Jurnal Ilmiah Mandala Education (JIME)
Vol 10 No. 3 Agustus 2024
p-ISSN : 2442-9511, e-2656-5862
DOI: 10.58258/jime.v10i3.6825/http://ejournal.mandalanursa.org/index.php/JIME

The Influence of Profitability, Leverage, and Company Size on *Tax Avoidance* In Manufacturing Companies (Period 2018-2022)

Dede Puspa Pujia[1*], Cecep Edi Hidayat [2], Hurian Kamela[3]Susilowati[4] and Rengga Prabusakti[5]
[1,3,4]Universitas Tangerang Raya, [2]Universitas Muhammadiyah Tangerang,Universitas Negeri Sebelas Maret[5],

Article Info
Article history:
Accepted: 28 Agustus 2024
Published: 30 Agustus 2024

Keywords:
Profitabilitas,
Leverage,
Ukuran Perusahaan,
Tax Avoidance

Abstrak
This research aims to analyze the influence of profitability, leverage and company size on Tax Avoidance in manufacturing companies for the period 2018 - 2022. This research is quantitative with a research sample of 11 companies. The data analysis method uses multiple linear regression analysis using SPSS version 25. The results of this research reveal that profitability has a negative effect on tax avoidance. Meanwhile, leverage and company size have no effect on tax avoidance.

Corresponding Author:
Dede Puspa Pujia
Universitas Tangerang Raya
Email: dede.puspa@untara.ac.id

1. INTRODUCTION

This tax avoidance behavior has a big influence on the State Revenue and Expenditure Budget or what is usually called the APBN. The APBN itself has been designed with income targets through taxes. However, the realization of state revenues from the tax sector in recent years has not met expectations.

The phenomenon of tax avoidance behavior in Indonesia occurred in 2013 by PT Indofood Sukses Makmur Tbk, which evaded tax payments amounting to IDR 1.3 billion (quoted from e-journal unmetro.ac.id). And in 2019 there was also a case *Tax Avoidance* carried out by PT Adaro Energy with a tax avoidance value of Rp. 1.75 trillion lower than it should have been in the 2007 to 2017 financial reporting period (https://www.kompasiana.com/). This incident underscores that it is very important to review and update tax regulations to strengthen supervision in tax regulations to prevent tax avoidance behavior that can reduce state revenues further.

Tax Avoidance is a legal action that is not against the law because it exploits the weaknesses of the applicable tax regulations (Rais et al; 1, 2022), however *Tax Avoidance* This is an unethical action because it can harm the country.

One factor that is usually a factor in tax avoidance behavior is profitability. This factor is measured using return on assets, which is an indicator that reflects a company's financial performance. Return on assets is related to the company's net profit and the imposition of income tax for corporate taxpayers.

Likewise with the leverage factor which is a percentage that measures a company's long-term ability to fulfill its obligations. In this case, leverage is measured using the debt-to-equity ratio, which is a comparison between debt and equity. The higher the level of debt, the higher the possibility of the company avoiding tax. An increase in the amount of debt will result in interest expenses that must be paid by the company. The interest expense that arises on this debt will be a deduction from the company's net profit, which will reduce tax payments so that maximum profits can be achieved.

The next factor is Company Size or Company size which is the logarithm of the sum of assets which can be used to determine the size of the company (Pujia et al., 2023; 2), where the calculation formula is = Ln X Total Assets. The bigger the company, the greater the company's opportunity to take advantage of weaknesses in tax regulations to carry out practices *Tax Avoidance* because large company transactions are usually more complicated and there are many financial transactions (Jasmine, 2017).

