

FACTORS THAT INFLUENCE COMPANIES IN TAX AVOIDANCE

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ABSTRACT

The purpose of this study is to demonstrate how the bonus system, business size, and foreign ownership affect the effective tax rate for manufacturing companies listed on the Indonesian Stock Exchange between 2014 and 2021. This study employed a quantitative methodology that included a descriptive and verification approach. Secondary data are the ones that are used. Research from libraries and documentation from the Indonesian Stock Exchange's official website are used in the data collection process. Out of 40 firms, data was gathered for 7 Manufacturing firms using the Non-Probability Sampling approach. Partial testing research results indicate that while company size influences tax avoidance, the bonus structure and foreign ownership have little effect on tax avoidance. A coefficient of determination (R square) of 24.4% indicates that, for experiments conducted concurrently, the bonus method, firm size, and foreign ownership all have an impact on tax avoidance.

Keywords: Bonus Mechanism; Company Size; Foreign Ownership; Effective Tax Rate

INTRODUCTION

Since taxes are necessary to sustainably fund national development across all domains and government administration, they provide a crucial source of state revenue (Sutomo & Djajang, 2017). Over the previous five years, there has been variation in the amount of tax revenue. The average tax ratio for the previous five years was 8.7%. In 2018, the tax ratio was 8.8%; in 2019, it was 8.4%; in 2020, it was 6.9%; in 2021, it amounted to 9.21%; and in 2022, it will be 10.39 (BPS, 2022). Given that the manufacturing sector is essential to the state's revenue

stream and the acceleration of economic growth, it is prudent to keep an eye out for the trend of declining tax revenues from this sector. The contribution of tax revenues from the processing industry is experiencing a decreasing trend (kompas.id, 2022).

The government is attempting to raise tax revenue because taxes play a significant part in the state's operations. One of the challenges facing efforts to maximize tax collections is the tax avoidance, or "tax avoidance," practiced by both individual and business taxpayers (Swingly & Sukartha, 2015). One

illustration is carried out by PT Adaro by carrying out exchange estimating through its auxiliary in Singapore, Coaltrade Administrations Universal. This exertion is said to have been carried out from 2009 to 2017. Adaro is charged to have organized it in such a way that they might pay charges of US\$ 125 million or the comparable of Rp. 1.75 trillion (trade rate of Rp. 14 thousand) lower than what ought to be paid in Indonesia (Sugiyanto, 2019).

According to Dyreng, et al., (2010) concluded that people in a company have an impact on corporate charge evasion. Concurring to charge law, assess shirking isn't precluded, although it frequently gets unfavorable consideration from the charge office since it is considered to have a negative intention. In any case, assess shirking causes the state to lose tens to hundreds of billions of rupiah each year in state assess incomes, hence influencing state incomes.

There are a few components that impact the Compelling Assess Rate for citizens in detailing their assess commitments, counting the reward component, company estimate and remote possession.

The reward instrument is that administration carries out profit administration to urge a reward from the company's benefits for the grants given at the Common Assembly of Shareholders as a compensation for administration execution. This reward giving framework will impact administration in building benefits to maximize the rewards that will be gotten by administration (Hansen & Mowen, 2022:54). According to Rifan, (2019) past inquiries about comes about show that the reward component encompasses a positive impact on the Successful Charge Rate.

Company estimate is the estimate of a company which can be evaluated from its value esteem, deals esteem or resource esteem (Riyanto, 2013) This will decide investors' discernments of the company, since the measure of the company can impact the estimate of the shirking of assess burdens, the bigger the measure of a company, the more prominent the sign of assess shirking. The comes about of past inquiries about by Wardani & Puspitasari, (2022) concluded that company measure features a positive effect on the Viable Assess Rate. In the meantime, Fitri M. (2019) investigates

that company measure encompasses a negative impact on the Successful Tax Rate. Remote proprietorship is possession claimed by people or substances from nations exterior Indonesia. The sum of possession in a company includes an exceptionally expansive affect where shareholders who have a more noteworthy possession have a more prominent control specialist as well (Law No. 25 of 2007). The implications of tax avoidance, apart from providing benefits for the company, tax avoidance can also have a negative impact on the company. Tax avoidance is not free, there are direct costs including implementation costs, loss of reputation and the potential for certain penalties.

