



Analysis of Tax Avoidance Mediated by Profitability and Company Size as Moderating Variables (Case Study of Property and Real Estate Service Sector Companies Listed on the Indonesia Stock Exchange for the 2014-2018 Period)

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ABSTRACT

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One of the functions of taxes is to regulate and implement government policies in the social and economic fields and be used for the prosperity of the people, so the revenue must be maximized. Phenomenon of State Budget Revenues and Expenditures (APBN) up to December 26, 2019 in Indonesia, tax revenues reached Rp 1,266.65 trillion or 80.29% of the 2019 State Budget target of Rp 1,577.6 trillion or there was a difference of 19.71% from the target, there is a downward trend, so this must be considered by the handling system by the tax authorities. Some variables that are thought to influence tax avoidance by taxpayers include; Proportion of Independent Board of Commissioners, Institutional Ownership with Profitability as Mediation Variable and Company Size as Moderation Variable. In general, this study aims to examine, analyze whether the Proportion of Independent Commissioners, Institutional Ownership can partially influence Tax Avoidance, and how much direct, indirect influence through the profitability variable, and whether Company Size can strengthen it. Specifically this research aims to provide advice on the management of property and real estate companies listed on the Indonesia Stock Exchange in the 2014-2018 period, in terms of how to minimize tax payments. The population in this study is the property and real estate sector companies listed on the Indonesia Stock Exchange in the 2014-2018 period. The sample in this study uses a purposive sampling method obtained as many as 75 companies that meet the criteria. Variables consist of five variables: Proportion of Independent Commissioners, Institutional Ownership as an independent variable, Profitability becomes a mediating variable, and Company Size as a moderating variable, while Tax Avoidance as a variable bound. The method of data analysis is done by hypothesis testing (*t*-test), path analysis, and moderating variable tests using MRA (Moderated Regression Analysis)

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1. Introduction

Based on the 2019 Indonesian State Budget (APBN), up to December 26, 2019 revenue from taxes reached Rp 1,266.65 trillion or 80.29% of the 2019 APBN target of Rp 1,577.6 trillion or there was a difference of 19, 71% of the targeted. Every year, the revenue from the tax sector received by the State of Indonesia is always different from the target. This is what drives the government to make rules to maximize tax revenue.

Starting in July 2018 based on Government Regulation No. 23 of 2018 concerning the imposition of corporate income tax (PPh) there is a provision that "If the business circulation (sales) in a year is not more than Rp 4,800,000,000, - for 3 years in a row then imposed income tax Final of 0.5% per year ". In Article 17 of the Income Tax Act, the corporate income tax rate is 25%, and there is a 50% income tax rate reduction facility according to Article 31E.

Differences in interests between the government and companies sometimes encourage companies to regulate the amount of tax owed. In addition, companies that have paid taxes do not receive direct compensation



from the government so that taxpayers or company management have managed to pay their taxes by reducing the amount of tax payments, that is by carrying out legal tax evasion that does not violate laws and regulations.

This tax avoidance can be said to be a complex and unique problem because on one hand it is permissible but not desirable. The tax avoidance itself can occur because the tax collection system in Indonesia uses a self assessment system, whereby individual and corporate taxpayers are given the authority to calculate, deposit and self-report the amount of tax owed based on tax legislation. In addition, tax avoidance can also be influenced by several other factors, including the proportion of independent commissioners in a company and how much percentage of the institutional ownership of the company. manuscript.

Large companies tend to have more resources than smaller companies with limited or smaller resources for managing taxes. Large and stable profits encourage large companies to carry out tax avoidance activities in their companies. This is consistent with the results of Husna & Fajriana's research (2018) that company size has a positive effect on tax avoidance. And in contrast with the results of research from Wijayanti & Merkusiwati (2017) and Cahyono, et al (2016) which results in company size has no effect on tax avoidance. In addition, according to Yuni & Setiawan (2019) which states that company size is able to moderate (strengthen) the negative effect of institutional ownership on tax avoidance. However, the size of the company is not able to moderate the independent board of commissioners against tax avoidance. In contrast to the results of Ginting's research (2016) that company size is not able to moderate (not affect) institutional ownership and independent commissioners on tax avoidance.

Judging from the rampant construction of facilities and infrastructure carried out by the government, real estate and property companies have developed quite high. Of the many projects undertaken by real estate and property companies, this makes the company get a lot of income, as well as increasing profits. The higher the profit obtained, the higher the expenditure used to pay corporate taxes. The company looks for loopholes in carrying out tax avoidance practices so that they are not easily seen by the government. This also made the basis for choosing the objects of research of Real Estate and Property Companies listed on the Indonesia Stock Exchange (IDX) in 2014-2018.

2. Theoretical Review

2.1. Tax

In Waluyo (2009) explained that taxes are people's contributions to the State treasury based on the Act (which can be forced) with no access to service (contra) which can be directly shown and used to pay public expenses. The tax is an achievement that is imposed unilaterally by the government and is owed to the authorities (according to generally established norms) without any counterparts, and is solely used to cover general expenses (Feldman in Waluyo, 2014).