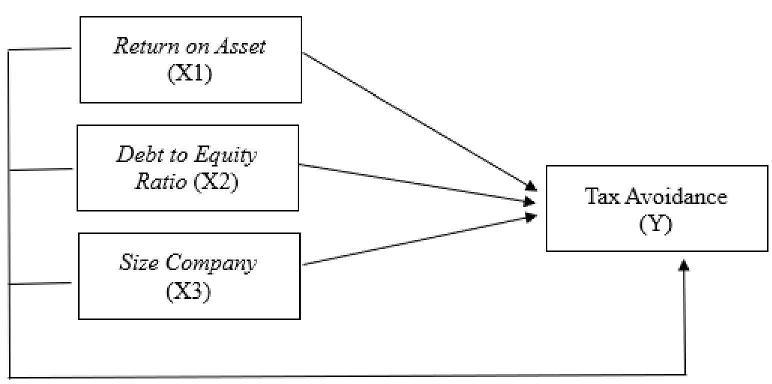
Jensen and Meckling (1976) state that capital owners act as principals and management acts as agents, which is a relationship of delegation of duties and authority in managing the company given by the principal to the agent. In this relationship, a role is needed that bridges the interests of the agent and the principal, namely the auditor who carries out objective assessments (Pujia et al; 55; 2022).

Profitability is the Company's ability to earn profits which is an indicator of management's success in managing the Company's operations (Dewi&Jati; 2014). One indicator that can reflect the company's success in generating profits is knowing the Return on Assets (ROA) because it is related to net profit (Nibras&Hadinata; 2020). *Tax Avoidance* often carried out by companies with large profit values (Chen, et al; 2010)

Leverage is debt that originates from external parties (Darmawan, Sukartha; 2014). Where with this debt there will be interest charges which can reduce the Company's profits so that the income tax paid by the Company will be reduced ((Fernández-rodríguez & Martínez-arias, 2014). Indicators in calculating the Company's leverage can be seen by knowing the Debt to Equity Ratio (DER) . The higher the DER value of a company, the lower the ETR obtained by the company (Widodo&Wulandari; 2021)

Based on the company's total assets, share market value, number of sales and average sales level, the size of the company can be divided into 3 categories, namely small companies, medium companies and large companies (Henny; 2019). Large companies have very complex transactions that make it possible for companies to carry out tax *avoidance* in these transactions (Widodo&Wulandari; 2021). So, the larger the size of the company, the greater the opportunity to do so *tax avoidance* (Kimsen et al., 2018).

Referring to the theories stated above, a conceptual framework for this research can be prepared as follows:



Referring to the conceptual research, a hypothesis can be prepared in the research as follows:

H1: Return on Assets (ROA) has an effect on *Tax Avoidance*

H2: Debt to equity Ratio (DER) has an effect on *Tax Avoidance*.

H3: Company size is influential *Tax Avoidance*

H4: Return on Assets (ROA), Debt to equity Ratio (DER) and Size company influence on *Tax Avoidance*.

2. RESEARCH METHOD

The method in this research is a quantitative method in associative form. And the sampling technique uses the method *purposive sampling* Where The samples in this research are manufacturing companies operating in the mining sector that have the following criteria: mining companies listed on the Indonesia Stock Exchange (BEI) that consistently publish annual reports (*annual report*) who did not experience losses during the 5-year period 2018-2022. The companies sampled in this research were 11 companies that met these criteria. 55 data were processed from 11 companies multiplied by 5 years of financial reporting period.

The analysis in this research uses the help of the SPSS version 25 statistical application. And to test the effect of ROA, DER, Company Size on Tax Avoidance using the multiple linear regression analysis method with the following formula:

TA = $\boldsymbol{\alpha}$ + $\boldsymbol{\beta 1}$LONG$\mathbf{1}$ + $\boldsymbol{\beta 2}$THE$\mathbf{2}$ + $\boldsymbol{\beta 3}$SIZE$\mathbf{3}$ + $\boldsymbol{e}$

Information:

FACING = *Tax Avoidance*

$\boldsymbol{\alpha}$ = Constant

$\boldsymbol{\beta 1}$LONG$\mathbf{1}$ = Return on Assets (ROA)

$\boldsymbol{\beta 2}$THE$\mathbf{2}$ = Debt to Equity ratio (DER)

$\boldsymbol{\beta 3}$SIZE$\mathbf{3}$ = Company Size

3. RESEARCH RESULTS AND DISCUSSION

In this section, the research results are explained and a comprehensive discussion is provided. Results can be presented in the form of pictures, graphs, tables and others which make it easy for readers to understand [2, 5]. Discussion can be carried out in several sub-chapters.

