TRIGGERS OF TAX AVOIDANCE PRACTICES IN INDONESIA

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Abstract
Tax Avoidance is one of the ways taxpayers plan corporate tax obligations legally, because it is still in the corridor of the Act. This study will examine the effect of leverage and return on assets (ROA) on tax avoidance practices. This study was tested on 25 of the 52 food and beverage sector manufacturing companies listed on the Indonesia Stock Exchange using purposive sampling techniques with an 2014-2018 observation year. Data analysis uses multiple regression analysis with SPSS tools. This study found leverage does not affect the practice of tax avoidance, while ROA affects the practice of tax avoidance in Indonesia.

Keywords: leverage, return on assets, tax avoidance practices

1. Introduction
Tax avoidance is a taxpayer effort to reduce tax legally (Darmawan & Sukartha, 2016; Wijayani, 2016). Taxpayers try to pay the lowest possible taxes, while the government tries to increase tax revenues in accordance with the State budget used for development. The practice of tax avoidance is carried out for various reasons, so the tax burden borne is getting smaller (Budiman & Setiyono, 2012). This tax avoidance practice can be done by the owner providing a supply of funds into the company, not recognized as an investment, but by means of debt (Dhyatmika, et. al., 2016). In addition, the practice of tax avoidance can be done by charging a fee as big as it can, so that the burden of costs in the current year to swell (Suryowati, 2016).

Thus, this tax avoidance practice arises because of the imposition of costs that result in the rate of profit will shrink, and the existence of debt practices that can increase high interest costs, thus impacting earnings as well (Kurniasih & Sari, 2013). Research has been done before, where it was found leverage and the rate of return on assets can influence tax avoidance practices, such as Sukartha (2014), Kurniasih and Sari (2013), Dharma & Ardiana (2016), Rani, et. al. (2018), Irianto, et. al. (2017), Annisa, et. al. (2017), Cahyono, et. al. (2016), and Maharani & Guardana (2014). Preliminary research found different results, namely leverage there is an effect, but there is also no effect on the practice of tax avoidance. Likewise, the results of research on return on assets, there are influential and some do not affect the practice of tax avoidance.

The difference in previous research has motivated this research to be carried out on the unit of analysis of manufacturing companies included in the list of the Indonesia Stock Exchange with the 2013-2018 observation year. The purpose of this study is to see the effect of the influence of Leverage and Return on Assets on Tax Avoidance.

2. Literature Review
2.1. Tax Avoidance
Tax avoidance is the act of taxpayers avoiding taxes in a safe and legal way, this is because it is not contrary to the taxation rules of taxation, where the method used utilizes a gap (gray area) of
taxation rules to minimize the tax obligations that are covered (Pohan, 2013). Meanwhile according to Praditasari & Setiawan (2017) Tax avoidance is a trick to reduce tax liabilities by using the gaps contained in applicable legislation. Thus, tax avoidance can be synthesized as an effort to avoid tax by the taxpayer without violating the applicable tax provisions.

The Tax Avoidance measurement estimation model in this study uses the Cash Effective Tax Rate (CETR) model. This measurement is used because it can better describe the existence of tax avoidance activities. The higher CETR percentage that is close to the corporate income tax rate of 25% indicates that the lower the level of corporate tax avoidance (Kurniasih & Ratnasari, 2013). Research using this measurement is Annisa, et. al. (2017), Ariawan & Setiawan (2017), Wijayani (2016), Dewinta & Setiawan (2016), Maharani & Suardana (2014), Putri & Suryarini (2017), Kimsen, et. al. (2018), Annouar & Houria (2017). CETR is measured by the formula:

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\text{CETR} = \frac{\text{Cash Tax Paid}}{\text{pre Tax Income}}
\] ............................................. (1)

2.2. Leverage

The leverage ratio visualizes the source of the company's operating funds used. The leverage ratio also shows the risk experienced by the company (Putri & Putra, 2017). Total corporate debt is used to calculate the debt ratio is the total corporate debt stated in the balance sheet both short-term and long-term debt (Dharma & Adrian, 2016). Leverage is also used to measure the ability to finance company assets obtained from long-term and short-term debt (Kurniasih & Ratnasari, 2013).

According to Kasmir (2012:113), the benefits of knowing leverage ratios are:

1. Can assess the ability of the company from the standpoint of the company's obligations to other parties.
2. Measuring the company's ability to settle fixed obligations.
3. Knowing the balance between the value of fixed assets with equity.
4. Useful in making decisions about using future sources of funds.

