Examining the Impact of Liquidity, Leverage and Earning Management on Corporate Tax Aggressiveness in Property and Real Estate Companies on Indonesia Stock Exchange

by Maya Mustika

Submission date: 14-Feb-2021 10:48AM (UTC+0700)
Submission ID: 1508976671
File name: atlantis_2019.pdf (273.28K)
Word count: 2789
Character count: 15181

Examining the Impact of Liquidity, Leverage and Earning Management on Corporate Tax Aggressiveness in Property and Real Estate Companies on Indonesia Stock Exchange

Maya Mustika*, Sulistyowati Sulistyowati, Eni Nur Wahyuni
Department of Accounting
Sekolah Tinggi Ilmu Ekonomi Indonesia
Jakarta, Indonesia
*mayamustika@stei.ac.id

***Abstract*—This study aims to examine whether the effect of liquidity on tax aggressiveness, the effect of leverage on tax aggressiveness, the effect of earnings management on tax aggressiveness on property and real estate companies listed on the Indonesia Stock Exchange (IDX). This study uses a descriptive quantitative research approach, which is measured using a method based on multiple linear regression with SPSS 25.00. The population of this research is property and real estate companies registered on the Indonesia Stock Exchange (IDX) from 2014 to 2018. The sample was determined based on the purposive sampling method, with a total sample of 29 manufacturing companies so that the total observation in this study was 145 observations. The data used in this research is secondary data. The data collection technique using the method of documentation via the official website IDX: www.idx.co.id. Hypothesis testing using descriptive statistical tests, data normality tests, classic assumption tests with linear regression. The results of the study prove that (1) Liquidity has no significant effect on tax aggressiveness, (2) Leverage has a significant effect on tax aggressiveness, (3) Earning Management has no significant effect on tax aggressiveness.**

Keywords: tax aggressiveness, liquidity, leverage and profit management

I. INTRODUCTION

Indonesia is a developing country and has a large population. Indonesia is also the largest archipelagic country which is rich in abundant natural resources and Indonesia's geographical location is quite strategic where Indonesia is a region of world trade traffic. So that many companies from inside and outside the country are established in Indonesia. This is quite beneficial for Indonesia to increase revenue in the tax sector.

The following are tax revenue data from the Ministry of Finance of the Republic of Indonesia. The reality of tax revenue in Indonesia is still not able to be achieved to the full.

In 2014 tax revenue in Indonesia was recorded at 1,146.9 trillion rupiah from the target to be achieved at 1,246.1 trillion rupiah. This number is 92.0% of the target. In 2015, tax revenue was recorded at 1,240.4 trillion rupiah from the target of 1,489.3 trillion rupiah. This number is 83.3% of the target. In the following year, in 2016 the achievement of tax revenue was recorded 1,285.0 trillion rupiah from the set target of 1,539.2 trillion rupiah. The number reached 83.5% of the target. In 2017 the achievement of tax revenue was recorded at 1,125.1 trillion rupiah from the set target of 1,472.7 trillion rupiah. The number reached 76.4% of the target. Finally, in 2018 recorded tax revenues reached 1,136.6 trillion rupiah from the target set at 1,424.0 trillion rupiah. This figure reached 79.8%.

From the data it can be seen that tax revenue has not been maximized. Tax revenue must be able to reach the maximum level because the results of tax revenue will be used for financing, both at the central and regional levels. The Government's goal of maximizing revenue from the tax sector is contrary to the objectives of the company as taxpayers, where taxes are considered as costs that will reduce company profits and reduce net income [1].

On this basis, the company needs to do business and strategies to minimize the amount of tax payable company. This raises the question of whether from the taxpayer's side there are several actions such as tax avoidance, tax evasion or collection that have not been able to run optimally. Tax revenue must be able to reach the maximum level because the results of tax revenue will later be used to finance state spending [2].

