

## Do Characteristic Of Firm Related To Corporate Tax Avoidance?

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**ABSTRACT:-** This paper aims to study the connection between the effect of characteristic of firm related to corporate tax avoidance of Indonesian manufacturing industry listed in the Indonesian Stock Exchange period 2016-2018. This research used purposive sampling method and obtained 225 sample. The data analysis used double linear regression analysis. This research finds that the direction of the corporate tax avoidance depend on characteristic of firm measurement variables; namely, profitability, leverage, liquidity and company size. The result of this research showed profitability and firm size have negative and significant on corporate tax avoidance. While leverage and liquidity no significant on corporate tax avoidance. Suggestion can implicate are if the parties concerned the factors that affect to corporate tax avoidance, then the profitability and firm size should be considered.

**KEYWORDS:-** Corporate tax avoidance, profitability, leverage, firm size, liquidity.

### I. INTRODUCTION

The responsibility for paying taxes lies with each member of the community. In accordance with the system adopted in the Indonesian taxation system, namely self-assessment. In Indonesia, efforts to optimize the revenues obtained from the tax sector are not always easy without problems. With the improvement of the taxation system carried out by the government, different interests arise between the government and the taxpayer. Taxes for the state are a source of revenue to finance government operations. But for taxpayers, taxes are an expense that will reduce profits or calculate them. These different interests cause non-compliance in the form of tax avoidance (corporate tax avoidance) which causes state revenue from the tax sector to be far from the target set (Budiasih & Amani, 2019). It means that corporate tax avoidance is an effort made safely and legally for taxpayers in the form of tax avoidance because it does not conflict with taxation provisions, which methods and techniques used tend to exploit the weaknesses that are in the laws and regulations taxation in order to reduce the amount of tax owed. Corporate tax avoidance cannot be separated from the existence of agency theory and stakeholder theory (Mappadang, Widyastuti, & Wijaya, 2018). This study uses corporate tax avoidance variables that are measured using the ETR formula or effective tax rate (Minnick & Noga, 2010).

Tax ratio is the ratio of tax revenue and gross domestic product (GDP) which is one of the things as a benchmark to assess the performance of revenue from the tax sector. The size of the tax ratio shows a government's ability to finance needs that are the responsibility of the state. If the tax ratio is low it means that the government is not able to do much, but if the tax ratio is high it means the government is able to do much through the State Budget (APBN) to carry out development or other things to develop the country. In Indonesia the tax ratio is broadly interpreted so that the calculation also includes the value of the royalty of Natural Resources as Non-Tax State Revenue. But in fact, the max ratio ratio implementation system in Indonesia has not been fully interpreted broadly because there has not been included in the calculation component, namely local taxes. Related to the ideal amount of tax ratio that must be owned by Indonesia, according to the Director General of Taxes that the current condition of Indonesia is heading towards the ideal according to international standards, which is to a figure of more than 15%. But it must be done slowly and gradually so as not to cause economic turmoil. ([www.kemenkeu.go.id](http://www.kemenkeu.go.id)).

The development of tax ratio in Indonesia always experiences an increase or decrease from year to year. Based on data obtained from [www.pajak.go.id](http://www.pajak.go.id), Indonesia once reached a tax ratio that was high enough to be close to international tax ratio standards. Precisely in 2012, Indonesia's tax ratio is 14.0%. Not only that, in 2011-2014 Indonesia has a tax ratio of 13%. Therefore, the development of tax ratio in Indonesia still needs more attention in order to achieve the desired target.

The reason to use manufacturing companies as population in this study is because large companies on the Indonesia Stock Exchange are one of the companies engaged in manufacturing, and also manufacturing companies are one of the biggest contributors to state taxes. Manufacturing companies are in great demand by

many people because they provide many needs - needs needed by the community in various fields, such as food & beverage needs, household appliances, medicines, vehicles, as well as other needs that are often used by the community. Companies in the manufacturing sector consisting of the consumer goods industry, basic and chemical industries, and various industries also continued to experience an increase in the manufacturing index. Manufacturing companies can continue to grow in line with the increase in population and the increasing needs of the community making it suitable to be used as a research sample regarding tax avoidance. In addition there are phenomena related to corporate tax avoidance that occur in Indonesia. Some of them occur in manufacturing companies in Indonesia.