2.3. Return on Assets (ROA)

Return on assets is used as a tool to see the rate of return of assets operated by a company. A high level of ratio can illustrate that the rate of return on assets is also high, meaning that this ratio is used to measure the level of effectiveness of company assets used in company operations (Kasmir, 2012: 201; Dewinta & Setiawan, 2016). Return on Assets (ROA) is a profitability ratio that compares net profits with total assets at the end of the period.

2.4. The Effect of Leverage on Tax Avoidance

Leverage is the company's policy regarding funding operating activities used from debt. The increase in total debt will affect the increase in the amount of interest on debt, so that it will have an impact on the amount of profit generated by the company, thus the amount of tax will also be smaller (Dharmawan & Sukartha, 2014). Interest expense on loans can be used as tax expense, as regulated in article 6 paragraph 1a and article 18 paragraph 3, Law no. 36 of 2008. This is in line with the trade off theory which states that the use of debt by companies can be used to streamline
taxes by achieving incentives to increase interest expenses, so as to reduce the amount of taxable income (Dharma & Sukartha, 2014).

A number of studies have been conducted on the effect of leverage on tax avoidance. The research included Rani, et. al. (2018); Irianto, et. al. (2017); Putri & Putra (2017); Oktamawati (2017); Praditasari & Setiawan (2017); Ambarukmi & Diana (2017); Ariawan & Setiawan (2017); Swingly & Sukartha (2015); and Rego (2003) found the results that leverage affects tax avoidance.

2.5. The Effect of Return on Assets on Tax Avoidance
Return on Assets (ROA) is an indicator that reflects the company's financial performance, where the greater the value of ROA, the better the company's financial performance can be categorized. ROA is also used as a measure of the effectiveness of the use of company assets in carrying out company operations to obtain profits. Where the ROA indicator is the net profit after tax compared to the total assets used by the company in carrying out the company's operations. The ROA condition is negative because the company suffers losses, this shows the ability of the company's assets can not produce the expected benefits (Maharani & Suardana, 2014). The higher the ROA number, means the higher the profits obtained by the company (Kurniasih & Sari, 2013). Increased profits have an impact on the tax payable that is increasingly large, so the company will strive to minimize or minimize the tax payable. Thus it is possible for companies to take tax avoidance actions (Annisa, et. Al., 2017).

A number of studies have been conducted on the effect of return on assets on tax avoidance. These studies include Dharmawan & Sukartha (2014), Maharani & Suardana (2014); Irianto, et. al. (2017); Aminah, et. al. (2017); Anouar & Houria (2017); Putri & Suryarini (2017); Rani, et. al. (2018); Kimsen, et. al. (2018) found the result that return on assets affects tax avoidance.

3. Research Methods
This study examines the effect of leverage and ROA on the practice of tax avoidance in food and beverage manufacturing companies with the 2013-2018 observation year. The research method used is descriptive verification method. The number of samples of this study were 25 companies from 52 companies manufacturing food and beverage sectors, where the number of samples of this study was determined using purposive sampling method. Analysis of research data using multiple linear regression analysis with SPSS tools.

4. Results And Discussion
This study found that leverage has no effect on tax avoidance practices, and ROA has an effect on tax avoidance. Statistical test results can be seen in table 1.

<table>
<thead>
<tr>
<th>Variabel</th>
<th>R Square</th>
<th>B Value</th>
<th>Signification Value</th>
<th>Signification Standard (alpha)</th>
<th>Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leverage  → Tax</td>
<td>0.189</td>
<td>-0.25</td>
<td>0.468</td>
<td>0.05</td>
<td>No Effect</td>
</tr>
<tr>
<td>ROA  → Tax Avoidance</td>
<td>-0.170</td>
<td>0.027</td>
<td>0.05</td>
<td></td>
<td>Effect</td>
</tr>
</tbody>
</table>

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Leverage does not affect tax avoidance, if leverage increases one unit it will decrease tax avoidance by 0.025. Conversely, if leverage decreases by one unit, tax avoidance will experience an increase in tax avoidance of 0.025. This can be explained that leverage has no effect because leverage has a negative relationship with tax avoidance, leverage should have a positive relationship with tax avoidance. While ROA found negative effect results, this is in accordance with the conditions, if the return on assets increases one unit it will reduce tax avoidance by 0.170. Conversely, if the return on assets has decreased by one unit, the tax avoidance will increase by 0.170. Increased corporate profits will trigger companies to practice tax avoidance, because it will reduce the tax to be paid.