That condition causes many companies to try to find ways to reduce the tax burden paid, and does not rule out the possibility that companies will become aggressive in taxation [3]. Tax aggressive action or better known as tax aggressiveness is an act of manipulating taxable income that is designed through tax planning actions using either a legal (tax avoidance) or illegal (tax evasion) method [4].

Cases of aggressive corporate taxation in Indonesia often occur, one of which is the leaked case of "Panama Papers" which means "Panama Documents", where the documents are confidential made by Panamanian service providers. The contents of the document are data about the financial transactions of billionaires and famous people abroad. The document contains a list of large clients in the world, who allegedly want their money hidden from taxation in their country. There are 2,961 names of individuals or companies from Indonesia that were detected by the "The Panama Papers" scandal, one of which was PT. Ciputra Development Tbk, which is a well-known property and real estate company in Indonesia which apparently also conducted illegal tax evasion by hiding its wealth with the aim of avoiding state taxes. Company property and real estate is a company's most widely detected in fraudulent financial statements, including illegal tax evasion [5].

The predictable factor that can affect company tax aggressiveness is liquidity. Several previous studies have tried to link the factors of a company's financial condition to tax aggressiveness. Research conducted by Putri, proves that with good liquidity, manufacturing companies do not make tax as a goal to minimize costs because companies that have a good level of liquidity will be able to pay off their short-term obligations, including tax debt [6].

Another financial condition that is predicted to affect the company's tax aggressiveness is leverage. Leverage is another name for debt ratio. Leverage is a ratio used to measure the extent to which a company's assets are financed with debt [7]. Leverage is the level of debt the company does to obtain financing, the debt ratio is calculated by comparing the total debt with company assets, so that the ratio illustrates how the source of funds operating the company [8].

In the property and real estate business there are many aspects of taxation including the United Nations, Income Tax (Final Income Tax, Article 21 Income Tax, Article 23 Income Tax and Article 26 Income Tax), and VAT and PPnBM for luxury residences. Therefore, taxes on the property and real estate sector can be relied upon as state tax revenues.

For this reason, researchers chose property and real estate companies because developments in the property and real estate sector continue to grow rapidly each year with more construction in the housing sector, apartments, shopping centres and office buildings that make investors interested in investing their funds so that prospects stock trading is expected to continue to increase. It also makes the country's income from the property and real estate sector companies will increase.

Based on the above description, researchers interested in conducting research with the title "Examining the Impact of Liquidity, Leverage and Earning Management on Corporate Tax Aggressiveness in Property and Real Estate Companies on Indonesia Stock Exchange (Empirical Study of Property and Real Estate Companies Listed on the Indonesia Stock Exchange in 2014 - 2018)".

The company considers tax as an additional cost that can reduce the company's profit. Therefore, the company is predicted to take actions that will reduce the company's tax burden. According to Frank et al. actions taken by companies to reduce taxable income through tax planning both legally (tax avoidance) and illegally (tax evasion) are called corporate tax aggressiveness [4]. Although not all tax planning actions violate the law, the more gaps that are used, the company is considered to be more aggressive.

Liquidity is defined as ownership of adequate sources of funds to meet the needs and obligations that are due and the ability to buy and sell assets quickly [2]. The effect of liquidity on the level of tax aggressiveness is getting higher. The higher the company's liquidity ratio, the action to reduce profits will be higher with the reason to avoid a higher tax burden. The higher the liquidity ratio, the more it will be positively related to the level of aggressiveness [2].

Leverage as the use of a source of funds that has a fixed rate of return in the hope of providing benefits greater than the fixed costs so that it will increase profits [9]. Companies with a high degree of leverage will not be aggressive in terms of taxation because companies must maintain their profits because they are related to the interests of creditors. If the company tries to increase profits, the tax burden paid will also increase [2]. In previous research conducted by Anita proved that leverage affects tax aggressiveness [10].