The phenomenon of tax avoidance is common because the company's financial position is seen to increase in terms of the amount of debt due to utilizing capital obtained from loans or debt to avoid paying taxes that must be borne by the company. In addition, a common phenomenon with respect to tax avoidance is to count unused spare parts as expenses, not warehouse goods. On the other hand, unused spare parts should be categorized into warehouse goods and cannot be calculated into costs unless they have been used or disposed of. The recognition of these costs can reduce the amount of tax burden because the greater costs can minimize the component of taxable profits. From the description of the background and phenomena that have been described above, the researchers took the title of the study " Do characteristic of firm related to corporate tax avoidance?"

## **II. LITERATURE RESEARCH**

Profitability is a basic measure to assess the overall success of the company. Financial ratios that can be used to determine the profitability of a company one of which is return on assets (ROA). ROA describes the performance of a company in obtaining profits from assets owned by the company in one period. The greater the value of ROA, the greater the level of profitability of the company. In this case based on agency theory will trigger agents in increasing company profits. When the amount of income tax increases, this is because the profits earned by the company also increase. Increasing the value of ROA will increase the amount of tax burden that must be paid by the company, so that increasing the value of ROA will increase the effective tax rate. If the effective tax rate of the company increases, then it shows that the tax avoidance action taken by the company has decreased. In accordance with the theory of obedience that discusses the condition of someone who obeys to the commands or rules given. Compliance theory also encourages a person to comply more with applicable regulations. This shows that the higher the profitability of the company, the more pressing the corporate tax avoidance action because companies that have high profitability will tend to report their taxes honestly compared to companies that have low profitability. This is in line with (Yeye, Widyawati Ratih, & Nuraini, 2018) who mentioned the possibility of the company's efforts to take tax avoidance actions because of an increase in profits. With this theory, it can be said that profitability has an influence on corporate tax avoidance. Leverage is a debt criterion that is used by a company in conducting activities related to financing. Calculating Leverage is one of them by using a DER ratio or Debt to Equity Ratio that compares total debt divided by total company equity. It is possible for a company to use debt to meet the company's investment and operational needs. however, these debts incur fixed costs stated at interest. Interest expense which is the responsibility of the company will be used to reduce the tax burden due to deduction of the company's taxable income due to the interest, therefore the higher the value of the leverage ratio will cause the higher amount of funding from third party debt used by the company so that the higher the burden interest that arises. High interest expense will have the effect of reducing the company's tax burden (Yeye et al., 2018). This proves that the greater the debt means the taxable income becomes smaller due to tax incentives for debt interest which is too large which means the company's efforts to do corporate tax avoidance with the high level of leverage. Agency theory will trigger agents to increase the interest costs arising from debt. When the interest costs arising from the debt of membersar company profits will decrease, resulting in corporate tax also decreases and will result in greater practice of tax avoidance / corporate tax avoidance. So it can be said that leverage affects corporate tax avoidance.

The size of the company is a parameter for the company that is seen through the level of assets owned by the company. The company is a taxpayer, a factor of corporate tax avoidance because the size of the company is considered capable of influencing the company in meeting its tax obligations (Rosa Dewinta & Ery Setiawan, 2016). The results of the study (Irianto & Wafirli, 2017) and (Kushariadi & Putra, 2018) shows that the size of the company has a negative effect on corporate tax avoidance, meaning the greater the size of the company, the lower the tax avoidance in a company, the cause is because the company has a relatively large amount of total assets, the tax burden is already small due to the large reduction in assets depreciated in profit clean. In accordance with the theory of compliance that discusses the condition of a person obedient to the commands or rules given. While small companies have a high tendency to do corporate tax avoidance due to the low reduction in assets depreciated in net income. Based on agency theory, agents will act in their own interests, namely minimizing the tax burden. Based on this explanation, it can be concluded that large companies have a

low tendency to do corporate tax avoidance because the tax burden is already small due to the large reduction in assets depreciated in net income. Liquidity is ability of a company to meet its short-term obligations to the company's current assets. Liquidity can be measured by Current Ratio (CR), with the calculation that is current assets divided by current debt. Companies with high liquidity ratios show the high ability of companies to meet short-term debt, which indicates that the company is in a healthy financial condition. In relation to taxes, companies with high levels of liquidity show that the company has sufficiently good cash flow so that the company will pay all of its obligations including paying taxes according to applicable regulations. This is in accordance with the theory of compliance that discusses the condition of a person compliant with applicable rules. Vice versa, if the company has a low level of liquidity, the company's cash flow will be low, this is due to the amount of current debt compared to current assets, which results in companies not being obedient in paying taxes to maintain the company's cash flow rather than paying taxes. In agency theory, the company as an agent will act in accordance with its own interests which will result in corporate tax avoidance if the company's liquidity is low. The results of the study (Budianti & Curry, 2018) states that liquidity has a positive effect on corporate tax avoidance, meaning that the higher the value of current debt in liquidity, the more likely the company is in conducting corporate tax avoidance because the company does not have enough cash to pay its obligations.