4.1. The Effect of Leverage on Tax Avoidance
Leverage is a company's ability to meet its financial obligations both in the short and long term or measure the extent to which a company is financed with debt (Dharma & Ardiana, 2016). Companies that have high leverage ratios indicate the higher the amount of funding from third party debt used by the company and the higher the interest costs arising from the debt. The higher interest costs will affect the company's profits which will reduce the company's tax burden (Annisa, et. al., 2017).

The results of this study indicate that leverage has no effect on tax avoidance. Leverage has no effect on tax avoidance because the debt burden of companies that are tax deductible is debt obtained from parties who have no relations or third parties (creditors), as stipulated in article 6 paragraph (1a) and article 18 paragraph (3) of the Law Number 36 of 2008. Debt to unrelated parties raises interest expense which can be used as a deduction from taxable income. In addition, the Minister of Finance of the Republic of Indonesia has issued a determination on the magnitude of the ratio of debt and capital that can be a tax deduction. The magnitude of the ratio between debt and capital is set at a maximum of four compared to one (4: 1) which can be taken into account in taxation. The average debt to equity ratio (DER) in 2013 was 0.823, in 2014 it rose to 0.916, but in 2015 it fell to 0.785, in 2016 it rose to 0.779, in 2017 it dropped to 0.706 and in 2018 it fell again to 0.702. This means that food and beverage manufacturing companies still have a lot of leverage ratio of less than 1 or 100%, meaning that on average companies do not use debt as the main source of funding.

The results of this study are in line with research conducted by Aminah, et. al. (2017), and Putri & Suryarini (2017) that found that leverage has no effect on tax avoidance, meaning that companies with leverage values that are proxied with high or low debt to equity ratios do not affect the company doing tax avoidance. However, this study is different from the research of Dharmawan & Sukartha (2014), Maharani & Suardana (2014); Irianto, et. al. (2017); Aminah, et. al. (2017); Anouar & Houria (2017); Putri & Suryarini (2017); Rani, et. al. (2018); Kimsen, et. al. (2018) who found the results that return on assets affect tax avoidance.

4.2. The Effect of Return on Assets on Tax Avoidance
Return on Assets (ROA) is a ratio of net profit tax which also means a measure to assess how much the rate of return of assets owned by the company (Maharani & Suardana, 2014). The higher the value of ROA, the higher the value of the company's net profit (Kurniasih &
Sari, 2013). Increased profits have an impact on the tax payable which is increasingly large. The company will seek to downplay or minimize taxes payable (Annisa, et. al., 2017).

The results of this study indicate that ROA has an influence on tax avoidance. ROA affects tax avoidance, which means that the sample company is able to manage its assets well, so that the company is seen doing tax avoidance. High levels of return on assets tend to encourage companies to take tax avoidance. Based on the results of ROA statistics, the average ROA result in 2013 was 0.154, the year 2014 became 0.130, it fell again in 2015 to 0.126, in 2016 it rose to 0.133, but in 2017 it dropped again to 0.124, and 2018 dropped to 0.120. The results show that the value of return on assets increases, the value of tax avoidance decreases, and if the value of return on assets decreases the value of tax avoidance increases. The results of this study are in line with research conducted by Maharani & Suardana (2014), Irianto, et. al. (2017), Aminah, et. al. (2017), Anouar & Houria (2017) found the results that return on assets affect tax avoidance, increasing or decreasing the value of corporate return on assets will increase or decrease companies doing tax avoidance.

5. Conclusion
This research was conducted to examine the effect of leverage and ROA on the practice of tax avoidance. The results found that leverage has no effect on tax avoidance practices, and ROA was found to influence tax avoidance practices. Leverage does not affect the practice of tax avoidance because it contradicts the concept of tax avoidance, where in reality the higher debt should be a trigger for companies to do tax avoidance, but the empirical facts of this study find an increase in debt reduces tax avoidance. Meanwhile, ROA affects the practice of tax avoidance considered to be in accordance with the concept, this is because the longer the company will trigger business actors to practice tax avoidance, so that the impact on the amount of tax paid to the State is smaller.

Reference


