INFLUENTIAL FACTORS TOWARDS TAX AVOIDANCE BY COMPANY SIZE AS CONTROL VARIABLE IN MINING COMPANY LISTED ON INDONESIAN STOCK EXCHANGE

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Abstract: This research was constituted the background for the issue and phenomena of tax avoidance in Indonesia. The objective of the research was to analyze the influence of business strategy, profitability, and leverage on tax avoidance, in the research firm size as the variable of control. The research used quantitative design, and the samples were 34 companies, taken by using purposive sampling technique. Secondary data were obtained from mining companies listed in the Indonesia Stock Exchange in the period of 2014-2016 and analyzed by using multiple linear regression analysis. The result of the research showed that business strategy, profitability, and leverage simultaneously had significant influence on tax avoidance in mining companies listed in the Indonesia Stock Exchange in the period of 2014-2016. Business strategy and profitability partially had positive and significant on tax avoidance, while leverage partially did not have any significant influence on tax avoidance. Firm size as the variable of control had positive and significant influence on tax avoidance. Keywords: Business Strategy, Profitability, Leverage, Firm Size

INTRODUCTION

Tax is one of the most important elements in the framework of sustaining the budget of state revenue, so great attention should be given to the tax sector. The largest state revenue is from the tax sector which has significant value for development. Efforts that can be made by the government to optimize revenue from tax sector are implemented through intensification and extensification of tax revenue (Directorate General of Taxation Circular No.SE-09 / PJ.9 / 2001). Thus taxpayer compliance is expected to carry out the voluntary tax obligations in accordance with applicable tax laws so that the expected tax target of the government will be achieved. Yet facts show that since 2011-2016 the realization of tax revenue continues to miss the target, shown in table 1.1 below:

Table 1. Target and Realization of Tax Receipts (Trillion-Rupiah) Year 2011-2016

<table>
<thead>
<tr>
<th>Tahun</th>
<th>Target Of Tax Revenue</th>
<th>Realisasi Of Tax Revenue</th>
<th>Efektiveness Of Tax Collection</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>879</td>
<td>874</td>
<td>99 %</td>
</tr>
<tr>
<td>2012</td>
<td>1.016</td>
<td>981</td>
<td>96 %</td>
</tr>
<tr>
<td>2013</td>
<td>1.148</td>
<td>1.077</td>
<td>94 %</td>
</tr>
<tr>
<td>2014</td>
<td>1.246</td>
<td>1.146</td>
<td>92 %</td>
</tr>
<tr>
<td>2015</td>
<td>1.489</td>
<td>1.236</td>
<td>83 %</td>
</tr>
<tr>
<td>2016</td>
<td>1.539</td>
<td>1.284</td>
<td>83 %</td>
</tr>
</tbody>
</table>

Source: www.kumparan.com accessed November 21, 2017
Based on table 1 above it can be seen that the realization of tax revenue from 2011-2016 Directorate General of Tax (DGT) has never reached the target of one hundred percent of the target set by the Government. Although in 2016 the Directorate General of Taxation conducted a tax amnesty program but the results have not been able to boost tax revenues. One of the causes of the low realization of the achievement of tax revenue in each fiscal year is the high tax avoidance practices undertaken by taxpayers both by a body and individual. This happens because of the thought that the tax is a burden that will reduce the company's net income, then from the position of the company, the taxpayer will always try as much as possible in order to pay the smallest taxes even to avoid taxes. In essence, no single company wants to implement some of its revenue for the country, even more there has already been the loss of public trust to the fiscal credibility in Indonesia.

The above phenomena is reinforced by the statement of the Chairman of the Corruption Eradication Commission (KPK) in 2013, Abraham Samad, stating that there are about 60 percent of mining companies in Indonesia that do not pay no taxes and royalties to the state. According to Abraham, many companies are absent from their obligations to pay taxes due to illegal agreements with local authorities, while for 2014 the KPK finds 12,000 mining companies and 4,000 companies do not have tax ID number (NPWP).

The purpose of this study is to know whether the business strategy, profitability and leverage simultaneously and partially occur towards tax avoidance at mining companies listed on the Stock Exchange and to determine whether the size of the company can control business strategy, profitability and leverage against tax avoidance at mining companies listed on the Indonesian stock exchange.

I. METHOD

The data used in this study is quantitative data that is data in the form of numbers. The method of data collection in this research is the secondary data documentation required in the form of financial statements of mining companies listed in Indonesia Stock Exchange, and in this research the data consist of financial statements of mining companies listed in Indonesia Stock Exchange period 2014-2016 with a total of 102 observations.

