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LIQUIDITY IN ITS INFLUENCE ON TAX AGGRESSIVENESS

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ABSTRACT

Indonesia is a developing country with rapid economic growth. One of the biggest sources of state revenue today is tax. Many cases of tax aggressiveness have occurred in Indonesia, even to the detriment of the state with a fantastic amount of money. This study aims to examine the effect of liquidity, measured using the current ratio (CR), on tax aggressiveness, measured using the effective tax rate (ETR). The research method used is quantitative with an associative descriptive analysis approach. The population consists of 78 consumer goods industry manufacturing companies, with a research sample of 23 companies and a total of 92 data points. The data analysis technique used is panel data regression analysis with estimation through the Random Effect Model (REM), tested using Eviews 12 software. The results showed that the level of liquidity does not have a significant effect on tax aggressiveness, this is evidenced based on the hypothesis test that has been carried out. The implication of this research is that companies are advised to remain transparent and comply with tax regulations to minimize the risks that may arise from aggressive tax avoidance activities.

Keywords: liquidity, tax aggressiveness, tax avoidance

INTRODUCTION

Indonesia is a developing country with rapid economic growth. One of the biggest sources of state revenue today is tax. Tax is one of the largest sources of state revenue that has an important role in the continuity of state development and the welfare of the people (Kemenkeu, 2024).

The involvement of taxpayers in paying their tax obligations is key to the growth of state revenues. This can be seen from the following data:

Source: Badan Pusat Statistik (2022)

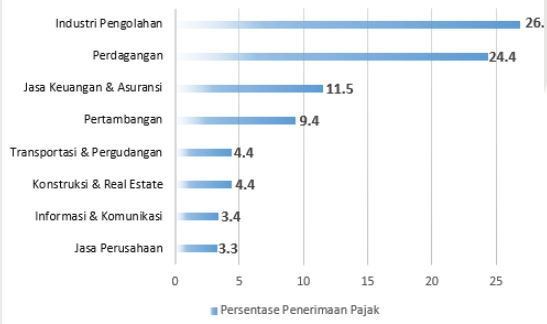
Figure 1 State Revenue Realization

Figure 1 explains that tax is the highest state revenue or the one that provides the greatest contribution. Therefore, it is important to foster high awareness of the taxpayer itself to fulfil

tax obligations that must be fulfilled appropriately and under existing rules.

The source of tax funds comes from various sectors, including the economic sector which grows and significantly contributes to tax revenue. In Indonesia, several economic sectors have grown and have become the largest tax-contributing sectors in Indonesia (Kemenkeu, 2024).

The following presents data related to the growth of the largest tax revenues by sector:



Source: kemenkeu, (2024)

Figure 2 Top Tax Contributing Sectors in 2023

Figure 2 explains that data derived from the Ministry of Finance's report on Indonesia's tax revenue realization throughout 2023. The sector with the largest contribution of tax revenue is the manufacturing sector or processing industry with a percentage of 27.3 of total tax revenue during the period. Manufacturing companies are companies that are needed by the community because they are one of the companies that produce basic needs.

Judging from the data above, the amount of tax revenue certainly does not escape the government's efforts to maximize tax revenue. However, there are still many discrepancies or irregularities with taxes, which is certainly a serious problem in efforts to maximize tax revenue.

These discrepancies or deviations occur for one reason or another. One of the things that triggers irregularities is because there are different interests between tax institutions and individual taxpayers. Companies always try to maximize profits by applying the effectiveness of all types of costs, including tax costs Ardelia et al., (2023).

Many cases of tax aggressiveness have occurred in Indonesia, even to the detriment of the state with a fantastic amount of money. In the Tax Justice Network's report entitled The State of Tax Justice 2022, it was reported that Indonesia is estimated to lose up to USD 4.86 billion per year due to tax evasion Al Hasyim et al., (2022).

One of the case phenomena in manufacturing companies reported by the Tax Justice Network, regarding aggressiveness included in tax evasion carried out through PT Bentoel Internasional Investama. Reported from Kontan National that Indonesia suffered a loss with a fantastic amount of US$ 14 million per year because British American Tobacco (BAT) avoided taxes in Indonesia through PT Bentoel Internasional Investama.

This case is a clear example of tax aggressiveness in the form of a company's attempt to minimize its tax burden by exploiting loopholes to aggressively reduce its tax obligations. One of the factors that can affect tax aggressiveness is liquidity, which describes the company's ability to fulfil its short-term obligations Ramadhea et al., (2022).

According to (Alfin, 2022) Companies that have high liquidity describe having good cash flow so that the company is not reluctant to pay all its obligations including paying taxes in accordance with applicable regulations.