2.2. Tax Avoidance

According to Desai and Dharmapala (2006) tax avoidance is one way to increase company profits expected by shareholders, but the implementation is carried out by managers. Tax avoidance is an aggressive tax strategy carried out by companies in order to minimize the tax burden, so that this activity raises risks for companies including fines and bad reputation of the company in the eyes of the public (Annisa and Lulus, 2012).

Tax avoidance is a legal act, can be justified because it does not violate applicable laws, in this case there is absolutely no violation of the law committed. The purpose of the company to avoid tax is to reduce and minimize the amount of tax payable that must be paid by the company (Rahayu, 2010). Tax avoidance is a plan that is carried out legally by minimizing the tax object that is the basis for taxation that is still in accordance with the provisions of the applicable tax legislation (Halim, 2014).

2.3. Independent Board of Commissioners

Surya & Yustiavanda (2006) states that an independent board of commissioners is a board of commissioners who are not members of management, majority shareholders, officials or in other ways directly or indirectly related to the majority shareholder of a company that oversees the management of the company. The independent board of commissioners carries out a supervisory function that can influence management to prepare quality financial reports (Annisa, 2012).

Based on Article 1 number 2 jo. Article 6 of the Financial Services Authority Regulation No. 55 / POJK.04 / 2015 2015 concerning the Formation and Guidelines for the Work of the Audit Committee, the Independent Board of Commissioners is a member of the board of commissioners originating from outside the issuer or public company and fulfilling the requirements referred to in OJK Regulation No. 33 / POJK.04 / 2014.

The existence of an independent board of commissioners in a company can improve management



performance, where the greater the proportion of the independent board of commissioners in a company, the supervision will be maximized and tighter to managers so that manager's performance can also be better. This is because managers will be more alert to make decisions and be more transparent in carrying out company operations so as to minimize the level of possible tax avoidance in these companies (Ardiansyah, 2016).

2.4 Institutional Ownership

Ngadiman & Christiany (2014) states that institutional ownership is the percentage of shares owned by the institution. Institutional ownership is the party that monitors companies with greater institutional ownership (more than 5%) identifying the ability to monitor greater management. This institution can be in the form of foundations, banks, insurance companies, investment companies, pension funds, companies in the form of companies (PT), and other institutions (Dewi & I Ketut, 2014). Another opinion states that institutional ownership is ownership of shares owned by the government, insurance companies, foreign investors, or banks, except individual investor ownership (Dewi & Jati, 2014). Usually the institution gives responsibility to certain divisions to manage the company's investment. The existence of an institution that professionally monitors the development of its investments causes a very high level of control over management actions so that the potential can be suppressed (Cahyono, et al, 2016).

The ownership by institutional investors such as securities companies, insurance companies, banks, investment companies, pension funds, and ownership of other institutions will encourage more optimal oversight of management performance, because ownership of shares represents a source of power that can be used to support or vice versa towards the existence of management (Kartikawati, 2009).

A high level of institutional ownership will lead to greater oversight efforts by institutional investors so that it can hinder the behavior of managers who prioritize their personal interests which will ultimately harm company owners. The greater the ownership by financial institutions, the greater the strength and drive to optimize company value (Wening in Permasari, 2010).

2.5 Profitability

Kasmir (2014) said that profitability ratios are ratios to assess the ability of companies in seeking profits. This ratio measures the effectiveness of a company's management. Profitability ratios are ratios that describe a company's ability to earn profits through all capabilities and various existing sources such as sales, cash, capital, number of employees, number of branches, and so on (Harahap 2011). As for Fahmi (2011) said that profitability ratios are ratios that measure the level of effectiveness as a whole that is shown by the size of the level of profits derived from sales or investment. "

In this study, profitability ratios are measured using Gross Profit Margin. The reason is because the GPM is a ratio that measures the level of efficiency in controlling production costs, indicating the company's ability to produce efficiently (Sawir 2009). Gross profit margin is a comparison between the cost of goods sold and sales. The greater the gross profit margin the better the operating condition of the company because it shows that the cost of goods sold is lower compared to sales, and vice versa, the lower the gross profit margin the less good the company's operations (Syamsuddin 2009).

2.6 Company Size

Handayani & Wulandari (2014) states that company size is a scale where large and small companies can be classified in various ways, such as log of total assets, log of total sales and market capitalization. The greater the total assets owned by the company shows that the greater the size of the company if measured by log total assets and transactions that occur within the company become more complex. This can be used by company management to use existing loopholes to avoid tax. Company size is a measurement that is grouped based on the size of the company, and can describe the company's operational activities as well as the income earned by the company (Ardiansyah, 2016). The size of the company is the size of the company that can be seen from the company's ability to generate revenue through the company's resources (Efendi, 2013).