Earnings management is an action where a company manager reports earnings based on certain motives and goals. Earnings management can't be separated from the various reasons a manager to influence financial statements. In carrying out earnings management is actually based on various goals and intentions contained therein [9]. If the manager reports with high profits, it will affect the taxes paid, and taxes become a problem for the company because paying taxes will be directly related to the company's net profit. The profit is used as the main indicator in the success of management in managing the company. Therefore, management will report earnings adjusted for the purpose of minimizing taxable income.

II. Methods

The population in this study are property and real estate companies listed on the Indonesia Stock Exchange in 2014-2018. The sampling method used is purposive sampling. Total sample for period 2014-2018 are 145 companies.

A. *Variable Dependent*

In this study, tax aggressiveness using the Effective Tax Rate (ETR). ETR is the ratio of net tax expense (total tax expense) to the company's profit before income tax (pretax income), which is obtained in the current year's income statement.

B. *Variable Independent*

Liquidity is calculated using a current ratio, the reason being the current ratio is a ratio that measures the ability of company in the short term by looking at the company's current assets against its current debt (debt in this case is a corporate obligation, one of which is tax debt).

Leverage shows how much the company's assets come from external capital. Leverage is obtained by comparing total company liabilities and total company assets.

Earnings management is measured using discretionary accruals. Discretionary Total Accrual is the difference between total accrual (TAC) and nondiscretionary accrual (NDTA).

The data analysis method used multiple linear regression analysis with the following formula:

$$TAG\ it = \alpha 0 + \beta 1LIQ + \beta 2LEV + \beta 3DA\ it + e \quad (1)$$

Information:

TAG it = Aggressiveness of the tax

LIQ = Liquidity

LEV = Leverage

DA it = Earning Management

III. Results and Discussion

TABLE I. PARTIOAL TEST RESULT (T-TEST)

	T-count	Significance of T	Conclusion
LIQ	0,740	0,461	No effect
LEV	4,707	0,000	Effect
DA	-1,770	0,079	No effect

Source: SPSS results 25.00

A. Hypothesis Test Result

Liquidity does not have a significant effect on tax aggressiveness. The insignificance of the relationship between liquidity and tax aggressiveness can be caused by the level of liquidity of property and real estate companies in the study sample is relatively be the same. These result are supported by Fikriyah which failed to find a significant relationship towards tax aggressiveness [11]. Liquidity that is too high illustrates unemployed cash that is considered less productive. But if liquidity is too low, it will reduce the level of creditor confidence in the company and can result in capital loans by creditors decreased. Therefore, it is possible for companies to maintain a certain level of liquidity so that the effect of liquidity is not found on tax aggressiveness [11,12]. However, these results do not correspond to the research by Anita [10] and Siahaan [13] which states that companies are experiencing liquidity difficulties, possibly not will comply with tax regulations and tend to be tax avoidance.

Leverage the company proved a significant effect on the aggressiveness of the corporate tax. This is because the loan interest expense can be deducted against taxable income so that the amount of tax that must be paid by the company can be smaller. These result are supported by Suyanto and Supramono that state leverage proved to have influence on aggressiveness of tax [14]. Manufacturing companies will use debt to minimize the company's tax burden and even tend to be aggressive towards taxes. In relation to taxes, this action is due to the fact that interest is a fixed burden that can reduce taxable income [14]. However, these results do not correspond to the research by Anita that state leverage have no a significant effect on the aggressiveness of tax, it means that both companies with small or large leverage levels have a tendency to do tax management [10].

Earning management does not have a significant effect on the aggressiveness of the tax. This is because there are differences in revenue and expense recognition between accounting standards and tax regulations. These result are supported by Atami that state earning management does not have a significant effect on the aggressiveness of the tax [15]. Earnings management by the company can minimize the tax burden that must be paid but does not have a major impact on the goal of minimizing tax costs. Earnings management by the company can minimize the tax burden that must be paid but does not have a major impact on the goal of minimizing tax costs (positive but not significant) [6]. However, these results do not correspond to the research by Sari et al. that state earning management have a significant effect on the aggressiveness of tax [16]. One reason for earnings management is tax motivation. Taxes are a problem for companies because they pay taxes directly related to the size of the company's net profit [1].