In line with research conducted by Margie et al., (2021), Norisa et al., (2022) and Ramadhea Jr et al., (2022) proving that companies with good / high liquidity, the company has sufficient resources to fulfil the short-term obligations of the company so that tax aggressiveness will be reduced or in the study mentioned that high liquidity has no effect on tax aggressiveness. Conversely, from the results of research conducted by Erizon et al., (2022) that the higher the liquidity ratio owned by a company, the company tends to take aggressive actions to reduce the high tax burden imposed on the profits they earn, so that this can lead to aggressive actions against corporate taxes, or in research it is stated that high liquidity affects tax aggressiveness.

The difference between this research and previous research lies in the use of one independent variable (Liquidity) and one dependent variable (Tax Aggressiveness). With the data used in this study are manufacturing companies in the consumer goods industry sector listed on the Indonesia Stock Exchange for the period 2021-2023, as well as the use of software for data processing using eviews version 12.

Based on the background above, the authors can formulate problems including (1) How is liquidity in manufacturing companies in the consumer goods industry sector on the Indonesia Stock Exchange? (2) How is tax aggressiveness in manufacturing companies in the consumer goods industry sector on the Indonesia Stock Exchange? (3) How does liquidity affect tax aggressiveness in manufacturing companies in the consumer goods industry sector on the Indonesia Stock Exchange?

LITERATURE REVIEW

Positive Accounting Theory

This theory provides an overview of how management chooses accounting policies to be used based on the conditions faced, to achieve certain goals, both to minimize costs and specifically to manage corporate taxes A Wantania et al., (2023).

Liquidity Theory Review

Liquidity ratio is a ratio that can display the company's ability to fulfil obligations or pay its short-term debt. This liquidity ratio is an important indicator for internal and external parties to assess the stability of the company in terms of finance Kasmir (2021).

Review of Tax Aggressiveness Theory

In the business world, tax aggressiveness is a relevant topic, especially for companies that use tax strategies to optimize their profits while still following applicable tax regulations. Tax aggressiveness is the action of a company to reduce taxable profit, with careful tax planning so that it can be classified into tax avoidance or tax expansion Alstadsæter et al., (2022).

Aggressive tax strategies often involve grey areas in the tax code, where companies take the risk of legal uncertainty for the benefit of the company. Companies must balance their strategies with compliance with the law as it can have a negative impact if they go beyond what is considered ethical.

RESEARCH METHOD

The research object in this study is manufacturing companies in the consumer goods industry sector listed on the Indonesia Stock Exchange with the observation period carried out in

2020-2023. A total of 23 companies meets the criteria that have been made, which will later be used as samples for the research conducted.

The method used in this research is quantitative research method, where the data analysis method is statistical to test the hypothesis that has been set.

The secondary data used in this study is data obtained through the website www.idx.co.id related to the financial statements of Manufacturing companies in the Consumer Goods Industry sector in the 2020-2023 period.

Manufacturing companies in the Consumer Goods Industry sector listed on the Indonesia Stock Exchange which sampled in this study amounted to 78 companies, which are divided into 6 sub-sectors. For the population that meets the criteria that will be used as a sample in this study, there are 23 companies with a period of 4 years and the total sample obtained is 92 samples. Purposive sampling is the method used for sample selection, meaning that the criteria used to define the sample are chosen in advance Sugiyono (2022).

Panel data regression was chosen to analyze the data of this study using the help of Eviews 12 software. Tests are carried out by selecting models through the Chow test, Hausmann test and Lagrange Multiplier test and conducting classical assumption tests Ghozali (2021).

RESULT AND DISCUSSION

Descriptive Analysis

Liquidity

Based on the test results, the liquidity value for manufacturing companies in the consumer goods industry sector listed on the Indonesia Stock Exchange for the period 2020-2023 has increased and decreased. It can be seen from the average value of liquidity, in 2020 the average value was 3.63 in 2021 it fell to 3.11, then in the following year it rose to 3.33, and in 2024 it rose again to 3.39.

This shows that changes in the average value of liquidity during the 2020-2024 period indicate uncertainty in the management of current assets of manufacturing companies listed on the Indonesia Stock Exchange in the consumer goods industry.

The decrease in liquidity value in 2021 may indicate that the company faces problems in maintaining the

balance of its current assets and current liabilities, which may affect the company's ability to meet short-term obligations.

However, the increase again in 2022 and 2023 indicates that the company may have made efforts to improve the management of its liquid assets, which resulted in an increase in liquidity levels. As the company is perceived to have a greater capacity to manage short-term financial risks, this increase in liquidity may provide a good signal to investors.

Aggressiveness

Based on the test results, the aggressiveness value for manufacturing companies in the consumer goods industry sector listed on the Indonesia Stock Exchange for the period 2020-2023 has increased and decreased. It can be seen from the average value of liquidity, in 2020 the average value is 0.25 in 2021 it drops to 0.22, then in the following year it rises to 0.24, and in 2024 it rises again to 0.25.