### **Hypotheses**

Profitability is described using return on assets related to the company's net income and income tax that is imposed. The higher the profits or profits generated by the company, the higher the company's tax burden because profits or profits are the basis of taxation. The higher the profitability of the company, the more pressing corporate tax avoidance actions because companies that have high profitability tend to report their taxes correctly compared to companies with low profitability. Supporting research Yeye et al., (2018) which found a negative influence between profitability corporate tax avoidance. Based on these explanations, it can be concluded that the hypothesis is as follows:

**H1:** Profitability has a negative effect on corporate tax avoidance.

Leverage is the extent to which the level of debt used by the company in financing company activities. Debt to Equity Ratio is a ratio that can be used to calculate leverage, which is to compare between total debt divided by total equity. That is, how much debt the company must bear to obtain capital. The higher the value of leverage, the higher the interest costs arising from debt, the higher the cost of funding from third party debt. The rising interest costs will have an influence, that is, the corporate tax burden that will be reduced. This triggers the possibility of the company doing tax avoidance or corporate tax avoidance. This is in line with research Kushariadi & Putra, (2018) and (Kimsen, Kismanah, & Masitoh, 2019) which say that leverage has a positive effect on corporate tax avoidance. Based on these explanations, it can be concluded that the hypothesis in the leverage variable is as follows:

**H2:** Leverage has a positive effect on corporate tax avoidance.

Company size is a measurement tool which can be seen based on the size of the company that is calculated through total assets. Companies include taxpayers, so one of the factors causing tax avoidance is company size. The size of the company can be seen from the total amount of assets so that the total amount of assets in a company greatly affects the size of the company. Large companies have careful tax planning in effective accounting practices to reduce the company's Effective Tax Rate (ETR). Assets owned by the company are related to the size of the company, the larger the company, the greater the total assets it has. Assets will experience depreciation every year and can also reduce the company's net profit, so the tax burden paid by the company will decrease. Large companies have a low tendency to do corporate tax avoidance because the tax burden is already small due to the large reduction in assets depreciated in profit clean. While small companies have a high tendency to do corporate tax avoidance due to low reductions in assets depreciated in net income. This is in line with research conducted Irianto & Wafirli, (2017) and Kushariadi & Putra, (2018) where company size has a negative effect. on corporate tax avoidance. Based on the explanation above, it can be concluded that the hypothesis on the company's size variables are:

**H3:** Company size has a negative effect on corporate tax avoidance.

Liquidity is a company's ability to meet its short-term obligations to current assets and can be measured by Current Ratio (CR), with the calculation that is current assets divided by current debt. Companies in good financial condition can be seen from the high level of liquidity, this can also be demonstrated by the high ability of the company to pay off its short-term obligations. In relation to taxes, companies that have increased liquidity show that the company has a good enough cash flow so that the company dares to pay all of its obligations, including paying taxes according to applicable regulations. Vice versa, if a company with a low level of

liquidity, the company's cash flow will also be low, low levels of liquidity due to current debt is greater than current assets, it can have an effect on the company that is not compliant in paying taxes in order to maintain the company's cash flow rather than paying taxes. This is in line with research Budianti & Curry, (2018) showing that liquidity has a positive effect on corporate tax avoidance, meaning that the higher the value of current debt in liquidity, the more likely the company is doing corporate tax avoidance because the company does not have cash sufficient to pay its obligations. Based on the description above, it can be concluded that the hypothesis is: **H4:** Liquidity has a positive effect on corporate tax avoidance.

### III. RESEARCH METHOD

The population used is manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the period of 2016 to 2018 with 75 companies and 225 object. The reason for choosing this population is because manufacturing companies are one of the big companies that are on the Indonesia Stock Exchange (IDX). Manufacturing companies can continue to grow in line with the increase in population and the growing needs of the people. In addition there is a phenomenon of tax avoidance by companies from the manufacturing sector. Therefore, companies in the manufacturing sector are interesting to study. Based on these considerations, the population used in this study is manufacturing companies listed on (BEI) for the period of 2016 to 2018.

The research model used is multiple linear regression analysis, the reason for using this analysis is because the study used amounted to more than one variable. This study was used to examine the effect of independent variables namely profitability, leverage, company size and liquidity on the dependent variable, corporate tax avoidance. The equation model used in this study is:

$$Y = \alpha + \beta_1 \text{ PROF} + \beta_2 \text{ LEV} + \beta_3 \text{ UP} + \beta_4 \text{ LIK} + \epsilon$$

Measurement

Profitability.