3.1.Research result

The results of the classical assumption test using SPSS version 25, as shown in Table 1 below:

Table 1. Classic Assumption Test Results

No	Keterangan	Uji	Uji		Uji	Uji
		Normalitas	Multikoleniatitas		Heterokedastisitas	Autokorelasi
			Tolerance	VIF	Signifikansi (Sig.)	
1	ROA (X1)		0,843	1,186	0,253	
2	DER (X2)		0,982	1,018	0,150	
3	SIZE (X3)		0,857	1,167	0,428	
	Asym Sig.	0,200				
	Durbin Watson					1,786

Referring to table 1, you can see the results of the classical assumption test in the form of the Asymp value normality test. Sig (2-tailed) has a value of 0.200 which means that the research data is normally distributed because of the Asymp value. Sig (2-tailed) 0.200 is greater than 0.05 (0.200 > 0.05). In the multicollinearity test, the tolerance values X1, In the heteroscedasticity test using the glacier test, the significance values of X1, In the autocorrelation test, the DW value was 1.786 and the DU value was 1.6815 and the 4-DU value = 4-1.7246 = 2.3185, so it can be ascertained that this research data passes the autocorrelation test because the condition is DU < DW < 4 -The DU requirements have been met, namely 1.6815 < 1.786 < 2.318.

The results of hypothesis testing using SPSS version 25 are shown in table 2 below:

Table 2. Hypothesis Test Results

Hyp.	Coef.	t	P Value	Res.
H1	-0.336	-2.433	0.019	Diterima
H2	-0.147	-1.149	0.256	Ditolak
H3	-0.150	-1.099	0.277	Ditolak
H4			0.017b	Diterima

Based on table 2, it can be seen that the results of the t test on H1 where the calculated t-value is -2.433 > from the t-table of 2.007 and with a sig value of 0.019 < 0.05 then H1 is accepted. For H2, the t-calculated value is -1.149 < t-table 2.007 and with a sig value of 0.256 > 0.05, H2 is rejected. In H3 the t-count value is -1.099 < from the t-table 2.007 and with a sig value. 0.277 > 0.05 then H3 is declared rejected. And the F test results on H4 where the sig value. 0.017 < 0.05 then it can be stated that H5 is accepted.

The results of the multiple linear regression test using the SPSS version 25 statistical application can be seen in table 3 as follows:

Table 3. Summary of Multiple Linear Regression Analysis

Var.	Coefficients	t-statistic	Sig.
Cons.	62.551		
X1	-0.417	-2.433	0.019
X2	-0.625	-1.149	0.256
X3	-0.012	-1.099	0.277
F-hitung	3.739		.017b
f-table	2.786		

Based on table 3 above, a multiple linear regression equation can be created as follows:
Y = 62.551 +(0.417) X1 + (0,625) X2 + (0.012) X3 + e

3.2. Discussion

Based on the multiple linear regression equation above, the results of this research can be interpreted as follows:

1) Return on Assets (ROA) Affects *Tax Avoidance.*

   The t-test results show the value of H1 *Return on Asset* (ROA) has a calculated t value of (-) 2.443 > from t-table = 2.007 and has a significant value of 0.019 < 0.05, so H1 is accepted and it can be concluded that *Return on Asset* (ROA) has a negative effect on *Tax Avoidance*. The results of this research are in line with research conducted by Apriani and Sunarto (2022), Prabowo and Sahlan (2021), but contradict the results of research conducted by Widodo and Sartika (2021), Ramadhani and Tano (2022), Rais, et al (2022) where the research results state that *Return on Asset* (ROA) has no effect on *Tax Avoidance*.

