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Factors Related Tax Avoidance on Food and Beverage Manufacturing Companies Listed in Indonesia Stock Exchange Period 2017-2020

Mutmainah[1*]

[1] Faculty of Economy, Universitas Wahid Hasyim, Semarang, Indonesia

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Corresponding author:
Mutmainah

E-mail address:
mutmai373@gmail.com

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ABSTRACT

Tax avoidance is an effort to reduce the burden of taxes paid but is carried out legally and ethically, and does not conflict with the applicable tax rules. This study aims to determine the factors that influence tax avoidance, with a focus on analyzing the variables of leverage, profitability, and capital intensity. The design of this research is analytic observational. The research subjects are manufacturing companies in the food and beverage sector which are listed on the Indonesia Stock Exchange in 2017-2020. There were 11 companies that meet the sample criteria. The results of the analysis show that the mean $\pm$ SD on the tax avoidance variable is 0.887$\pm$1.973. The mean $\pm$ SD on the leverage variable is 0.498$\pm$0.622, the profitability variable is 0.913$\pm$2.781, and the capital intensity variable is 0.729$\pm$ 0.794. In conclusion, the factors of leverage, profitability, and capital intensity have no effect on tax avoidance in food and beverage manufacturing companies on the Indonesia Stock Exchange in 2017-2020.

1. Introduction

Tax is a source of income for the state that contributes the most to the implementation of state activities. Taxes are coercive so individual and corporate taxpayers must pay taxes. According to the taxpayer, the tax paid will reduce net income. For the government, taxes are a source of state financing needed for national development. The company always strives to pay the lowest possible tax burden to maximize company profits. Taxpayer non-compliance is usually carried out in various ways, one of which is tax avoidance.[1]

Tax avoidance is an effort to avoid tax legally. This is circumvented without violating tax regulations and is carried out by taxpayers intentionally through ways to find weaknesses or gaps in the regulations in reducing the amount of tax payable. Based on the annual report of the Directorate General of Taxes, the tax received by the state in 2016 was Rp. 1,105.97 trillion, or about 81.61% of the target. In 2017, tax revenue was 1,151.03 trillion, or 89.67% of the target. The tax revenue target that was not realized was due to many factors, one of which was tax evasion by the company.[2] This study aims to determine the factors that influence tax avoidance, with a focus on analyzing the variables of leverage, profitability, and capital intensity.

Tax avoidance is an effort to reduce the tax burden paid but is carried out legally and ethically, does not conflict with the applicable tax rules.[1,3] Even though tax avoidance is legal, the government still doesn't want it. Tax avoidance actions indirectly harm the state treasury or affect state revenues in the state revenue and expenditure budget (APBN).[4]

Leverage is an additional cost in the form of interest that must be paid by the company and can be used as a reduction in the income tax burden of corporate taxpayers caused by the increase in the amount of debt. Leverage describes the level of the company's ability to be financed by debt or capital from outside parties to finance investments and assets.[5,] Profitability is a ratio or comparison to determine the company's ability to earn profit from earnings related to sales, assets, and equity-based on certain measurement bases. Profitability function for recording financial transactions which are usually assessed by investors and creditors (banks). The goal is to assess the investment return that will be obtained by investors. Profitability can also measure the company's profit to assess the company's ability to pay debts to creditors based on the company's efficiency level. The higher the ratio value, the better the condition of the company based on the profitability ratio. In research by Haerudin, profitability harms tax avoidance.[6] According to Kalbuana et al., capital intensity is a form of financial decision determined by company management to increase company profitability.[7] Another study by Sugeng et al., found that capital intensity affects tax avoidance.[8]

2. Methods

This research is an analytic observational study. The research subjects are manufacturing companies in the food and beverage sector which are listed on the Indonesia Stock Exchange in 2017-2020. The data collection method uses a secondary method by visiting the Indonesia Stock Exchange www.idx.id or the websites of each company. Determination of the sample was determined by the purposive sampling method. Data analysis was performed using SPSS 20.0 software. The research variables consist of tax avoidance, leverage, profitability, and capital intensity. Measurement of tax avoidance is calculated using the Cash ETR formula.

$$\text{Cash ETR} = \frac{Income\ Tax\ Expense}{Profit\ Before\ Tax}$$

Leverage Measurement using the following formula;

$$Leverage = \frac{Total\ Assets}{Total\ Debt}$$

Meanwhile, profitability is calculated by the following formula;

$$\text{ROA} = \frac{Net\ Profit}{Total\ Assets}$$

The capital intensity formula is as follows:

$$\text{Capital intensity} = \frac{Total\ Fixed\ Assets}{Total\ Assets}$$

3. Results and Discussion

There were 11 companies that meet the sample criteria. Table 1 shows the mean ± SD on the tax avoidance variable which is 0.887 ± 1.973. The mean ± SD on the leverage variable is 0.498± 0.622, the profitability variable is 0.913+2.781, and the capital intensity variable is 0.729± 0.794.

Table 1. The mean + standard deviation (SD) of each variable

Variables	Mean± SD	Total
Tax Avoidance	0.887 ± 1.973	44
Leverage	0.498± 0.622	44
Profitability	0.913± 2.781	44
Capital intensity	0.729± 0.794	44

Table 2. Multiple linear regression analysis

Model		Standardized coefficients
		Beta
1	(Constant)	-
	Leverage	-0.147
	Profitability	0.056
	Capital intensity	-0.295

Y = 0,300 – 0,147 + 0,056 – 0,295 + e

a = Leverage constant as X1, Profitability as X2 and Capital Intensity as X3 then tax avoidance will increase by 0.300.

b1 = regression coefficient of leverage as X1 of -0.147 states that every reduction in leverage units as X1 causes tax avoidance of -0.147.

b2 = profitability regression coefficient as X2 of 0.056 states that each additional unit of profitability as X2, causes tax avoidance of 0.056.

b3 = capital intensity regression coefficient as X3 of -0.295 states that every reduction in the unit of modal intensity as X1 causes tax avoidance of -0.295.

The effect of leverage (X1) on tax avoidance (Y) the test results show the value of the leverage variable (X1) is -0.147 with a significance of 0.530 > 0.05 which means that the regression model is not significant. Thus partial leverage (X1) does not affect tax avoidance (Y). H_1 which states that leverage does not affect tax avoidance received.

Profitability Effect (X2) on tax avoidance (Y) the test results show the value of the profitability variable (X2) of 0.056 with a significance of 0.770> 0.05 which means that the regression model is not significant. Thus partially profitability (X2) does not affect tax avoidance (Y). H_2 which states that profitability does not affect the tax avoidance received.

Effect of capital intensity (X3) on tax avoidance (Y) the test results show the value of the variable capital intensity (X3) is -0.295 with a significance of 0.212 > 0.05 which means that the regression model is not significant. thus partially capital intensity (X3) does not affect tax avoidance (Y). The H_3 States that capital intensity affects tax avoidance are rejected.

4. Conclusion

Leverage, profitability, and capital intensity factors have no effect on tax avoidance in food and beverage manufacturing companies in Indonesia Stock Exchange period 2017-2020.

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