Profitability is the company's ability to measure overall management effectiveness as indicated by the level of profit gained in relation to sales or investment (Fahmi, 2017). Profitability can be stated as follows:

$\text{Return On Assets} = \frac{\text{Earnings After Tax}}{\text{Total Asset}}$
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Source : (Noor et al. (2010)

Leverage

Leverage is a ratio used to measure how much assets a company has is financed by debt. In this case the calculation of leverage uses Debt Equity Ratio (DER) by comparing total debt with total equity. The higher the leverage ratio, the higher the amount of funding from third party debt used by the company. The formula is as follows:

$\text{Debt Equity Ratio (DER)} = \frac{\text{Total Liability}}{\text{Total Equity}}$
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Source : (Hidayat & Batubara, 2019)

Company Size

Company size is a scale that can be classified based on company size according to various ways including: total assets, log of sales size, market value of shares, market capitalization and others that are correlated (Kimsen, Kismanah dan Masitoh, 2018). Company size can be measured by calculating the total assets of the company. The company size calculation formula is as follows:

$\text{Firm Size} = \text{Ln} (\text{Total Aset})$
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Source : (Gupta & Newberry, 1997)

Liquidity

Liquidity is a ratio used to calculate how much a company's ability to pay off its short-term financial obligations. Companies with large liquidity ratios interpret the company's ability to meet its short-term obligations. Companies with high liquidity ratios show the high ability of companies to meet short-term debt, which indicates that the company is in a healthy financial condition. Liquidity can be formulated as follows:

$$\text{Current Ratio} = \frac{\text{Total Current Asset}}{\text{Total Current Liabilities}}$$

Source : (Priantoko & Herawaty,2019)

#### Testing Techniques of Data

To analyze the data obtained, the data analysis technique in this study uses the IBM SPSS (Statistical Package For The Social Scientist) version 20. The data analysis technique used in this study is a multiple linear regression analysis technique. Multiple linear regression testing is carried out in several stages, namely: a descriptive statistical test, a classic assumption test consisting of a normality test, a multicollinearity test, a heteroscedasticity test, and an autocorrelation test and a data analysis test consisting of a partial test (t-test), goodness test fit test (Test-f), and the Determination Coefficient Test (Adjusted R<sup>2</sup> Square).

#### Classical Assumption Testing

The classical assumption testing aims to obtain a valid research model and can be used as an estimate made together with the regression test process. Tests on classical assumptions in this study use the test instruments from the normality test, multicollinearity test, heteroscedasticity test and autocorrelation test. The classical assumptions that must be made in the linear regression model are normal distributed residuals, absence of multicollinearity, no heteroscedasticity and no autocorrelation in the regression model.

#### Normality test

Normality test aims to test whether the regression model and confounding variables and residuals have a normal distribution. As is known that the t and F test means that the residual value follows the normal distribution. The purpose of data normality is to find out whether the dependent variable and independent variables have a normal distribution or not. If the distribution of the residual values cannot be considered normally distributed, then there is said to be a problem with normality. There are 2 ways to detect whether residuals are normally distributed, namely by using graph analysis and statistical tests.

##### a. Graph Analysis

The method used is to look at a graph of the normal probability plot comparing the cumulative distribution of the normal distribution. Normal distribution will form a straight diagonal line, and the plotting of residual data will be compared with the diagonal line. If the residual data distribution is normal, it means that the line that represents the actual data will follow the diagonal line.

##### b. Statistic test

The method used is to carry out the non-parametric statistical test Kolmogorov-Smirnov (K-S). K-S test can be done by making a hypothesis:

H0: If the value is significant <0.05 means that the data are not normally distributed

H1: If the value is significant > 0.05, it means that the data is normally distributed

#### Multicollinearity Test

Multicollinearity test aims to test whether the regression model used there is a correlation between independent variables (independent). A good regression model does not have a correlation between independent variables. Multicollinearity in this study is shown from the value of Tolerance and Variance Inflation Factor (VIF). If the Tolerance value  $\leq 0.1$  and VIF value  $\geq 10$  means that the data contained Multicollinearity.