The data model and technique in this research use descriptive statistic test, multiple linear regression test with classical assumption test requirement, where classical assumption test used consist of linearity test, normality test, multicollinearity test, heteroscedasticity test and autocorrelation test. Then, to test the hypothesis used is the test coefficient of determination (Adjusted R2), F test (simultaneous) and t test (partial). Multiple linear regression equation in this research model can be formulated as follows:

Regression model I: \( Y_1 = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \varepsilon \)

This research use control variable as comparison, hence equation can be compiled as follows:

Regression model II: \( Y_2 = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \varepsilon \)

Remarks:

\( Y_1 \) = Tax Avoidance  
\( X_1 \) = Business Strategy 
\( X_2 \) = Profitability 
\( X_3 \) = Leverage 
\( X_4 \) = Firm Size (SIZE)  
\( \alpha \) = Constant Number (price Y, if X = 0)  
\( \beta \) = Regression Coefficient of Independent Variables  
\( \varepsilon \) = Intolerable error (5%)

The result of data processing above is to answer the hypothesis that exist in this research which consist of:
1. Business Strategy, Profitability and Leverage influence both simultaneously and partially to Tax Avoidance at mining companies listed on Indonesian stock exchange.
2. Company size can control business strategy, profitability and leverage having positive effect to tax avoidance at mining company listed on Indonesian stock exchange.

II. RESULT AND DISCUSSION

Hypothesis Testing Research

1. Determination Coefficient Test (Test R2)
   The test of the determination coefficient (R\textsuperscript{2}) is a value (proportion value) that measures how much the ability of the variables used in the regression equation, in explaining the variation of the dependent variable. The result of this research shows that the coefficient of determination R\textsuperscript{2} is located on the Adjusted R-Square column before entering the size as the control variable of R\textsuperscript{2} = 0.539. The value means all independent variables, namely business strategy, profitability, and leverage, simultaneously affect the variable tax avoidance of 53.9%, the rest of 46.1% influenced by other factors. While the value of determination coefficient R\textsuperscript{2} located on the column Adjusted R-Square of R\textsuperscript{2} = 0.547. The value means all the independent variables, namely business strategy, profitability, leverage, and size as control variables simultaneously affect tax avoidance variable of 54.7%, the rest of 45.3% influenced by other factors.

2. Simultaneous Effect Significance Test (F Test)
   Test F is known by the simultaneous test or test Model / Anova Test which aims to test the influence of independent variables simultaneously to the dependent variable. The result of this research is known as the value of F arithmetic before inserting size as control variable equal to 40,418 and Sig 0,000, as the value of F arithmetic 40.418> F table 2.69 and Sig 0,000 <0.05. This means that the variables of business strategy, profitability, and leverage simultaneously have a significant effect on tax avoidance. Whereas after inserting size as control variable known value of F count is 31,542 and Sig 0,000. Because the value of F arithmetic 31.542> F table 2.46 and Sig 0,000 <0.05 then business strategy, profitability, leverage and size simultaneously significant effect on tax avoidance. This means that the first hypothesis can be accepted because all independent variables and control variables in this study can influence the dependent variable simultaneously.

3. Multiple Linear Regression Analysis and Partial Effect Significance Test (t test)
   T test statistic is useful to test the influence of each independent variable partially to the dependent variable. To see if any influence of each independent variable partially to dependent variable can be seen at the 0.05 significance level. In this study the results of partial significance test (t test) before the included size as control variables are:

\[
Y = -3.226 + 0.484X1 + 0.102X2 - 0.161X3.
\]

Based on this multiple linear regression equation it is known that:

1. The value of the regression coefficient of business strategy is 0.484, which is positive. Given value t count | 4,494 | > t table | 1.98 | and Sig 0.000 <0.05. The value interpreted as business strategy has a positive effect on tax avoidance.
2. The value of the regression coefficient of profitability is 0.102, which is positive. The value can be interpreted as profitability having a positive effect on tax avoidance. Given value t count | 7,207 | > t table | 1.98 | and Sig 0.000 <0.05, profitability has significant effect to tax avoidance.
3. The value of the regression coefficient of leverage is -0.161, negative. The value can be interpreted as leverage negatively affecting tax avoidance. Given value t count | -1.621 | < t table | 1.98 | and Sig 0.108 > 0.05, the leverage has no significant effect to tax avoidance. While for the test results of partial significance (t test) after the included size as control variables are as follows:

\[ Y = -10.003 + 0.477X1 + 0.097X2 - 0.143X3 + 0.234X4 \]

Based on this multiple linear regression equation it is known that:
1. The value of the regression coefficient of business strategy is 0.477, which is positive. The value can be interpreted that business strategy has a positive effect on tax avoidance. Given value t count | 4.462 | > t table | 1.98 | and Sig 0.000 < 0.05, hence business strategy has a significant effect on tax avoidance.
2. The value of the regression coefficient of profitability is 0.097, which is positive. The value can be interpreted that profitability has a positive effect on tax avoidance. Known value t count | 6.764 | > t table | 1.98 | and Sig 0.000 < 0.05, hence profitability has significant effect to tax avoidance.
3. The value of the regression coefficient of leverage is -0.143, ie, is negative. The value can be interpreted that leverage negatively affect tax avoidance. Given value t count | -1.442 | < t table | 1.98 | and Sig 0.152 > 0.05, hence leverage has no significant effect to tax avoidance.
4. The value of the regression coefficient of size is 0.234, which is positive. The value can be interpreted that size has a positive effect on tax avoidance. Given value t count | 1.658 | < t table | 1.98 | and Sig 0.101 > 0.05, then size does not have significant effect to tax avoidance.

