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TAX AVOIDANCE IN INFLUENCING THE FIRM VALUE

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ABSTRACT

The purpose of this study is to determine how tax avoidance affects the value of coal mining companies listed on the Indonesian stock exchange from 2018–2022. Associative descriptive research is the quantitative methodology employed in this study. Purposive sampling was the method of sampling that was employed in this study. The sample in the research obtained through the sample selection criteria was 10 companies with a total of 50 samples. The data source obtained from this research is secondary using financial reports from 10 companies according to sampling criteria from 2018 to 2022. The study's findings demonstrate that tax evasion significantly and negatively affects a company's worth. The tax avoidance variable has a value of 0.238 > 0.05 according to the results of hypothesis testing based on probability values, indicating that this independent variable has no discernible impact on the company value of coal mining companies listed on the Indonesian stock exchange in 2018–2022.

Keywords: Tax Avoidance; Tax Saving; Firm Value

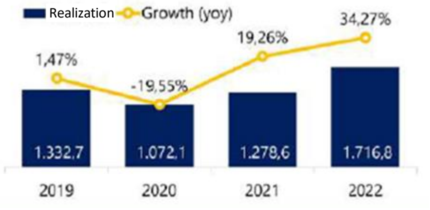
INTRODUCTION

Indonesia is a developing nation that is constructing infrastructure quickly in all sectors and needs revenue to cover government expenses. One of the biggest revenue contributions to the government is through tax collection which, when calculated in percentage, contributes around 80% of the total state revenue. percentage, taxes account for around 80% of total state revenue.

Tax revenue in Indonesia is the largest source of revenue that can be classified, compared to other sectors. Taxes play an important role in funding tasks related to development and public welfare.

The performance of tax revenue till the end of 2022 was Rp1,716.76 trillion, or 115.61 percent of the objective, which is the greatest amount in the previous four years. The growth of tax revenue in 2022 has also been the best performing growth since 2019. More precisely, the growth achievement until December 31, 2022, was 34.27 percent (year on year), by continuing the previous year's tax revenue growth which was also satisfactory with an achievement of 19.26 percent (year on year) (kemenkeu.go.id).

The following graph presents the development of tax revenue from 2019 to 2022:



Source: Ministry of Finance of the Republic of Indonesia (kemenkeu.go.id)

Figure 1 : Development of Tax Revenue January 2019 - December 2022

The achievement of tax revenue in 2022 is the realization of economic recovery in various sectors throughout Indonesia. However, tax revenue in Indonesia is not considered to be running optimally, this can be caused by Indonesia's tax ratio which has not reached the standard ratio of 15% of what it should be.

Yon Arsal, the Minister of Finance's specialist staff for tax compliance, stated that "A sustainable country is expected to at least collect a tax ratio of 15%, including customs and excise. Therefore, the government still has room to improve in that direction" (kemenkeu.go.id). It is suspected that the cause of the non-achievement of Indonesia's tax ratio, which has not reached the standard ratio of 15%, is the instances of tax evasion that take place in Indonesia and the actions of businesspeople that use the gaps in the relevant tax laws. Below is the realization of Indonesia's tax ratio in 2018-2022:

Table 1:Indonesia's Tax Ratio Realization 2018-2022

Year	2018	2019	2020	2021	2022
Tax Ratio	10.24%	9.76%	8.33%	9.11%	10.39%

Source: kemenkeu.go.id, 2023

Based on the table above Indonesia's tax achievements in 2018-2022 has the highest achievement of 10.39%, this value does not reach the standard value of tax realization in Indonesia. the standard value of tax realization in Indonesia. The standard tax ratio itself has a value of 15%.

According to Yuliandana & Ramadhan (2021) Management uses tax planning as a strategy to lower the amount of taxes the business must pay. Tax avoidance is one of the tactics used in tax planning.

Tax avoidance is a series of tax planning activities carried out with the aim of reducing taxes by utilizing existing regulations (Laksmi et al., 2023). Tax evasion reduces state revenue from the tax sector and is a barrier to tax collection for the government (Mardiasmo, 2018). Tax avoidance is legal if it complies with applicable regulations so that it is included in acceptable tax avoidance (Tebiono et al., 2019).

According to the 2020 State of Tax Justice report, tax evasion cases in Indonesia rank fourth in Asia, with China ranking highest, followed by India and Japan. This suggests that tax evasion is still a major problem in Indonesia.