#### Heteroscedasticity Test

According to Ghozali (2017) heteroscedasticity test is useful to test whether in the regression model used there is an inequality of variance from the residuals of one observation to another. If the variance from one observation residual to another observation is fixed, then Homoscedasticity is stated and if it is different, it is Heteroscedasticity. A good regression model is Homoscedasticity or no Heteroscedasticity. The way to detect the presence or absence of heteroscedasticity is as follows:

##### a. Plot Chart Test

Tests can be seen in the results of scatterplot charts with the provisions that if the points spread randomly and spread at number 0 on the Y axis then it means that the regression model is free from heteroscedasticity.

##### b. Glejser Test

Glejser test is done by transforming the unstandardized residual value with Abs.

#### Autocorrelation Test

The autocorrelation test aims to test whether in the linear regression model there is a correlation between the disturbance error in the t period and the t-1 period (before). If there is a correlation, it means that



there is an autocorrelation problem. Autocorrelation can occur because sequential observations all the time are related to one another. This problem can arise because residuals are not free from one observation to another. The method used to detect the presence of autocorrelation is to use the Durbin-Watson test (DW test). DW test is done by looking at the Durbin-Watson value, the decision making for the presence or absence of autocorrelation is as follows:

- 0 < DW < dL = There is a positive autocorrelation
- dL ≤ DW ≤ dU = Not conclusive (inconclusive)
- dU < DW < 4 - dU = There is no autocorrelation
- 4 - dU ≤ DW ≤ 4 - dL = Cannot be concluded
- 4 - dL < DW < 4 = There is a negative autocorrelation

Information :

- DW = Durbin Watson Statistics calculation results
- dU = Upper limit value (obtained from the table)
- dL = Lower bound value (obtained from the table)

**Regression Analysis Testing**

Regression analysis is used to determine the strength of the relationship and show the direction of the relationship between variables. Tests in this study used the test instrument of partial test (t-test), simultaneous test (f-test), correlation analysis and coefficient of determination test (Adjusted R<sup>2</sup> Square).

**Partial Test (t-test)**

T test statistic shows how influential an individual explanatory / independent variable is in showing the variation of the dependent variable. T test results in this study were seen through the coefficients table in the significant column and the β column. If the significance value is <0.05, then the independent variable individually has a significant effect on the dependent variable and vice versa, and for the β column explains the direction of the influence of the independent variable on the dependent variable individually.

**Goodness of Fit Test (Test F)**

F test is used to find out the regression model that is used properly or not. If the results are significant, the model tested is a model that is fit or fit to test the hypothesis. In this study the results of the F test are seen through the ANOVA table in the SPSS output. For F-test testing is done by making the following hypothesis:

- H0: If the value is significant > 0.05 then the model is not suitable
- H1: If the value is significant < 0.05 then the model is appropriate to use

**Determination Coefficient Test (Adjusted R<sup>2</sup> Square)**

The coefficient of determination test is useful for measuring the ability of the model in terms of explaining the variation of the dependent variable. The coefficient of determination is between zero and one. A small R<sup>2</sup> value indicates the ability of independent variables in terms of describing the variation of the dependent variable is very limited. While a value close to 1 means that the independent variable provides all the information needed to estimate the dependent variation. In this study the coefficient of determination seen through the value of Adjusted R<sup>2</sup> in the SPSS output.

**IV. RESULT**

**Descriptif Statistic**

**Table 1. Descriptif statistic**

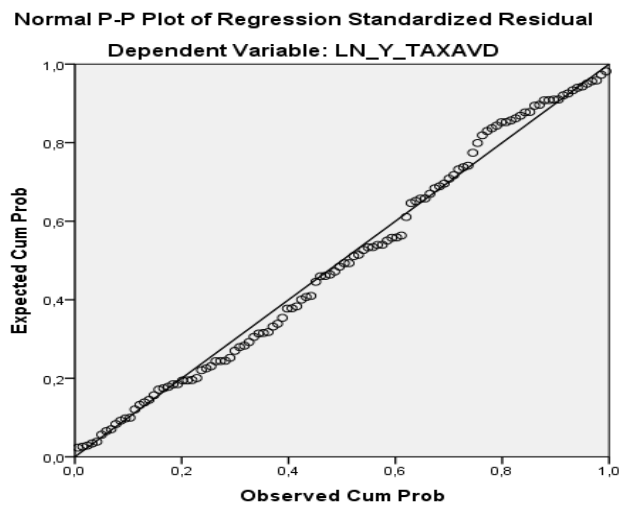
Variable	N	Min	Max	Mean	Std. Deviation
Profitability (X1)	225	0,0010	0,921	0,08941	0,098696
Leverage (X2)	225	0,0620	4,947	0,84601	0,703370
Firm Size (X3)	225	25,7960	33,474	28,56051	1,525793
Likuidity (X4)	225	0,0900	15,822	2,56589	1,922468
Corporate tax avoidance (Y)	225	0,0002	0,581	0,26392	0,076435

