511 X + e$$

ROA = Return On Asset

α = Konstanta

β = Slope or regression coefficient

CETR = *Cash Effective Tax Rate (Tax avoidance)*

a = constant number of unstandardized coefficients. In this case the value is 1.136. This figure is a constant number which means that if there is no increase in company performance $[x]$, the consistent value of *Tax avoidance* $[y]$ is 1.136.

b = the coefficient value is -0.007 This figure means that every 1% addition of the company's performance [x], then the *Tax avoidance* [y] is -0.007, because the regression coefficient value is minus [-], then it can be said that company performance [x] has a negative effect on *tax avoidance* [y]. So the regression equation is: $Y = 1,136 - 0.007X$

Hypothesis testing or influence testing functions to determine whether the regression coefficient is significant or not. The hypothesis in this study is: H_a : there is an effect of company performance (X) on *tax avoidance* (Y). If the significance value (Sig) is less than the probability of 0.05, it means that there is an effect of Company Performance (X) on *Tax Avoidance* (Y). Conversely, if the significance value (Sig) is greater than the probability of 0.05, it means that there is no effect of company performance on *tax avoidance*. Based on the output above, it is known that the significance value (Sig) is 0.459 or $0.459 > 0.05$, so it can be concluded that H_a is Rejected, which means there is no influence between company performance and *tax avoidance*.

Furthermore, the value of R Square or R^2 or coefficient determinasi aims to measure the impact that the independent variable or independent variable (X) on the dependent variable or dependent variable (Y). The values obtained range from 0 to 1. The closer to number 1 means that the independent variable (X) provides almost all the information needed to predict the dependent variable.

The value of R^2 is 0.029, means that the Company's performance has no effect on *Tax avoidance*. Or only 2.9% while 97.1% is influenced by other variables that are not researched. Furthermore, this sub-chapter will explain how the influence of company performance on *tax avoidance*, especially in companies that are listed and consistent on 2014-2018 LQ45 Index stocks, as it is known previously that companies listed on LQ45 are companies that are liquid and have good performance (*Blue chip*).

In the theory of psychology, it is explained that the information asymmetry that occurs encourages companies to provide information to outsiders. In addition, the signal given can indicate that the company can do better than other companies. In relation to tax avoidance, *tax avoidance* activities can be viewed as negative signals due to non-

compliance and as positive signals due to their planning and efficiency (Ifada, 2017). Meanwhile, based on agency theory where management as the manager of the company has more information than shareholders, it encourages management to take opportunistic actions so that the company looks good and wants a bigger distribution of funds because it has worked well. (Hanlon, 2010)

Tax avoidance is does not clearly violate laws by utilizing *gray areas* and is included in corporate tax planning. Meanwhile, company performance is the result of management performance towards the company. Relations *tax avoidance* with performance of companies according to the traditional theory is *tax avoidance* is useful for transferring resources which should have been for the country to shareholders. However, when viewed from the perspective of *agency theory*, the implementation of *tax avoidance* can have a negative impact on company performance because not all *tax avoidances* can be responded to well by investors.

Hypothesis testing in this study is to reject H_a that there is NO influence between company performance and *tax avoidance*. This is because the significance value of 0.459 is greater than 0.05. The variable *Return On Asset* has no significant effect on *tax avoidance*. Thus, the greater or the smaller the level of company *return on assets*, it will not affect the company's *tax avoidance*. Besides having excellent performance, the LQ45 index also has a commitment to economic progress in Indonesia, as evidenced by the absence of tax avoidance, companies listed on LQ45 remain compliant with tax payments in accordance with their portion.

This research is in line with the signal theory which states that investors view companies that practice *tax avoidance* from a negative point of view. It is viewed as a negative signal when it is seen as non-compliance because this action carries a large risk and creates high costs. Desai and Dharmapala research, that the activities of *tax avoidance* is not always get respon both from investors because of the asymmetry of information which management is more knowledgeable happening in company than external parties. (Mihir, 2009)

The results of this study reject the traditional theory mentioned in Kim et.al's research (2010), states that *tax avoidance* affects company performance because it serves to transfer welfare that should be used for the state but is used for welfare. shareholders, therefore managers can take advantage of *tax avoidance* in order to maximize profit after tax so as to increase company performance.

CONCLUSION

Based on the results of research that has been carried out after going through the stages of data collection, data processing, data analysis, and finally the interpretation of the results of the analysis regarding *Return On Assets* against *Tax Avoidance* in 21 companies listed on the 2014-2018 LQ45 index where companies are listed in LQ45 is a company that has very good performance and is liquid, is it possible that the company is doing *Tax Avoidance*.

The results showed Variable *Return On Asset* not significantly affect tax evasion or *Tax Avoidance*. It can be concluded that the greater or the narrower level of *return on assets* of the company, it will not affect the actions of tax evasion. Company. Besides having excellent performance, the LQ45 index also has a commitment to economic progress in Indonesia, as evidenced by the absence of tax avoidance, companies listed on LQ45 remain compliant with tax payments in accordance with their portion.

SUGGESTION AND RESEARCH LIMITATIONS

Adding other variables such as company size or *lavarage*, the board of commissioners. In this study, it is considered not to cover all the factors that affect *Tax Avoidance*. And than, adding research objects, such as all companies listed on the Stock Exchange In this study, only companies listed in LQ45 2014-2018. So can be comparing Exchanges in Indonesia with other countries, such as Malaysia, Singapore and so on.

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