The mining industry is one of the industrial sectors that plays a significant part in enhancing the economy and sustainable development in many different countries including in Indonesia. Because Indonesia is a major player in the global coal mining sector, coal mining contributes significantly to the national economy. The following is a picture of sectoral tax revenue in 2022:

PNBP (Miliar Rupiah)	APBN 2022 (Perpres 98/2022)	Realisasi s.d. 31 Des 2022	% APBN	% Growth (YoY)
Penerimaan Negara Bukan Pajak	481.631,10	588.343,72	122,16	28,32
A Pendapatan SDA	226.518,50	268.672,71	118,61	79,73
1 Migas	139.098,41	148.542,49	106,79	53,74
a Minyak Bumi	106.487,89	118.060,39	110,87	81,63
b Gas Bumi	32.610,52	30.482,11	93,47	(3,59)
2 Nonmigas	87.420,09	120.130,21	137,42	127,21
a Pendapatan Pertambangan Minerba	78.871,29	110.785,81	140,46	147,09
b Pendapatan Kehutanan	5.241,15	5.863,27	111,87	8,57
c Pendapatan Perikanan	1.686,56	1.192,95	70,73	68,45
d Pendapatan Panas Bumi	1.621,09	2.288,19	141,15	18,61
B Pendapatan KND	37.089,85	40.597,09	109,46	33,12
C Pendapatan PNBP Lainnya	112.221,73	196.251,32	174,88	28,69
D Pendapatan BLU	105.801,01	82.822,60	78,28	(34,27)

Source: Ministry of Finance of the Republic of Indonesia (kemenkeu.go.id)

Figure 2 : Realization of Non-Tax State Revenue in 2022

Non-oil and gas natural resources revenue from the industry for mining minerals and coal expanded by 147,09 percent. Performance of Natural Resource Revenue from Non-Oil and Gas in the Mining and Coal Sector. This was due to the increase in the average Reference Coal Price (HBA) for the months of January 2022 to December 2022 amounted to USD 276.6 per ton, which increased by 127.7 percent (yoy). The reason for the significant economic value produced by the coal mining sector, the practice of tax avoidance has become a legal is a legal option for companies to do, but the impact can cause tax contributions to be impact can cause tax contributions to be small. The production of Indonesia's coal mining production from 2018-2021 is as follows:

Produksi Barang Tambang Mineral	2018	2019	2020	2021
Batu Bara	557.983.706	616.154.054	565.640.928	614.058.577

Source: Central Bureau of Statistics (BPS) 2023

Figure 3 : Mine Goods Production 2018-2021

The practice of taking advantage of legal gaps and flaws in the current tax code is known as tax avoidance. Despite not breaking any laws, it is morally repugnant. One such is the lawsuit filed by the Direktoral Jenderal Pajak (Indonesian Tax Agency) against PT. Multi Sarana Avindo (MSA), the coal firm, alleging that there was a transfer of mining power that led to the underpayment of Value Added Tax (VAT). DJP lost the case in court despite suing three times for a total of $7.7 billion in 2007, 2009, and 2010. DJP continues to file the same complaint as of right now. The Directorate General of Taxes' (DJP) claim is mostly unverified. There is no provisional violation in the practice that PT MSA is performing.

There is a noticeable discrepancy between the amount of production created and the amount of taxes paid, thus the DJP's assumption is not entirely false. However, the DJP should be able to reveal more deeply and uncover what is behind the figures presented by the DJP and uncover what is behind the report figures presented by MSA.

The next tax avoidance case occurred in a large mining company PT Adaro Energy. Tax avoidance occurred from 2009 to 2017 which led to the company's low taxable income. Records show that PT Adaro paid US$ 125 million in taxes, which is equivalent to Rp 1.75 trillion, less than what was required in Indonesia. By using a transfer pricing method through its Singaporean subsidiary, Coaltrade Services International, tax evasion is accomplished.

Because tax avoidance is not always good for shareholders, a perspective on it is offered, as tax avoidance has direct costs as well as indirect costs that could be higher. It also has indirect costs that could be larger than the benefits of tax avoidance. Therefore, tax avoidance Therefore, corporate tax avoidance must consider costs and benefits. Therefore, it might either be a benefit or a drawback for the business. This tax avoidance reflects the existence of personal interests by manipulating profits and providing false information to investors.

In economic terms, tax is a profit deduction element for companies to be distributed as dividends or reinvested (Laksmi et al., 2023). Companies always try to maximize profits by applying the effectiveness of all types of costs, including tax costs. It is believed that the company's large profit margin can contribute to yearly increases in the company's valuation, however if investors are aware that the business is avoiding taxes without everyone's knowledge, the conflict can continue. Therefore, information transparency is needed in a company.

