

THE EFFECT OF LEVERAGE AND FIRM SIZE ON TAX AVOIDANCE WITH PROFITABILITY AS MODERATING

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ABSTRACT

This study aims to analyze the effect of leverage and firm size on tax avoidance and profitability as moderating variables and determine which variables have a dominant influence by collecting data on the publication of annual financial statements of construction companies that have been listed on the IDX and in accordance with the sample selection criteria. The independent variables are leverage, firm size, the dependent variable is tax avoidance and profitability as a moderator. The type of research used in this research is quantitative data. Sources of data used in this study is secondary data. Determination of the sample of this study using purposive sampling, namely the purpose of the sample to obtain a representative sample in accordance with the criteria of construction companies listed on the Indonesia Stock Exchange in 2017-2019. The data obtained from the IDX are then processed and analyzed using the regression method using the e-views version. The results of this study indicate that the leverage variable has no significant effect on tax avoidance, the firm size variable has a negative and significant effect on tax avoidance. This is not followed by the variable leverage and firm size which moderated profitability has no significant effect on tax avoidance.

Keywords : Leverage, Firm Size, Tax Avoidance, Profitability

PROEM

Tax is one source of state revenue that aims to meet the needs of a country (Dewinta, 2016). Where taxes are the largest source of state revenue, namely Rp. 1,786.4 trillion of the total state revenue of Rp. 2,165.1 trillion in the 2019 State Budget (www.kemenkeu.go.id, 2019). Awareness of taxpayers in doing taxation is important in addition to the active role of tax officers.

According to Panjaitan (2016: 90) "The phenomenon of tax collection in Indonesia shows that the revenue from the tax sector is very large. This revenue is used to increase the rate of growth and development of the country so it must be managed

properly by the government. Optimization of tax collection in Indonesia is still experiencing many obstacles as a result the effectiveness of tax collection continues to decline. In addition, the performance of tax collection (tax buoyancy) which reflects the ability of the Indonesian tax authorities to keep up with the pace of economic growth continues to decline”.

One indication that causes tax revenues to decline is the practice of tax avoidance by taxpayers. Tax avoidance is an action to reduce the tax burden by taxpayers without violating the law. (Hanum and Zulaikha, 2013; Sumantri, Anggraini and Kusnawan, 2018). Most companies as taxpayers consider that paying taxes is a burden because the source of taxation is a change from the commercial or corporate sector to the commercial sector which has an impact on decreasing taxpayer compliance (Farid, et, al., 2018).

Companies that behave in tax avoidance are considered socially irresponsible. From the community's point of view, if a company takes action with a single goal, namely to avoid taxes, then it is considered not paying the fair value of taxes to the government for financing public goods (Ciesha & Yulastuti, 2020). Therefore, the issue of tax avoidance is a complex and unique issue. On the one hand it is permissible, but on the other hand tax avoidance is undesirable.

In general, leverage arises because companies finance assets with borrowed funds that carry interest. In other words, with leverage, it can be seen whether the assets owned by a company come from debt or from their own capital. If the company has a high level of leverage, then the assets owned by the company come from loans or debt. Meanwhile, if the company has a low level of leverage, the assets owned by the company come from its own capital (Cahyono, et, al., 2016; Handayani & Rahayu, 2014). Later the size of the leverage owned by the company can affect the size of the tax that must be paid by the company. This is because the interest costs derived from these debts can be deducted in tax calculations, causing the company's tax burden to be smaller (Adiyani & Septanta, 2017).

According to Ardiansyah (2015), "Company size is the size of the company which can be measured by the size of the total assets or assets of the company using the calculation of the logarithmic value of total assets". Another factor that is also a determining factor in tax avoidance is Firm Size. The larger the size of the company, the

greater the total assets of the company. The larger the size of the company, it is assumed that the transactions carried out by the company will be more complex. So it is assumed that the greater the gap that can be used by taxpayers to carry out tax avoidance activities.