The greater the assets, the greater the capital invested and the greater the velocity of money. The larger the company tends to have good management and resources in running the company. Companies use their resources to do good tax planning, but companies cannot always use their resources to do tax planning because there is a possibility of being targeted by government policies and decisions (Sudarmaji & Sularto, 2007).

Hypothesis

- H1: The proportion of independent commissioners has an effect on profitability
- H2: Institutional ownership influences profitability
- H3: The proportion of independent commissioners has an effect on tax avoidance
- H4: Institutional ownership influences tax avoidance
- H5: Profitability affects the tax avoidance

H6: The proportion of independent commissioners has an effect on tax avoidance through profitability

H7: Institutional ownership influences tax avoidance through profitability

H8: The proportion of independent commissioners has an effect on tax avoidance that is moderated by company size

H9: Institutional ownership affects the tax avoidance that is moderated by company size

3. Research Methods

3.1 Research Stages

Stages of research used are:

- a) Determine the object of research
- b) Observed / measured variables
- c) Models used
- d) Research Design
- e) Data Analysis Techniques.
- f) Research Location

3.2 The location of this research is the Property and Real Estate Service companies listed on the Indonesia Stock Exchange for the period 2014-2018,

3.3 Observed Changes

The variables or variables observed in this study are: Proportion of Independent Commissioners (X1), Institutional Ownership (X2), Profitability (Mediation Y1), Company Size (Moderation X3) and Tax Avoidance (Y2).

Types of research

This type of research is a comparative causal research. According to Suryabrata (2004) this study aims to investigate the possibility of cause and effect by: based on observations of existing effects, looking back at the factors that cause through certain data.

3.4 Determination of Samples

The sampling technique used in this study was purposive sampling. Purposive sampling is a sampling technique with certain considerations (Sugiyono, 2010). The criteria determined are as follows:

- a) Real estate and property sector companies listed on the Indonesia Stock Exchange in the 2014-2018 period,
- b) Companies that publish the annual report for the 2014-2018 period according to the required data,
- c) Companies that issue an annual report in rupiah, and d) the company did not experience a loss during 2014-2018, because one of the variables is measured by the amount of cash used to pay taxes in each period.

Based on these criteria, real estate and property sector service companies can be selected as samples, in this study 15 companies were selected with a total of 75 data.

4. Research Results And Discussion

The classic assumption test in this study consists of; Data Normality Test, Multicollinearity Test, Heteroscedasticity Test and Autocorrelation Test.

Path Analysis, Hypothesis Testing and Interaction Test

According to Baron & Kenny in Ghazali (2011) a variable is called a mediator or intervening, if the variable also influences the relationship between the predictor variable (independent) and the criterion variable (dependent). In this study the independent variables are: Proportion of Independent Commissioners, Institutional Ownership, and Profitability as mediating or intervening variables, while company size as a moderating variable, the dependent variable is Tax Avoidance.

In analyzing the effect of the Proportion of Independent Commissioners, Institutional Ownership on Profitability-mediated Tax Avoidance.

1. Phase 1, Ghazali (2011) with the equation of the regression line as follows:

$$Y1 = \alpha + \beta1X1 + \beta2X2 + \epsilon$$

Where:

Y1: Dependent variable (profitability)

α : Constants

β_1, β_2 : Coefficient correlation coefficient (Proportion of the Board of Commissioners Independent, and Institutional Ownership)

X1, X2: Square independent variable (Proportion of the Board of Commissioners Independent, and Institutional Ownership)

ϵ : Residual

2. Stage 2, at this stage, regresses the variables (Proportion of Independent Commissioners, Institutional Ownership, and Profitability) to the Tax Avoidance variable, with the following regression line equation:
 $Y_2 = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \epsilon$

Where:

Y2: Dependent variable (Tax Avoidance)

α : Constants

$\beta_1, \beta_2, \beta_3$: Quadratic correlation coefficient (Board proportion Independent Commissioner, Institutional Ownership, and profitability)

X1, X2, X3: Independent variables (Board Proportion

Independent Commissioner, Institutional Ownership, and profitability)

ϵ : Residual

5. Conclusions

Hypothesis testing is done using a regression model to determine the effect of individual independent variables, so the test used is the t test, while the regression model with moderation variables is used as an interaction test. This interaction test is a special application of linear multiple regression where the regression equation contains interaction elements (multiplication of two or more independent variables) According to Ghazali (2011). Interaction Test or Moderated Regression Analysis (MRA), carried out through the test of the significance of individual parameters (t test) with the provisions, if the independent, moderating and interaction variables provide the parameter coefficient values with a significance level smaller than the level of significance specified (0.05), then it can be concluded that the variable is a moderating variable. (Liana, 2009). The multiple linear regression equation with the interaction test can be formulated as follows:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_1.X_3 + \beta_4 X_2.X_3 + \epsilon$$

Information:

Y: Tax avoidance

α : constant

X1: Proportion of Independent Board of Commissioners

X2: Institutional Ownership

X3: Company Size

$\beta_1 - \beta_4$: Regression coefficient and

ϵ : Error

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