This suggests that liquidity fluctuations may affect how aggressive businesses are towards taxation policies. Companies may be in a tighter financial position in 2021 due to a decrease in liquidity from 0.25 to 0.22, which may prompt them to take more aggressive measures in taxation strategies to save financial resources. On the contrary, when liquidity starts to increase again in 2022 to 2024, companies may have more flexibility in financial management, so the taxation policy becomes more flexible. In tax management, these fluctuations show the ever-changing relationship between liquidity and management decisions; financial conditions can affect how aggressively a company manages its tax liabilities.

Descriptive Statistical Analysis

The following is a recapitulation of descriptive statistical data Liquidity and Aggressiveness in manufacturing companies in the consumer goods industry sector listed on the Indonesia Stock Exchange for the period 2020-2023:

Table 1 Descriptive Statistical Analysis

	Liquidity	Aggressiveness
Mean	3.365	0.237
Median	2.595	0.220
Maximum	13.310	0.810
Minimum	0.940	0.050
Std Dev	2.510	0.082
Skewness	2.421	4.553
Kurtosis	9.217	31.049

Jarque-Bera	238.124	3333.860
Probability	0.000	0.000
Sum	309.620	21.840
Sum Sq Dev	573.326	0.612
Observations	92	92.000

Based on table 1, it can be explained that the liquidity variable has an average value (mean) of 3.365, a median value of 2.595, the highest value (maximum) of 13.310, the lowest value (minimum) of 0.940, and a standard deviation of 2.510 with 92 data observations.

The aggressiveness variable has an average (mean) value of 0.237, a median value of 0.220, a maximum value of 0.810, a minimum value of 0.050, and a standard deviation of 0.082 with 92 observations. data.

Panel Data Regression Model Results

From the three models, a model was selected to be used in the research. To choose one of the best models, several tests were conducted, including the Chow Test, Langrange Test, and Hausman Test. The test results show that the random effect model (REM) is the best model to use in this study.

Heteroscedasticity Test

Based on the results of the Heteroscedasticity Test above, the value obtained is 0.553> from 0.05, meaning that the data does not occur heteroscedasticity or pass the Heteroscedasticity Test.

Autocorrelation Test

Autocorrelation test is used to see if there is a correlation between parts of a series of observations sorted by time (for example, in time series data) or by space (for example, in cross-sectional data). Autocorrelation symptoms also arise because the independent variable is used as a lagged variable of the dependent variable et al., (2023).

Based on the description above, it can be concluded that there are no symptoms of autocorrelation, or it can be called data passing the Autocorrelation Test.

Panel Data Regression

The analysis method in this research is panel data regression where the combination of time series data with cross section data Sujarweni (2019).

The time series data used in this study is the period 2020 to 2023.

Meanwhile, the cross-section data used in this study are 23 manufacturing companies in the consumer goods industry sector, so that the amount of data used in this study is 23 x 4, namely 92 data as a research sample.

As well as the test model selected in this study is a random effect model, the use of the panel data regression analysis model is carried out using the random effect model estimation model.

Based on the test results, the panel data regression equation results are obtained as follows:

$$\mathbf{Y = 0.2541 - 0.00496^{X} + e}$$

The regression equation above shows that the constant coefficient value is 0.254, which means that the value of the independent variable, liquidity (X), assessed by current ratio (CR) is zero, and the value of the dependent variable, aggressiveness (Y), assessed by effective tax ratio (ETR) is 0.254.

The multiple linear regression coefficient of liquidity is negative 0.0049, which indicates that the value of aggressiveness (Y) will decrease by 0.0049 for each unit increase in liquidity.

Hypothesis Test

Based on the test results, the T test results are obtained, showing that the independent variable liquidity (X) as measured using the current ratio (CR) obtained a t value of -1.2647 < t table 1.986 with a probability value of 0.2092 > 0.05.

So, it can be concluded that H1 is accepted and H0 is rejected, which means that the liquidity variable (X) as measured using the current ratio (CR), which means that there is an insignificant influence between the independent variable and the dependent variable.

Coefficient of determination

Based on the test results, the r-square value is 0.017613. This value explains that the contribution of variable X (Liquidity) affects Aggressiveness (Y) by 1.76% while the other 98.24% is influenced by other variables outside this study.

Discussion

According to the results of descriptive statistical analysis on the independent variable, liquidity (X), which is calculated by the liquidity ratio (CR), the average liquidity value

(mean) of the company is 3.365, or 336%.

These results indicate that a company has a high current ratio level which can be said to be good because of the company's ability to pay short-term loan obligations according to the predetermined maturity, on the other hand, if a low current ratio is found, it can be said that the company lacks capital to pay debts.