IV. Conclusion

Liquidity does not have a significant effect on tax aggressiveness. Leverage the company proved a significant effect on the aggressiveness of the corporate tax. Management profit does not have a significant effect on the aggressiveness of the tax.

References

[1] A. Purwanto, "Pengaruh likuiditas, leverage, manajemen laba, dan kompensasi rugi fiskal tehadap agresivitas pajak," JOM Fekon, vol. 3, no. (1), Februari 2016.

[2] I.B.P.F Adisarmatha and N. Noviari, "pengaruh likuiditas, leverage intensitas persediaan dan intensitas aset tetap pada tingkat agresifitas wajib pajak badan," Jurnal Akuntansi Univeristas Udayana, vol 13, no. (3), 2015.

[3] S. Chen, X. Chen, Q. Cheng, and T. Shevlin, "Are family firms more tax aggressive than non-family firms?" Journal of Financial Economics, vol. 95, pp. 41-61, 2010.

[4] M. Frank, L. Lynch, and S. Rego, "Tax reporting aggressiveness and its relation to aggressive financial reporting," The Accounting Review, vol. 84, pp. 467-496, 2009.

[5] E. Vidiyanti, Pengaruh komite audit, kualitas audit, kepemilikan institusional, return on assets, dan leverage terhadap tax avoidance. Doctoral dissertation, Surabaya: STIE Perbanas Surabaya, 2017.

[6] L.T.Y. Putri, "Pengaruh likuiditas, manajemen laba dan corporate governance terhadap agresivitas pajak perusahaan (studi empiris pada perusahaan yang terdaftar di BEI periode 2008-2012)," Jurnal Akuntansi, vol. 2, no. (3), 2014.

[7] Kasmir, Analisis Laporan Keuangan. Jakarta: PT. Raja Grafindo Persada, 2014.

[8] I. Fahmi, Analisis Laporan Keuangan. Bandung: Alfabeta, 2011.

[9] I. Fadli, V. Ratnawati, and P. Kurnia, Pengaruh likuiditas, leverage, komisaris independen, manajemen laba, dan kepemilikan institusional terhadap agresivitas pajak perusahaan (Studi pada perusahaan manufaktur yang terdaftar di Bursa Efek Indonesia periode 2011-2013). Doctoral dissertation, Riau: Riau University, 2016.

[10] F. Anita, "Pengaruh Corporate Social Responsibility, Leverage, Likuiditas, Dan Ukuran Perusahaan Terhadap Agresivitas Pajak," Jom Fekon. vol. 2, no. (2), Oktober 2015.

[11] Fikriyah, "Analisis pengaruh likuiditas, leverage, profitabilitas dan karakteristik kepemilikan terhadap agresivitas pajak perusahaan: Studi pada perusahaan sektor pertambangan yang terdaftar di BEI pada tahun 2010-2012," unpublished.

[12] N. Adiyani and R. Septanta, "Pengaruh Likuiditas dan Profitabilitas terhadap AgresivitasPajak dengan CSR sebagai Variabel Intervening," unpublished.

[13] F.O.P. Siahaan, "Faktor-Faktor yang Memengaruhi Perilaku Kepatuhan Tax Professional dalam Pelaporan Pajak Badan pada Perusahaan Industri Manufaktur di Surabaya," unpublished.

[14] D.K. Suyanto and Supramono, "Likuiditas, Leverage, Komisaris Independen, dan Manajemen Laba terhadap Agresivitas Pajak Perusahaan," Jurnal Keuangan dan Perbankan, vol. 16, no. (2), pp. 167–177, Mei 2012.

[15] G. Atami, "Pengaruh corporate governance, manajemen laba dan capital intensity terhadap agresivitas pajak," JOM Fekon, vol. 4, no. (10), April 2017.