2) *Debt to Equity Ratio* (DER) Influence on *Tax Avoidance.*

T test results on H2 *Debt to Equity Ratio (DER)* has a calculated t value of (-) 1.149 < from t table = 2.007 and has a significant value of 0.256 > 0.05, then H2 is rejected and it can be concluded that *Debt to Equity Ratio (THE)* have no influence on *Tax Avoidance*. These results are in line with the results of research conducted by Apriani and Sunarto, Ramadhani and Tanno, Rais; et al (2022), Dewi and Oktaviani (2021), Nibras and Hadinata (2020). However, this is not in line with the results of research conducted by Widodo and Wulandari, Prabowo and Sahlan (2021), Nursari and Nazil (2023) stating that *Debt to Equity Ratio (DER)* has a positive influence on *Tax Avoidance*.

3) Company Size Influences Tax Avoidance.

The results of the t-test on H3 on company size have a calculated t-value of -1.099 < from t table = 2.007 and have a significant value of 0.277 > 0.05, so H3 is rejected and it can be concluded that company size has no effect on *Tax Avoidance*. The results of this research are supported by research conducted by Rais; et al (2022). However, this is not in line with the results of research conducted by Widodo and Wulandari (2021), Nibras and Hadinata (2020) which stated that company size has an effect on *Tax Avoidance*.

4) Return on Asset (ROA), *Debt to Equity Ratio (DER)*, and the size of the company has an influence on its Tax *Avoidance*.
The results of the F test in this study show that the calculated F value is 3.739 > from F table 2.786 and the significant value is 0.019 < 0.05, so H4 is accepted and it can be concluded that *Return on Asset* (LONG), *Debt to Equity Ratio (DER)*, and company size has an effect on *Tax Avoidance* simultaneously.

4. CONCLUSION

Based on the analysis results, it can be concluded that profitability as proxied through Return on Assets (ROA) has a negative influence on *Tax Avoidance*, this means that companies that have high ROA tend not to avoid taxes and vice versa. Meanwhile, leverage is proxied through *Debt-to-Equity Ratio (DER)* has no influence on *Tax Avoidance*, this means that the company cannot make smaller tax payments using the interest expense it has, it is possible that there are other accounts that have larger figures that can affect tax payments. Company size has no effect *Tax Avoidance*, this means that both large and small companies have compliance with existing tax regulations, bearing in mind that companies strictly avoid inspections that will be carried out by the tax authorities if irregularities are found in tax reporting.

The limitations in this research are that the research time took only 5 years and the variables used were only a few, namely 3 variables. For further research, the data collection time span is at least 10 years and the variables used are more than 3 variables and data processing can use other statistical applications such as review and others.

5. ACKNOWLEDGEMENT

The author expresses gratitude for the blessing of knowledge given by Allah SWT so that the author is able to apply the knowledge gained and express it in this scientific research. With all my heart and soul, I dedicate this article to the University of Tangerang Raya as a form of dedication and gratitude for the opportunity given to carry out the tridharma of higher education.

6. BIBLIOGRAPHY

Dewi, N. N. K., & Jati, I. K. “Pengaruh Karakter Eksekutif, Karakteristik Perusahaan, dan Dimensi Tata Kelola Perusahaan yang Baik Pada Tax Avoidance di Bursa Efek Indonesia”, E-Jurnal Akuntansi Universitas Udayana, 6(2), hal.249–260, 2014.

Nibras, J.M, & Hadinata Sofyan. “Pengaruh Profitabilitas, Leverage, Ukuran Perusahaan, Reputasi Auditor, Dan Capital Intensity Terhadap Tax Avoidance”. Profita: Komunikasi Ilmiah Akuntansi dan Perpajakan 13(02), hal. 165-176, 2020.