LITERATURE REVIEW

Charge Shirking is an exertion carried out lawfully and securely for citizens since it does not strife with assess arrangements, where the strategies and strategies utilized tend to require advantage of the shortcomings contained within the assess laws and controls themselves, to decrease the sum of assess payable. (Pohan, 2018:23).

According to Hansen & Mowen (2022:54) that the reward component empowers administration to carry out profit administration for the reason of pulling in financial specialists and getting rewards at the Common Assembly of Shareholders, this will result within the sum of charge gotten being less than it ought to be. Company estimate is the normal esteem of add up to net deals for one year to a certain period agreeing to what you need to calculate. In this case, deals are more prominent than variable and settled costs. These costs can create a expansive sum of benefit and benefit some time recently charge. On the other hand, the company encounters a misfortune in case deals are underneath the full of variable costs and settled costs (Bringham & Houston, 2015:11).

Concurring to Law no. 25 of 2007 clarifies that outside possession is the rate of company share possession by outside speculators, where the proprietorship comes from person remote citizens, outside trade substances and remote governments contributing within the region of the Republic of Indonesia.

RESEARCH METHOD

The selection of the Reward Component (X1), Company Measure (X2) and Remote Proprietorship (X3) variables as factors that influence tax avoidance is because these variables can influence companies in carrying out tax avoidance. Apart from these factors, researchers do not use them. The strategy utilized in this investigate could be a quantitative strategy with the approach utilized is descriptive and confirmation. Information collection methods are the foremost vital step in inquire about, since the most point of this investigate is to get information (Sugiyono, 2018:224).

The examining procedure employs purposes testing, to be specific testing with certain contemplations (Sanusi, 2014:95). The information source utilized comes from fabricating companies enlisted on the IDX for the 2017-2021 period with a populace of 40 companies and a test of 7 companies. Selection of objects in manufacturing companies registered on the IDX because these objects have the potential for greater tax avoidance besides other types of objects.

Meanwhile, the sample selection was 7 companies in

accordance with the sample criteria determined by the researcher.

RESULT DAN DISCUSSION

Descriptive Analysis

The comes about of the graphic investigation appear that the Compelling Assess Rate variable could be the least level of 0.15 and a greatest level of 0.35 and an normal of 0.2484. In this way, it can be concluded that the level of charge evasion carried out by companies is still classified as exceptionally moo, since companies are categorized as committing assess evasion in case the esteem of the estimation is more prominent than 0. The closer to 0, the higher the level of charge evasion, and bad habit versa (Ritz & Pizzica, 2015:42).

The comes about of the clear investigation of the reward component variable appear that the least esteem is 13%, the most extreme esteem is 1,114.3% and the normal (cruel) esteem is 121.4161 with a standard deviation level of 66.46820. This result implies that the closer it is to 0, the littler the company's profit administration and the higher the normal, the higher the administration carries out profit administration in

arrange to urge the comes about (Sulistyanto, 2018:27).

The comes about of the clear examination of the company measure variable appear that the least esteem is 5.37 and the greatest esteem is 8.25, whereas the normal esteem (cruel) is 6.9437. This appears that the normal company estimate is still over normal, since company estimate measures are evaluated by the more prominent the resources possessed, the bigger the company measure (Kasmir, 2019: 197).

The comes about of the graphic investigation of the remote possession variable appear that the least esteem is 00.00 and the most extreme esteem is 93.79, whereas the normal esteem of remote proprietorship is 45.7705. So, the normal esteem of outside possession is still over 20%, where share possession of more than 20% or more shows that the substance has noteworthy impact in controlling the company (PSAK No. 15, 2013).

Verification Analysis

Classic assumption test

The typical test comes about appear that the Kolmogorov Smirnov typicality test in this ponder was 0.382 > 0.05. So, it can be concluded that the importance esteem is more prominent

than 0.05, this appears that the information in this think about is regularly dispersed.

The comes about of the multicollinearity test appear that for the reward instrument variable (X1), the change impact calculate (VIF) esteem is $1,089 < 10$ and the resistance is 0.918. Within the company estimate variable (X2), the change impact figure (VIF) esteem is $1,038 < 10$ and resistance is 0.964. In the interim, for the outside proprietorship variable (X3), the fluctuation impact calculate (VIF) esteem is $1,064 < 10$ and the resilience is 0.940. The comes about of calculating the VIF values for all factors are less than 0.10. So, it can be concluded that there's no multicollinearity between the free factors within the relapse demonstrate.