[16] N.W. Sari, D. Pratomo, and S.P. Yudowati, "Pengaruh Manajemen Laba Terhadap Agresivitas Pajak," E-Proceeding of Management, vol. 3, no. (2), 2016.

Examining the Impact of Liquidity, Leverage and Earning Management on Corporate Tax Aggressiveness in Property and Real Estate Companies on Indonesia Stock Exchange

ORIGINALITY REPORT

38%	28%	19%	17%
SIMILARITY INDEX	INTERNET SOURCES	PUBLICATIONS	STUDENT PAPERS

PRIMARY SOURCES

1	download.atlantis-press.com Internet Source	11%
2	jurnal.kdi.or.id Internet Source	5%
3	Submitted to Sriwijaya University Student Paper	2%
4	Sugiyanto Sugiyanto, Fitri Dwi Febrianti, Suripto Suripto. "GOOD CORPORATE GOVERNANCE AND TAX AVOIDANCE TO COST OF DEBT WITH GROWTH OPPORTUNITYAS MODERATING (Empirical Study on Manufacturing Company and Finance Service Listed in IDX 2015-2019)", The Accounting Journal of Binaniaga, 2020 Publication	2%
5	Meilianta Br Peranginangin, Cathrin Mutiara Saragih, Hantono Hantono, Namira Ufrida Rahmi, Siti Tiffany Guci. "EFFECTS OF ASSET	2%

STRUCTURE, OPERATING CASH FLOW, AND PROFITABILITY ON DEBT POLICY IN PROPERTY AND REAL ESTATE COMPANIES ON THE INDONESIA STOCK EXCHANGE PERIOD 2013-2017", ACCOUNTABILITY, 2018
Publication

6	Submitted to Universitas Jenderal Soedirman Student Paper	2%
7	Bella Nadya, Dyah Purnamasari. "The Effect of Sales Growth and Leverage on Tax Avoidance Empirical Study of Coal Sub-Sector Mining Companies Listed on the Indonesia Stock Exchange in 2014-2018", Jurnal AKSI (Akuntansi dan Sistem Informasi), 2020 Publication	2%
8	Submitted to STIE Perbanas Surabaya Student Paper	1%
9	Eva Fadhilah, Syaiful Syaiful, Nyimas Wardatul Afiqoh. "Influence of Profitability, Tax Aggressiveness, and Institutional Ownership of Corporate Value", INNOVATION RESEARCH JOURNAL, 2020 Publication	1%
10	garuda.ristekbrin.go.id Internet Source	1%
11	eprajournals.com Internet Source	1%

12	Submitted to Universitas Gunadarma Student Paper	1%
13	www.arcjournals.org Internet Source	1%
14	zombiedoc.com Internet Source	1%
15	Submitted to Universitas Muria Kudus Student Paper	1%
16	jurnal.umt.ac.id Internet Source	<1%
17	hrmars.com Internet Source	<1%
18	www.researchgate.net Internet Source	<1%
19	Submitted to Politeknik Negeri Bandung Student Paper	<1%
20	"Tax Avoidance on the Banking Industry in the Era of Financial Technology Development", International Journal of Recent Technology and Engineering, 2019 Publication	<1%
21	ecojoin.org Internet Source	<1%
	www.ijicc.net	

22	Internet Source	<1%
23	Submitted to AUT University Student Paper	<1%
24	www.globalraf.com Internet Source	<1%
25	iaeme.com Internet Source	<1%
26	Eva Herianti, Septi Wulandari Chairina. "Does Transfer Pricing Improve the Tax Avoidance through Financial Reporting Aggressiveness?", KnE Social Sciences, 2019 Publication	<1%
27	repository.uinjkt.ac.id Internet Source	<1%
28	"The Effect of Company Size, Liquidity, Profitability, Solvability, And Audit Firm Size on Audit Delay", International Journal of Recent Technology and Engineering, 2019 Publication	<1%

Exclude quotes	On	Exclude matches	Off
Exclude bibliography	On		