Chen, S., Chen, X., Cheng, Q., & Shevlin, T. “Are Family Firms More Tax Aggressive than Non-Family Firms” Journal of Financial Economics, 95(1), pp41–61. https://doi.org/10.1016/j.jfineco.2009.02.003A, 2010.

D. Zhang, dkk., "Mode Umum Kontrol Arus Beredar dari Konverter Sumber Tegangan Dua Tingkat Tiga Fasa Interleaved dengan Modulasi Vektor-Ruang Terputus," Kongres dan Eksposisi Konversi Energi IEEE 2009, Jilid 1-6, hal. 3906-3912, 2009.

Darmawan, I. G. H., & Sukartha, I. M. “Pengaruh Penerapan Corporate Governance, Leverage, Roa, Dan Ukuran Perusahaan Pada Penghindaran Pajak”, E-Jurnal Akuntansi, 9(1), hal.143–161, 2014.

Fernández-rodríguez, E., & Martínez-arias, A., “Determinants of the effective tax rate in the BRIC countries”, Emerging Markets Finance and Trade, 50(sup3), hal.214–228, 2014.

Henny, H., “Pengaruh Manajemen Laba dan Karakteristik Perusahaan terhadap Tax Avoidance”. Jurnal Muara Ilmu Ekonomi dan Bisnis, 3(1), hal.36-46. 2019.

Kimsen, K., Kismanah, I., & Masitoh, S., “Profitability, Leverage, Size of Company Towards Tax Avoidance”. JIAFE (Jurnal Ilmiah Akuntansi Fakultas Ekonomi), 4(1), hal.29–36, 2019.

Widodo, S.W & Wulandari S., “Pengaruh Profitabilitas, Leverage, Capital Intensity, Sales Growth Dan Ukuran Perusahaan Terhadap Penghindaran Pajak”**.** SIMAK VOL. 19 NO. 01 (MEI), hal.152-173, 2021.

Apriani, I.S & Sunarto., “Pengaruh Leverage, Capital Intensity dan Profitabilitas Terhadap Tax Avoidance”. Jurnal Ilmiah Komputerisasi Akuntansi, Vol. 15, (2), hal.326 – 333, 2022.

Ramadani, S. & Tanno, A., “Pengaruh Profitabilitas, Leverage Dan Capital Intensity Terhadap Penghindaran Pajak Dengan Ukuran Perusahaan Sebagai Variabel Moderasi”. Syntax Literate: Jurnal Ilmiah IndonesiaBusiness, Vol. 7 (12), hal. 19975-19994, 2022.

Prabowo, A.A & Sahlan, R.N., “Pengaruh Profitabilitas, Leverage, Dan Capital Intensity Terhadap Penghindaran Pajak Dengan Ukuran Perusahaan Sebagai Variabel (Moderating) (Studi Empiris Pada Perusahaan Manufaktur Yang Terdaftar Di Bei Tahun 2015-2019)”. Media Akuntansi Perpajakan, Vol.6(2), hal.55-74, 2021.

Nursari, D.M, Nazir, N, “Pengaruh Profitabilitas, Leverage, Capital Intensity, Dan Inventory Intensity Terhadap Tax Avoidance Pada Perusahaan Manufaktur Sektor Industri Barang Konsumsi Yang Terdaftar Di Bei Tahun 2018-2020”. Jurnal Ekonomi Trisakti, Vol. 3 (1). hal.1889-1898, 2023.

Dewi, S.L & Oktaviani, R.M, “Pengaruh Leverage, Capital Intensity, Komisaris Independen Dan Kepemilikan Institusional Terhadap Tax Avoidance”. Jurnal Studi Akuntansi dan Keuangan Vol. 4(2), hal.179-194, 2021.

Rais, R.G.P, Yunita, N.A, Yusra, M, “Pengaruh Profitabilitas, Leverage, Ukuran Perusahaan, Kepemilikan Institusional Dan Capital Intensity Terhadap Tax Avoidance”. Jurnal Ekonomika Indonesia Volume 12 (1), hal.1-9, 2022.