The comes about of the heteroscedasticity test appear that the focuses spread over and underneath the number on the comes about of the autocorrelation test over gotten a Durbin-Watson esteem of 1.8644, the DU esteem with a test of 46 was 1.6677, the 4-DU esteem was 2.3323. The Durbin-Watson esteem is between the DU esteem and the 4-DU esteem, to be specific $1.6677 < 1.8644 < 2.3323$,

so it can be concluded that there's no autocorrelation in this think about.

The comes about of the Numerous Straight Relapse Test create: $Y=0.024+2.684X1+0.028X2+9.767X3$ which implies that the steady esteem contains a positive sign of 0.024, which shows that the factors Reward Component (X1), Company Measure (X2) and Remote Proprietorship (X3) don't exist. changes or is break even with to 0, at that point the Successful Charge Rate (Y) is 0.024. The relapse coefficient for the Reward Component variable features a relapse coefficient of 2.684, meaning that the Reward Instrument variable has expanded by one unit, whereas the other autonomous factors, specifically Company Estimate and Outside Proprietorship, are considered consistent (with a esteem of 0), so the subordinate variable, specifically Viable Assess Rate, will encounter an increment of 2.684. The relapse coefficient for the Company Measure variable includes a relapse coefficient of 0.028, meaning that the Company Measure variable has expanded by one unit, whereas the other autonomous factors, to be specific the Reward Instrument and Remote Possession, are considered

steady (with a esteem of 0), so the subordinate variable, to be specific the Compelling Assess Rate, will involvement an increment of 0.028. The regression coefficient for the Remote Possession variable features a relapse coefficient of 9.767, meaning that the Remote Proprietorship variable has expanded by one unit, whereas the other autonomous factors, to be specific the Reward Instrument and Company Measure, are considered consistent (with an esteem of 0), so the subordinate variable, specifically the Viable Assess Rate, will encounter an increment of 9.767.

The comes about of the Coefficient of Assurance Test (R2) appear that the coefficient of assurance (R square) is 0.244, which implies that changes within the Effective Assess Rate can be affected by changes within the Reward Component factors, Company Estimate and Remote Proprietorship by 24.4%. This appears that there are other components that can increment the Successful Charge Rate in Fabricating Companies on the Indonesian Stock Trade in 2014-2021 separated from the Reward Component, Company Measure and Remote Possession factors, to be

specific 75.6%, for illustration Trade Rate, Benefit and Use.

Hypothesis test

The fractional test comes about appear that the reward component contains a centrality level of 0.266, which suggests that the reward instrument does not influence assess shirking. Where when the esteem of the reward instrument is tall, the compelling assess rate will increment. The comes about of this inquire about agree with investigate conducted by Puspita & Harto (2018) expressing that the reward instrument has no impact on the compelling charge rate. Company measure appears an importance level of 0.002, which implies that company estimate has an impact on the viable charge rate. Where when the company measure esteem is tall, the successful assess rate will increment. The comes about of this investigate are in understanding with investigate conducted by (Wardani & Puspitasari, 2022) which states that company measure impacts the successful charge rate. In the interim, outside proprietorship includes an importance level of 0.645, which implies that outside proprietorship does not influence assess evasion. The comes

about of this investigate state that remote proprietorship has no impact on the viable assess rate. This happens since remote financial specialists don't care whether the company hones assess shirking or not, since the point of remote financial specialists in contributing is to create a benefit (Riberu, 2021).

Concurrent test comes about appear that the esteem gotten from F-table is 2.82. Since the esteem of F-value > F-table ($3.98 > 2.82$), whereas the importance level is $0.015 < 0.05$, the factors Reward Component (X1), Company Estimate (X2) and Remote Proprietorship (X3) at the same time impact the Viable Charge Rate (Y).

CONCLUSION

The results of partial testing research show that company size influences tax avoidance, while bonus structure and foreign ownership do not have a big effect on tax avoidance. For simultaneous testing, both bonus methods, company size and foreign ownership all have an impact on tax avoidance.

The weakness in this research is the small number of companies. The implication is that companies that avoid taxes will certainly have an

impact on state revenues. And the next suggestion for researchers is to increase the number of samples and replace them with research objects.

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