In the event that a corporation loses its appeal in the capital market, fluctuations in its value within a range of values that go too high or too low may result in issues (Febriana & Octrina, 2022).

If the business loses appeal to investors in the capital market, they may decide not to invest in it due to a loss of faith in the business's ability to execute.

One measure that investors use to compare a firm's success year over year is its company value (Ayem & Maryanti, 2022). An elevated firm value signifies a strong inclination among investors to allocate their shares towards the organization. Stock price changes that are being conducted on the stock exchange can be used to gauge investors' opinions of the company (Wiratno & Yustrianthe, 2022).

It is anticipated that effective tax avoidance implementation will raise the company's perceived worth among investors. A lot of investors find it challenging to forecast a company's worth as a benchmark for investing decisions. Investors mainly assess the company's financial performance while deciding whether to invest in its operations, which also has an impact on the financial performance realized.

The impact of tax evasion on a company's worth has been studied by Novarianto et al., (2019) and Tambahani et al., (2021) concluding that tax evasion increases the value of the company. Next, studies carried out by Laksmi et al., (2023) has determined that tax evasion has no appreciable impact on company value. Furthermore, study carried out by Yuliandana & Ramadhan (2021) The study concludes that tax avoidance has a negative and negligible impact on business value, demonstrating that the more tax avoidance a corporation engages in, the lower its firm worth. And research conducted by Chaidir & Yulia (2022) determined that tax evasion had no impact on the value of the company.

The authors are interested in the following in relation to the phenomenon and the variations in some of the studies above conducting research on corporate tax avoidance and corporate tax savings with reference to firm value and how tax avoidance and tax savings will be important for firm value. become important for firm value. So that the author is interested in raised the title "**Tax Avoidance in Influencing the Firm Value** "

How does tax avoidance effect firm value in coal mining businesses listed on the Indonesia Stock Exchange for the period 2018–2022 is the problem proposed in this study, which is based on the background and identification of the issues.

The corporation tries to reduce the cost on the company by avoiding taxes Yuliandana & Ramadhan, (2021). Acts of tax evasion are performed by looking for loopholes that exist in the legislation. Measurement of tax evasion using the Cash Effective Tax Rate (CETR), which is calculated by dividing the amount of money paid in tax expenses by the profit before taxes.

Share price is a useful tool for determining a company's worth; the greater a company's share price, the higher its overall value (Tambahani et al., 2021). Various groups buy and sell shares of various companies, thus supply and demand on the stock exchange determine the company's share price.

A framework is a conceptual model conceptual model of how theory relates to factors that have been identified as important (Sugiyono, 2022). The conflict that arises from information asymmetry between shareholders and management to evade taxes serves as the basis for this study's approach. The company's large profits are supposed to help raise its worth annually, but if shareholders discover that the business is avoiding taxes without everyone's awareness, the dispute may persist.

Laksmi et al., (2023) define tax avoidance as a set of tax planning actions taken with the intention of lowering taxes by making use of current laws. is the name given to a set of tax planning procedures designed to lower taxes by making use of current laws. If tax avoidance falls within permitted tax avoidance and conforms with relevant legislation, then it is considered lawful tax avoidance.

Tax evasion affects the government's ability to collect taxes and reduces state revenue from the tax sector. Experts claim that tax avoidance is an attempt to lower taxes without breaking any rules. tax burden by abiding by the law as it stands (Mardiasmo, 2018).

A company's worth reflects the degree of confidence that investors have in it; a high value indicates shareholder prosperity, while a low value indicates subpar business performance. One measure that investors use to compare a firm's performance from year to year is its company value. An elevated firm value signifies a strong inclination among investors to allocate their shares towards the organization (Ayem & Maryanti, 2022).

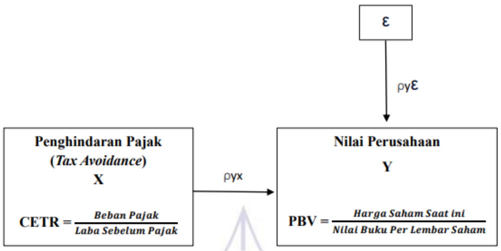
In addition, as stated by Wiratno & Yustrianthe, (2022), a company's value is a measure of its success and is frequently linked to its stock price. In addition to increasing market confidence and firm performance, a high stock price also raises the value of the company and its future possibilities. performance of the business, as well as its prospects for the future.