It is possible that the state of manufacturing companies in the consumer goods industry sector listed on the Indonesia Stock Exchange (IDX) for the period 2020-2023 can be said to be satisfactory because according to Cashmere the industry average standard for current ratio (CR) is 2 times, or 200%.

The highest actual ratio value (max) is 13.31 in the Campina Ice Cream Industry Tbk company, and the minimum ratio value (min) is 0.94 in the Phapros Tbk company.

Based on the results of descriptive statistical analysis on the dependent variable, namely tax aggressiveness (Y) as measured using ETR, it shows that the average value (mean) is 0.237 or equivalent to 23.7%, it shows that the level of tax aggressiveness in consumer goods manufacturing businesses is at a moderate level, which indicates that businesses in this sector tend to implement a rather careful tax policy.

In this case, the value of 23.7% indicates that companies take a balanced approach, they may use tax saving strategies, but not aggressively.

The highest actual ratio value (max) is 0.81 in Sekar Bumi Tbk and the minimum ratio value (min) is 0.05 in Nippon Indosari Corpindo Tbk company.

Based on the results of the Random Effect Model (REM) approach hypothesis test, the results show that liquidity (X) has a coefficient value of 0.0049 and it is known that the significant value (prob.) of this variable is 0.2092 > 0.05.

This means that the hypothesis stating that liquidity has no effect on aggressiveness is accepted, because the coefficient value and significant value (prob.) cannot be interpreted that the liquidity variable has an effect on aggressiveness in manufacturing companies in the consumer goods industry sector listed on the Indonesia

Stock Exchange during the 2020-2023 period.

These results illustrate that high liquidity does not really affect tax aggressiveness. The results of this study are in line with the research of Ramadhea Jr et al., (2022), Margie & Habibah (2021) which state that liquidity has no effect on tax aggressiveness. This illustrates that if the higher the liquidity of the company is described by the current ratio, it has no effect on the practice of tax aggressiveness.

CONCLUSION

Based on the test results that have been carried out, the following conclusions can be drawn:

(1) The research results on the liquidity variable (X) show that manufacturing companies in the consumer goods industry sector listed on the Indonesia Stock Exchange (IDX) have a satisfactory level of liquidity from 2020 to 2023. In this sector, it has an average time ratio (CR) of 3,365 or 336%, which is higher than the industry standard of 2 times or 200%, which indicates the company's ability to pay its short-term obligations. Campina Ice Cream Industry Tbk has the highest actual ratio value of 13.31, while Phapros Tbk has the lowest actual ratio value of 0.94. The highest actual ratio value (max) indicates the company's good liquidity health, while the low actual ratio value (min) may indicate the company lacks capital to meet short-term debt obligations. (2) The results of research on the tax aggressiveness variable (Y) show that manufacturing companies in the consumer goods industry sector listed on the Indonesia Stock Exchange (IDX) for the 2020-2023 period have a moderate level of tax aggressiveness, with an average Effective Tax Rate (ETR) value of 0.237, or 23.7%. This value indicates a tax policy that tends to be cautious, where companies may use tax-saving strategies but are not too aggressive. Sekar Bumi Tbk has the highest ETR value with a ratio of 0.81, while Nippon Indosari Corpindo Tbk has the lowest ETR value of 0.05, indicating differences in tax approaches between companies in this industry. (3) The test results of the effect of liquidity on tax aggressiveness show that liquidity has no significant effect on tax aggressiveness in manufacturing companies in the

consumer goods industry sector listed on the Indonesia Stock Exchange for the period 2020-2023. By using the Eviews 12 method and the Random Effect Model panel data regression estimation model, a regression equation is obtained: Aggressiveness = 0.2541 - 0.0049 * Liquidity + e, where the liquidity coefficient value is 0.0049 and the significance value is 0.2092> 0.05, indicating that the liquidity hypothesis has no effect on tax aggressiveness is accepted. This indicates that the high level of liquidity indicated by the current ratio does not affect the company's tendency to practice tax aggressiveness.

Suggestion

For Companies: the study shows that liquidity does not have a significant influence on tax aggressiveness. Therefore, companies are advised to remain transparent and comply with tax regulations to minimize the risks that may arise from aggressive tax avoidance activities. For Academics: the results of this study can help them understand that liquidity may not be a significant factor in determining corporate tax aggressiveness. Therefore, academics can develop further research by including other variables that may be more relevant.

For future researchers: it is recommended to investigate other factors that may affect tax aggressiveness. In addition, expanding the population and research period or using different methodologies, which may offer new understanding of the relationship between liquidity and tax aggressiveness. This is expected to provide a more in-depth and comprehensive understanding of the components that influence tax aggressiveness.

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