IV. DISCUSSION

Business strategy has a positive effect partially on tax avoidance

The results of this study indicate that business strategy variables are able to influence tax avoidance. This shows that business strategy has a significant positive effect on tax avoidance. This means that the type of strategy that companies apply to face their business competition can affect tax avoidance practices. Companies that adopt defender strategies have analyzers in the results of this research, but more dominant defender strategies. The competitive advantage of a defender strategy that focuses on minimizing costs is well suited for mining companies with high operational burdens and narrow product domains but stable organizational structures. Although in practice the cost of saving and designing taxes is huge but for the company the benefits received are greater than those costs. In the sample companies in this study it is seen 82.35% of companies consistent in implementing its business strategy, while 17.65% of companies are not consistent in implementing its business strategy. The results of this study are in line with Arietiara et al., (2013) stating that business strategy has an effect on the avoidance of contextual tax in Indonesia and the results of Higgins et al. (2011) research in the context in America.

Profitability has a partial positive effect on tax avoidance

Profitability of the company with tax avoidance will have a positive relationship if the company wants to avoid taxes then it must be efficient in terms of expenses so it does not need to pay large taxes (Surbakti, 2012). In this study, profitability has a significant positive effect on tax avoidance at mining companies listed on Indonesian stock exchange, period 2014-2016. This explains that companies with high profitability have the opportunity to position themselves in tax planning that reduces the amount of tax burden (Chen et al., 2010 in Rinaldi and Cheisviyanny, 2015). The high value of the profitability ratio shows the efficiency made by the management, so it will generate profits and increase the profitability...
of the company. This will result in an increase in taxes payable to companies. With this condition it is possible for companies to practice tax avoidance (tax avoidance) to get the maximum profit. The results of this study support the results of previous research conducted by researchers Kurniasih and Sari (2013), Rinaldi and Cheisviyanny (2015) who found that the profitability of the company as measured by ROA has a significant effect on tax avoidance in manufacturing companies listed on the Indonesian Stock Exchange.

**Leverage partially positively affects tax avoidance**

Leverage is the ratio used to measure the extent to which a company's assets are financed by debt. The results of this study found that leverage variables have no significant effect on tax avoidance. Negative correlation coefficient indicates that the relationship is opposite where higher leverage value will be followed by lower tax avoidance. This study supports the theories put forward by Eugene F. Brigham and Joel F. Houston (2014) that one of the main reasons for the use of debt is that interest on loans is tax deductible, further reducing the cost of effective debt The higher the value of the leverage ratio means the higher the amount of funding from third party debt used by the company and the higher the interest arising from the debt that will give effect to the reduction of the company's tax burden does not make the company do the financing with the maximum debt (Kurniasih and Sari: 2013). Higher interest rates will affect the company's tax burden. The greater the debt the taxable income will be smaller because the tax incentives on the debt interest is greater, but for the tax saving / benefit of the company is increasing. So it is possible to lower the indication of tax avoidance practices.

This is evident from the results of statistical analysis descriptive which shows the average value of leverage of only 0.9963; this means that most mining companies listed on the Indonesian stock exchange period 2014-2016 do not use leverage as their tax planning strategy. This is due to government policy (PMK) number 169 / PMK.010.2015 which limits the DER by 4: 1 as a benchmark of leverage. This policy is one of the government's anti tax avoidance policy to reduce the amount of indication of tax avoidance practices by multinational corporations so that companies listing on Indonesian stock exchange must follow the regulations. The results of this study are in line with the results of research conducted by Kurniasi and Sari (2013), Ngadiman and Puspitasari (2014) who found that leverage has no partial effect on tax avoidance on manufacturing companies listed on the Indonesian stock exchange.

**Company size can control business strategy, profitability and leverage having a positive effect on tax avoidance**

Company size is a scale that determines the size of the company that can be seen from the value of equity and sales value. The results of this study found that firm size has no significant effect on tax avoidance. The results of this research reinforce the research of I Gede Hendy Darmawan and I Made Sukartha (2014) that firm size variables significantly influence tax avoidance which means that the larger the company, the greater the resources owned by the company to manage its tax burden. Their research results are also supported by the theory of political power that explains that large companies will have the great resources to influence the desired political process and benefit the company including to avoid taxes in order to achieve optimal tax savings. The results of this study are in line with the findings of research of Kurniashi and Sari (2013), Ngadiman and Puspitasari (2014) who found that firm size affects tax avoidance at manufacturing companies listed on the Indonesian stock exchange.

V. CONCLUSION
1. Business strategy, profitability and leverage have simultaneous and significant effect on tax avoidance.

2. Business strategy and profitability have a positive and partial significant effect on tax avoidance. Leverage using the Debt Equity Ratio (DER) gauge has no significant effect on tax evasion.

3. The size of the company as a control variable has a positive and significant effect simultaneously on tax avoidance, while partially firm size has positive and insignificant effect on tax avoidance.

REFERENCES