Profitability variables that are proxied by ROA can be calculated by comparing net income after tax with total assets having a minimum value of 0.0010, a maximum value of 0.921, an average value of 0.08941, and a standard deviation value of 0, 098696 .The leverage variable has a minimum value of 0.0620, a maximum

value of 4.947, an average value of 0.84601, and a standard deviation of 0.703370. The company size variable has a minimum value of 25.7960, a maximum value of 33.474, a mean value of 28.56051, and a standard deviation value of 1.525793. The liquidity variable has a minimum value of 0.0900, a maximum value of 15.822, an average value of 2.56589, and a standard deviation of 1.922468. The variable corporate tax avoidance has a minimum of 0,0002, a maximum value of 0.581, an average value of 0.26392, and a standard deviation value of 0.076435.

**Asumption Classic Test  
Normality Test**

**Figure 1: Normality Test P-P Plot**



**Table 2. Coefficients**

Coefficients <sup>a</sup>						
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	
	B	Std. Error	Beta			
	(Constant)	,295	,350		,842	,402
1	LN_X1_ROA	-,002	,002	-,079	-,775	,440
	LN_X2_DER	-,004	,005	-,154	-,830	,408
	LN_X3_UP	-,027	,044	-,062	-,616	,539
	LN_X4_CR	-,005	,006	-,146	-,774	,440

a. Dependent Variable: ABS\_RES1

**Table 3. Kolmogorov Test**

**One-Sample Kolmogorov-Smirnov Test**

		Unstandardized Residual
.N		112
Normal Parameters <sup>a,b</sup>	Mean	0E-7
	Std. Deviation	,04016503
	Absolute	,066
Most Extreme Differences	Positive	,052
	Negative	-,066
Kolmogorov-Smirnov Z		,699
Asymp. Sig. (2-tailed)		,712

a. Test distribution is Normal.

b. Calculated from data.

Based on the results of data processing obtained shows the Asymp value. Sig (2-tailed) of 0.712 > 0.05 (level of significant) and points on the P-plot spread around the diagonal line and follow the diagonal direction. This means that it can be concluded that the data used in this study are normally distributed.

**Multicollinearity & Heteroscedastisity Test**

**Tabel 4: Uji Multikolinearitas**

**Coefficients<sup>a</sup>**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	4,741	,636		7,459	,000		
1 LN_X1_ROA	-,032	,004	-,534	-7,443	,000	,879	1,137
LN_X2_DER	,013	,009	,179	1,363	,176	,264	3,782
LN_X3_UP	-,176	,079	-,157	-2,215	,029	,906	1,103
LN_X4_CR	-,014	,011	-,169	-1,274	,205	,259	3,865

a. Dependent Variable: LN\_Y\_TAXAVD

The value of the independent variable tolerance is greater than 10% or 0.1 and the tolerance value of profitability is 0.879, leverage is 0.264, company size is 0.906 and liquidity is 0.259. VIF value is less than 10 where the VIF value of profitability is 1,137, leverage is 3,782, company size is 1,103 and liquidity is 3,865. This means that it can be concluded that there is no multicollinearity between the independent variables in this study.

**Glejser Test**

Based on the results of the upper level test, the profitability variables (0.440 > 0.05), Liquidity (0.408 > 0.05), Company Size (0.539 > 0.05) and Liquidity (0.440 > 0.05) can be identified. From these results the four variables each have a sig value > 0.05. So it can be concluded that the research data does not occur heteroscedasticity problems.

**Table 5: Durbin Watson Test Model Summary<sup>b</sup>**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,718 <sup>a</sup>	,515	,497	,040909	2,089

a. Predictors: (Constant), LN\_X4\_CR, LN\_X3\_UP, LN\_X1\_ROA, LN\_X2\_DER

b. Dependent Variable: LN\_Y\_TAXAVD

From the results of the above table it can be seen that the DW value is 2,089. The number of independent variables in this study is 4 variables (k = 4) with a sample size of 112 (n = 112). Based on this information, it can be seen the value of DL (lower limit) of 1.6187 and DU (outer limit) of 1.7664 and 4-du of 2.2336. In this autocorrelation analysis shows dU (1.7664) < DW (2,089) < 4-DU (2,2336). Based on the results of these tests it can be concluded that the data in the regression model does not occur autocorrelation problems.