Profitability is a ratio that measures the effectiveness of management as a whole, which is indicated by the size of the level of profit obtained in relation to sales and investment. Research conducted by Utami (2013: 24) proves that "companies with high profitability will increasingly disclose their tax obligations". Profitability measurement consists of several ratios, one of which is by using Return On Assets (ROA). (ROA) is an indicator that reflects the company's financial performance, the higher the ROA value that can be achieved by the company, the company's financial performance is categorized as good, the better the asset management of a company, the greater the profit earned by the company (Wibowo & Wartini, 2012). When the company earns a large profit, the tax borne by the company also increases. This is in accordance with the increase in company profits so that the company tends to do tax avoidance to minimize tax payments that must be borne (Nurjanah and Nurdin, 2018). The importance of the success of previous studies related to leverage and firm size as one of the factors that influence

THEORETIC

Tax avoidance is an attempt to avoid taxes that is carried out in a legal way or does not violate laws and regulations because for companies tax is seen as a burden that will reduce company profits (Purnama & Taufiq, 2021).

Tax avoidance is different from tax evasion, where tax evasion is related to reducing or eliminating the tax burden by using unlawful means. Tax avoidance is often done by many companies. Tax avoidance can actually make state revenues decrease because tax avoidance aims to minimize the insured tax that must be paid by the company (Aulia, I., & Mahpudin, 2020).

Based on the explanation above, this study uses agency theory as a grand theory. where Jensen and Meckling (1976) say that the agency relationship is a contract between one or more people (principals) who require other people (managers) to perform services by delegating decision-making authority to agents (Putri & Putra,

2017). Agency conflict can affect the level of tax aggressive treatment. There are differences in the interests of the agent and the principal triggering aggressive tax avoidance behavior (Rohmansyah, et, al., 2021). This is because on the one hand management wants to increase compensation through high profits while on the other hand shareholders want to reduce tax costs through low profits.

In addition, this study uses Signaling Theory which explains how a company provides information about the company's activities and financial reports to outside parties or information users.

According to Purnama & Taufiq (2021) information is an important thing for investors and business people, because information provides information in the form of notes and positive descriptions of past, present, and future conditions for the survival of a company. A company must inform activities and financial statements properly so as to avoid information asymmetry (Saputra & Asyik, 2017).

One type of information issued by a company that can be a signal for parties outside the company, especially for investors, is the annual report (Sundari & Aprilina, 2017). Information disclosed in the annual report can be in the form of accounting information, namely information related to financial statements and non-accounting information, namely information not related to financial statements.

With this signaling theory, it can be concluded that the company's management, especially companies that have gone public, must provide information to investors, so that investors can know the state of the company and its prospects in the future (Wulandari & Maqsudi, 2019). Therefore, in making decisions to invest, investors can distinguish which companies have good company values, so that in the future they can provide benefits for investors (Putri & Putra, (2017).

METHOD

The research concept is built on the basis of the object of research and is reinforced by theories. The purpose of this study was to determine the effect of leverage and firm size on tax avoidance with profitability as a moderating variable. In the process, this research uses a quantitative procedure, in which companies engaged in the construction sector listed on the Indonesia Stock Exchange for the 2017-2019 period are used as data sources. By using secondary data obtained from other parties. The research

stage begins with data collection techniques as the first step of research with data collected through literature and document studies, then continues with data analysis techniques, then uses classical assumption tests, and continues with research model selection, and then uses hypothesis testing to draw conclusions based on assumptions. temporary.

The coefficient of determination (R^2) essentially measures how far the model's ability to explain variations in independent variables (Ghozali 2018:97). The coefficient of determination also shows the proportion of the dependent variable described by the independent variable can be measured by the formula $KD = r^2 \times 100\%$.

RESULT

Determine Test

The overall coefficient of determination to measure the best accuracy of multiple regression. If the Coefficient of Determination or KD is close to 1 (one), it can be said that the stronger the model explains the variation of the independent variable to the dependent variable. On the other hand, if R^2 is close to 0 (zero), the weaker the variation of the independent variable explains the dependent variable. The criteria for R^2 or KD are said to be good if they meet the following requirements:

1. The value of the coefficient of determination > 0.5 indicates the independent variable can explain the dependent variable well and strongly
2. The value of the coefficient of determination $= 0.5$ is said to be moderate
3. The value of the coefficient of determination < 0.5 is relatively poor, this is due to the lack of precise selection of variables.