Tax avoidance, according to Tambahani et al., (2021) is an attempt to reduce tax payments in order to raise the value of the company. Tax evasion practices have the potential to raise or lower a company's worth. If the tax evasion is viewed as a tax efficiency measure, the value of the company will rise. However, if the business is thought to be in non-compliance with any legislation, this could result in a decline in the company's worth.

Problems may arise from variations in a company's worth that span an excessive range of values and either sharply rise or fall. Going too far can lead to issues. Investors may decide not to invest in a company if it loses appeal in the capital market because they will be less confident in the company's ability to execute. performance of the business so that they may decide against making an investment. the business. It is anticipated that effective tax avoidance implementation will raise the company's perceived worth among investors.

The authors of this study can hypothesise that tax evasion has an impact on firm value based on the research framework that was previously mentioned.

A straightforward relationship research model is used in this study's research methodology. The simple relationship model is defined as "A research model consisting of one independent and dependent variable" by Sugiyono, (2022). Therefore, the following is the research paradigm used in this study:



Source: Data processed by the author 2023

Figure 4 : Research model

RESEARCH METHOD

At the level of quantitative research, this research uses descriptive and associative approaches. The descriptive research in this study focuses on firm value and tax avoidance. The impact of tax evasion on business value will be explained via associative research, which is defined as research to determine the relationship between one or more variables (Ghozali, 2021) in this study.

The Indonesia Stock Exchange website is used to access yearly financial reports on coal businesses for the years 2018–2022, which contain research data.

Sample selection using the technique of purposive sampling, which means that the determination of the sample taken is based on criteria with a predetermined determination (Sugiyono, 2022). Following the sample selection process, ten coal mining companies that satisfy the requirements were selected based on these parameters.

Data analysis using panel data regression analysis method through Eviews 13. Additionally, the researchers performed several tests, including the Chow, Hausmann, and LM tests. They also performed a panel data regression analysis, a classical assumption test, and hypothesis testing.

RESULT AND DISCUSSION

Analysis of Descriptive Statistics

This study's descriptive statistical analysis using software support to find the lowest, maximum, average (mean), and standard deviation, use the Eviews 13 software. The outcomes of the descriptive statistical analysis performed during the data processing procedure are as follows:

Table 2 : Descriptive Statistics of Research Samples

	PBV	CETR
Mean	4.318930	0.242439
Median	1.443811	0.206485

Maximum	35.90489	0.846492
Minimum	0.122094	0.050251
Std. Dev	8.304817	0.175897
Skewness	2.718846	1.295573
Kurtosis	9.120834	4.455471
Jarque-Bera	139.6523	18.40090
Profitability	0.000000	0.000101
Sum	215.9465	12.12193
Sum Sq.Dev	3379.529	1.516040
Observations	50	50

Source: Results of Eviews

The following can be clarified based on the findings of the computation for descriptive statistical analysis in the preceding table:

1. According to the findings of the descriptive statistical analysis, the tax evasion variable has an average value of 24.2% and a 17.5% margin of error. Tax evasion has a minimum value of 0.0502 and is present in businesses with the issuer code TPMA or Terans Power Marine Tbk in 2022, then the maximum value of 0.846 is found in Adaro Energy Tbk in 2020.
2. The firm value variable's descriptive statistical analysis results indicate that the company value variable's average value is 4.318% and there is a possible error of 8.30%. The company's valuation, at minimum, is 0.122 contained in the company Harum Energy Tbk in 2019, then the maximum value of 35.905 is contained in Transcoal Pacific TBK in 2018.

Estimation Outcomes for Panel Data Regression Models

Three methods are available for estimating regression models utilizing panel data: common effects model, fixed effects model, and random effects mode. The results of the three tests the Chow, Hausman, and Lagrange multiplier tests indicate that the Random Effect Model (REM) is chosen twice; so it can be concluded that the Random Effect Model (REM), which will be employed in this investigation, is the most suitable model.

Panel Data Regression

Panel data regression analysis is a cross-sectional and time series data regression analysis test (Sujarweni, 2019). This means that the data consists of several objects and covers several periods. Panel data is more complex because it combines time series and cross section.

The panel data regression analysis equation model that was produced is the following, based on the panel data regression analysis results:

$$Y = 4.911665 - 2.4448890^{x} + e$$

The panel data regression analysis's constant value resulted in α = 4.911665, meaning that if the Tax Avoidance variable is 0, the Firm Value variable's value is 4.911665. The company value will decrease by -2.444 if the Tax Avoidance variable increases by one unit, according to the results of the panel data regression analysis. It is anticipated that the other independent variables in the regression model will remain constant. The coefficient value of the regression analysis on the Tax Avoidance variable was negative at -2.444.