**Coefficient Determinant Test**

**Table 6: Coefficient Determinant Test Model Summary<sup>b</sup>**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,718 <sup>a</sup>	,515	,497	,040909	2,089



a. Predictors: (Constant), LN\_X4\_CR, LN\_X3\_UP, LN\_X1\_ROA, LN\_X2\_DER

b. Dependent Variable: LN\_Y\_TAXAVD

Based on the table obtained Adjusted R Square value of 0.497 which means that profitability, leverage, company size and liquidity can explain the variable corporate tax avoidance of 49.7% while the remaining 50.3% is explained by other independent variables outside the study.

**Goodness of Fit Test (F-Test)**

**Table 7: F-Test**

**Table 8: t-Test  
ANOVA<sup>a</sup>**

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	,190	4	,048	28,389	,000 <sup>b</sup>
Residual	,179	107	,002		
Total	,369	111			

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error				Tolerance	VIF
(Constant)	4,741	,636		7,459	,000		
1 LN_X1_ROA	-,032	,004	-,534	-7,443	,000	,879	1,137
LN_X2_DER	,013	,009	,179	1,363	,176	,264	3,782
LN_X3_UP	-,176	,079	-,157	-2,215	,029	,906	1,103
LN_X4_CR	-,014	,011	-,169	-1,274	,205	,259	3,865

a. Dependent Variable: LN\_Y\_TAXAVD

Based on the table above, it can be seen that the significant value is 0.000 < 0.05. This means that H0 is rejected and H1 is accepted, which shows that the model is considered feasible and can be used as a model of this study. Based on the results of the t-test in table 8 above, it can be seen that the regression equation is:

$$ETR = 4.741 - 0.032 ROA + 0.013 DER - 0.176 UP - 0.014 CR + \epsilon$$

- a. Profitability (ROA) has a significant value of 0,000 < 0.05 means that it can be concluded that profitability has an influence on corporate tax avoidance. While the probability value of the profitability variable is -0.032 to corporate tax avoidance, which means that the relationship between profitability and corporate tax avoidance has a negative direction. This indicates that if each profitability has increased by 1, corporate tax avoidance will decrease by 0.032. The negative coefficient of profitability indicates that the relationship between profitability and corporate tax avoidance is not in the same direction, if profitability goes up, corporate tax avoidance will go down, and vice versa. Then it can be concluded that profitability has an influence on corporate tax avoidance which means H1 is also accepted.
- b. Leverage (DER) has no significant value of 0.176 > 0.05 which means that it can be concluded that leverage does not affect the practice of corporate tax avoidance which also means that H2 is rejected.
- c. The size of the company has a significant value of 0.029 < 0.05 which means that it can be concluded that the size of the company has an effect on corporate tax avoidance. While the value of β company size - 0.176 to corporate tax avoidance, which means that the relationship of company size with corporate tax avoidance has a negative direction. This indicates that if each company size increases by 1, corporate tax avoidance will decrease by 0.176. The coefficient of firm size that is negative indicates that the relationship of company size with corporate tax avoidance is not in the same direction, if the size of the company rises, corporate tax avoidance will decrease, and vice versa. Then it can be concluded that company size has an influence on corporate tax avoidance which also means that H3 is accepted.
- d. Liquidity has no significant value of 0.205 > 0.05 which means it can be concluded that liquidity does not affect the practice of corporate tax avoidance and it can be said that H4 is rejected.

## V. DISCUSSION

### Effect of Profitability on Corporate Tax Avoidance

The results of the data analysis above indicate that H1 is accepted, meaning that the profitability variable partially has a negative influence on corporate tax avoidance. The higher profits generated by the company will reduce the practice of corporate tax avoidance practices because companies that have high profitability tend to report their taxes correctly compared to companies with low profitability. Companies that have low profitability will usually do a lot to be able to reduce the number of taxes paid so they can pay as much as possible so that the profits received remain as desired by the company. The results of this study are in line with previous studies conducted by (Yeye et al., 2018) which states profitability has a negative effect on corporate tax avoidance.

### Effect of Leverage on Corporate Tax Avoidance

The results of this study indicate that H2 is rejected, meaning that the variable leverage has no effect on corporate tax avoidance. This is because leverage for the company is a source of funds to meet the needs of operational activities by using funding by way of debt. The amount of leverage in a company cannot influence in terms of reducing the tax payments made by the company. Basically, leverage is only used to give an injection of funds to the company, so the company will continue to pay taxes equal to the profits obtained by the company. Factors that cause leverage to have no effect on corporate tax avoidance are because debt that results in attractive expense can be a deduction to taxable income. Interest expense that can be used as a deduction factor for taxable income is interest expense that arises because of a loan to a third party that has no relationship with the company.