Table 1. Coefficient Determine Test

R-squared	0.858473	Mean dependent var	0.228951
Adjusted R-squared	0.794785	S.D. dependent var	0.211579
S.E. of regression	0.095846	Akaike info criterion	-1.590937
Sum squared resid	0.183731	Schwarz criterion	-1.123872
Log likelihood	33.86406	Hannan-Quinn criter.	-1.441519
F-statistic	13.47949	Durbin-Watson stat	3.100237
Prob(F-statistic)	0.000001		

Source: Research data, 2021

T-Test (Partial)

The effect of each independent variable partially (Individual) was measured using the t-statistical test which tested the effect of Leverage (X1) and Firm size (X2) on Tax Avoidance (Y) with profitability (Z) as the moderating variable. The t-statistical test basically shows how far the influence of one explanatory or independent variable individually in explaining the variation of the dependent variable (Ghozali, 2018). The test was carried out using a significance level of 0.05 ($\alpha = 5\%$). If the significance probability value of $p > 0.05$, then an independent variable is a significant explanatory to the dependent variable and vice versa. The results of the statistical T test are as follows:

Table 2. Parsial Test Result

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	6.354425	1.415364	4.489605	0.0002
X1	0.231722	0.064948	3.567835	0.0019
X2	-0.215716	0.048405	-4.456472	0.0002
Z1	0.059554	0.366094	0.162674	0.8724
Z2	-0.030986	0.016991	-1.823701	0.0832

Source: Research data, 2021

F-Test (Simultaneous)

Interpreting the coefficients of the independent variables (independent) can use unstandardized coefficients and standardized coefficients. The significance of the regression model is simultaneously tested by looking at the significance value (sig) where if the value is below 0.05 then the independent variable affects the dependent variable. The F-statistical test is used to prove that there is an effect of the dependent variable simultaneously on the independent variable with the hypothesis:

H0 = Leverage and Firm Size simultaneously have no effect on Tax Avoidance.

H1 = Leverage and Firm Size simultaneously have an effect on Tax Avoidance.

Table 3. Simultan Test Result

R-squared	0.858473	Mean dependent var	0.228951
Adjusted R-squared	0.794785	S.D. dependent var	0.211579
S.E. of regression	0.095846	Akaike info criterion	-1.590937
Sum squared resid	0.183731	Schwarz criterion	-1.123872
Log likelihood	33.86406	Hannan-Quinn criter.	-1.441519
F-statistic	13.47949	Durbin-Watson stat	3.100237
Prob(F-statistic)	0.000001		

Source: Research data, 2021

Based on the results of data research on the Effect of Leverage and Firm Size on Tax Avoidance with Profitability as a Moderating Variable in construction companies in Indonesia in 2017-2019, in this study the following conclusions can be drawn. In accordance with the data analysis that has been carried out, the following conclusions can be drawn:

1. The results of testing the first hypothesis; Leverage has no negative and significant effect on Tax Avoidance, so the hypothesis is accepted. Leverage (X1) which has a T count of 3.567835 where the calculated T value is greater than the T table ($3.567835 > 1.70562$) and the probability value is smaller than the significance level of ($0.0019 < 0.05$), which it means that Leverage (X1) has a significant effect on Tax Avoidance.
2. The results of testing the second hypothesis; Firm Size has a negative and significant effect on Tax Avoidance, so the hypothesis is rejected. This is because Firm Size (X2) has a calculated T value of -4.456472 where the calculated T value is smaller than the T table ($-4.456472 < 1.70562$) and the probability value is smaller than the significance level of ($0.0002 < 0.005$) which means Firm Size (X2) has a significant effect on Tax Avoidance.
3. The results of testing the fourth hypothesis; profitability is not able to moderate Leverage on Tax Avoidance, then the hypothesis is accepted. This is due to std. error and on the MRA the probability value of Z1 is 0.8724, which is greater than the significance level of $= 0.05$ which is used and processed using the software eviws series 9.
4. Fifth test results; profitability is not able to moderate Firm Size on Tax Avoidance, so the hypothesis is accepted. This is also caused by std.error and on the MRA the probability value of Z2 is 0.0832 where the probability is greater than the significance level of $= 0.05$ which is used and processed using eviws series 9 software.

CONCLUSION

The fact is that there are differences in results that affect tax avoidance so that based on the results of the study there are some suggestions that researchers can use for

future research, namely research is expected to add journals from previous researchers both domestically and abroad for reference and also add references to journals to be studied and use software that is different from the software that researchers use today.

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