Hypothesis Test

The probability value is 0.238 and the coefficient value is -2.444 for the tax avoidance variable. For the tax evasion variable, the probability value is higher than 0.05 (0.238> 0.05). As a result, Ho is approved and H1 is denied, leading to the conclusion that tax evasion has no appreciable impact on Firm Value and that there is no negative correlation.

The firm value variable can only be influenced by the tax avoidance variable of 2.9%, according to the coefficient of determination (R-squared) of 0.029, or 2.9%. The remaining 97.1% is influenced by other variables that are not explored in this study.

Discussion

Companies that engage in tax evasion have modest or low Cash Effective Tax Rates (CETRs); the bigger the Tax Avoidance value, the more Tax Avoidance the company engages in. In other words, the less tax avoidance, the higher the firm value; yet the results of the hypothesis test show that tax avoidance has no discernible impact on company value. It can be concluded that the independent variable has no significant effect on firm value in coal mining companies listed on the Indonesia stock exchange in 2018–2022, as evidenced by the tax avoidance variable's significance value of 0.238>0.05, which indicates that Ho is accepted and H1 is rejected.

The results of the study can occur because company management will use the loopholes that exist in tax regulations in order to avoid paying taxes, usually they utilize techniques and methods that tend to have several weaknesses so that they can benefit the company and The authority of the Director General of Taxation to evaluate whether the arm's length principle is applied in transactions involving taxpayers and related parties.

To compute the amount of taxable income for taxpayers, the Director General of Taxation is entitled to recalculate the amount of income and deduction and determine debt as capital, as indicated in the Law.

The propensity of investors to overlook the extent of tax avoidance committed by the company because they don't care about the amount of taxes the company pays. Investors generally prefer to invest their capital in companies that have stable or high profits or profits. Thus, whether a corporation engages in tax avoidance or not has little bearing on the choices made by investors Chaidir & Yulia, (2022).

CONCLUSION

The following are the study's conclusions, which are based on the data analysis and discussion regarding firm value using tax avoidance as the independent variable:

It is determined that tax avoidance is not used by companies in the coal mining industry that are listed on the Indonesia Stock Exchange between 2018 and 2022.

Based on the research of the firm value variable, companies in the coal mining sector listed on the Indonesia stock exchange have a high potential for investment growth and have good company performance. A figure that shows the company's significant potential for investment growth contributes to its good value. On the other hand, if the company's poor investment growth potential is reflected in its value, it is not positive.

In coal mining businesses that are listed on the Indonesia stock exchange, tax avoidance has no discernible impact on company value between 2018 and 2022. The findings of the research can occur because company management will use existing loopholes in tax regulations to avoid paying taxes, usually they utilize techniques and methods that tend to have several weaknesses so that they can benefit the company and the authority of the DJP to test the application of the principles of reasonableness and business prevalence in transactions between taxpayers and their affiliated parties as specified in the Law, which clarifies that the DJP has the authority to recalculate income and deduction amounts and classify debt as capital in order to estimate taxpayers' taxable income.

Suggestion

The implications that researchers can learn are as follows: The research results in this study that tax avoidance does not have a significant influence on firm value. significant effect on firm value, but it needs to be a concern in the coal sector, because on average the company does not have a significant effect on firm value. attention to the coal sector, because on average companies do not do tax avoidance. Because this tax avoidance practice is legal and if applied correctly, it can save tax payments, which has an impact on the more value obtained by the company.

It is anticipated to uphold the company's worth in the eyes of outside stakeholders, such as investors. other outside parties with the hopes that the business will be more truthful and transparent and that sound corporate governance is implemented. There are numerous approaches to improving the effectiveness and efficiency of the business's operations. firm operations, but it's also important to be aware of the constraints that are in place because how the company behaves will have an impact on how well it performs. constraints, since the business itself will experience both short- and long-term effects from its actions.

Other independent variables that can impact business value and broaden research can be used by future researchers, such as company size, capital structure, profitability, investment choices, and so on. and deepen the investigation. not just on tax avoidance on its own, but also on several additional variables linked to corporate value and various study subjects. It can be examined using various regressions, such as path analysis regression (path analysis), both with intervening and moderating variables and using observation data from the most recent year, assuming it has a firm value and differing study objects.

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