### Effect of Company Size on Corporate Tax Avoidance

The results of data analysis show that H3 is accepted, this means that the variable size of the company affects the corporate tax avoidance. Companies that have a large size have a low possibility to practice corporate tax avoidance. This is because the size of the company is determined by the size of the assets owned by the company. Large companies certainly have a lot of assets to be able to support the company's operational activities. Therefore large companies have a low tendency to do corporate tax avoidance because the tax burden is already small due to the large reduction in assets depreciated in net income. The large number of assets owned by large companies will make the value of the accumulation / amortization of assets even greater. Therefore large companies usually tend to do a small corporate tax avoidance because the tax burden is already small due to the many reductions in depreciation of assets in net income.

### Effect of Liquidity on Corporate Tax Avoidance

The results of data analysis show that H4 is rejected, which means that the partial liquidity variable has no effect on corporate tax avoidance. In general, the size of liquidity will not affect the company to take corporate tax avoidance. Liquidity is the company's ability to meet its short-term obligations relative to the company's current assets. Companies that have a low level of liquidity illustrate that the company has bad cash flow. However, poor cash flow cannot have a significant effect in reducing tax payments made by companies. Because basically a small company cash flow is not merely a company always avoids taxes, some companies are able to keep paying their taxes even though the cash flow is not good.

## VI. CONCLUSION

The results of the analysis of hypothesis testing in this study are that profitability and firm size negatively affect corporate tax avoidance while leverage and liquidity do not affect corporate tax avoidance.

### Implications

#### Managerial

Although leverage and liquidity do not have an influence on corporate tax avoidance, companies must pay attention to this. But companies should be able to focus on other factors that are more dominant in terms of preventing corporate tax avoidance. That is because corporate tax avoidance is a beneficial action but it will be at risk if carried out continuously for the company's activities in carrying out its operations in the future. The results of this study also indicate that the profitability and size of the company has an influence on corporate tax avoidance, so it is better for companies that have profitability and a large size of the company do not tend to take corporate tax avoidance. However, it is expected to pay more attention in paying taxes, because it is considered to have more ability to pay taxes so as to minimize future risks.

#### Investors

First, investors are expected to be more thorough before investing in companies, especially in companies that have high profitability and company size. With high profitability and company size, it will be more profitable for investors but also indicates corporate tax avoidance. Where this is in accordance with the results of research showing that profitability and company size negatively affect corporate tax avoidance, so investors are advised to also consider companies that have high profitability and company size to minimize risks that might occur.

#### Government

The government needs large funds in order to realize optimal state development. One source of these funds comes from taxes, in this study is corporate tax. The government should be able to increase supervision of companies, especially those with profitability and large company sizes so that state revenues from the tax sector also become more leverage. In accordance with the results of research showing that profitability and company size negatively affect corporate tax avoidance, it is expected that with an increase in supervision of corporate tax avoidance actions can be minimized. The government is also expected to continue to make changes to the applicable taxation rules and be more strict in taxation laws, especially on regulations that are considered a gap by companies in carrying out corporate tax avoidance actions.

#### Limitations

This study have several limitations are as follows : first, uses study only uses four independent variables, so there are still many other variables that have the possibility of affecting corporate tax avoidance. This can also be proven by the results of the study which showed that the independent variable in this study was only able to predict the effect of corporate tax avoidance of 49.7%, the rest predicted by other variables outside this study; second, the population used only covers manufacturing companies and only involves 75 companies with a research period that used only three years of observation, namely from 2016 to 2018 so it cannot explain the effect of the independent variables on corporate tax avoidance as a whole; the measurement of corporate tax avoidance only uses the Effective Tax Rate (ETR).

#### Suggestion

Suggestions that can be suggested on some of the limitations of this study are as follows: First, future researchers are expected to consider other independent variables outside this study, using this study as a reference for conducting new studies on corporate tax avoidance. Independent variables that can be used include: capital intensity, fiscal loss compensation, company age and other variables so that it is expected to be better in predicting its effect on corporate tax avoidance. Second, in addition to adding independent variables, researchers are expected to further expand the population used and increase the period and research sector so that research results can be explained more broadly. Third, future studies are expected to not only use Effective Tax Rate (ETR) as a measurement in finding corporate tax avoidance, but need to be added with other measurements such as measurements using Book Tax Gap (BTG), Book Tax Difference (BTD) or Cash Effective Tax Rate (CETR).

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