

The Influence Of Profitability, Capital Intensity, Independent Board Of Commissioners, Audit Committee, Managerial Ownership And Institutional Ownership On Tax Avoidance (Study of Secondary Consumer Goods Industry Companies Listed on the Indonesian Stock Exchange 2016-2020)

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Abstract The objective of this research is to examine the impact of profitability, capital intensity, independent board of commissioners, audit committee, managerial ownership and institutional ownership on tax avoidance in secondary consumer goods industry companies listed on the Indonesia Stock Exchange in 2016-2020. The sample was selected using purposive sampling method. The total sample used amounted to 34 secondary consumer goods industrial companies 5 years of observation. The analysis technique used is multiple regression analysis. Indication of the rearsch conclude that capital intensity has a positive impact, managerial ownership negatively affect, institutional ownership has a negative impact on tax avoidance. Meanwhile profitability, independent board's commissioners and audit committee have no impact on tax avoidance.

Keywords: tax avoidance, profitability, corporate governance

INTRODUCTION

Tax avoidance's meaning is a legally effort to avoid taxes, and still in accordance with tax laws by minimizing tax burden by exploiting weaknesses in tax provisions (Puspita, et al. 2017: 39). Several tax evasion's cases carried out by Indonesia's companies and abroad.

Table 1
Cases of Tax Avoidance Abroad

No.	Name of Company	Cases
1.	Google	Google moved about \$12 billion to an Irish-registered affiliate based in Bermuda in 2014. The tax strategy used reportedly helped its parent company Alphabet get the 6% rate of tax on profits outside the US.
2.	Apple	Apple also has been accused as one of using tricky methods in avoiding taxes. According to research released from the liberal of nonprofit group the Center for Tax Justice and the U.S. Public Interest Research Group of Education Fund, Apple has posted \$181.1 billion in overseas its profits.
3.	Ikea	Ikea is accused avoiding €1 billion and more in taxes over the past six years. Ikea paid taxes for €35 million in Germany, €24 million in France, also €11.6 million in the UK.
4.	Amazon	Amazon also reportedly able to get away with small tax payments because it linked payments in Europe to a subsidiary in Luxembourg. It is understood Amazon paid \$5.86 million because of the back of \$6 billion sales.

Source: <https://fortune.com/2016/03/11/apple-google-taxes-eu/>

Table 2
Tax Avoidance Cases in Indonesia

No.	Name of Company	Cases
1.	Bentoel Internasional Investama	Bentoel Group has been reported by the Tax Justice Network institution for alleged tax avoidance practices in Indonesia. Bentoel Group received a loan. amounting to 5.3 trillion rupiah in August 2013 and 6.7 trillion rupiah in 2015 from related companies in the Netherlands, however the accounts of this Dutch company show that the funds lent to the Bentoel Group came from another company, namely Pathway 4 (jersey) Limited which is based in England. BAT obtained the Jersey-originated loan through a company in the Netherlands primarily to avoid tax deductions for interest payments to non-residents.
2.	Rajawali Nusantara Indonesia	In 2016, he was identified as carrying out tax avoidance practices in many different ways, namely recognizing affiliate loan as capital, reporting quite large losses in the firm's financial statements, and reporting that the turnover of the company remained below from 4.8 billion rupiah per year with the purpose of taking advantage of Government Regulations. 46/2013 concerning Income Tax specifically for MSMEs, to get a final 1% PPh rate facility.
3.	Adaro Energy	In 2019 PT Adaro Energy Tbk used transfer pricing method to avoid taxes with its subsidiary in Singapore to avoid domestic tax obligations thereby providing bigger income for the company's shareholders. The abusing of transfer pricing identified from its financial reports that indicate unfair transactions between PT Adaro Energy Tbk and its subsidiaries which showed imbalances in transfer prices comparing global market's prices.

Source: Processed data, 2022

Companies that go public are obliged to use corporate governance to support the macro economy by encouraging the formation of a healthy business climate for the business world. Attention to corporate governance is increasing as financial scandals emerge in the business environment (Sunarsih, et al. 2018: 164). Corporate governance explained in this case is an independent board's commissioners, audit committees, managerial ownerships and institutional ownerships. High corporate governance will cause taxpayers to not be aggressive in managing taxes to improve company performance and maximize returns to shareholders, thereby creating a clean, transparent and professional management work environment (Jusman, et al. 2020: 699).

Other factors that affect tax avoidance besides corporate governance are profitability and capital intensity. Based on cases of tax avoidance by well-known companies abroad and domestically, it is known that the causes of tax avoidance by companies are related to

profitability, because profitability is a performance measure tool of companies. Meanwhile, the capital intensity factor is often related to how much fixed assets and inventory the company owns. Tax avoidance actions caused by several factors, so the objectives of this research are: (1) to test the impact of profitability, (2) to test the effect of capital intensity, (3) to test the effect of the independent board's commissioners, (4) to test the impact of the audit committee, (5) to test the effect of managerial ownership and (6) to test the influence of institutional ownership on tax avoidance.

RESEARCH METHODS

The method of the research is a quantitative one with secondary data. The object of research is financial reports which are used to measure tax avoidance, profitability, capital intensity, independent board of commissioners, audit committee, managerial ownership and institutional ownership. The population were 136 companies, with the sampling technique using the purposive sampling and 34 companies as samples.

The dependent variable is tax avoidance, while profitability, capital intensity, independent board of commissioners, audit committee, managerial ownership and institutional ownership are independent variables..

The Cash Effective Tax Rate value used is one that has a value below 1 (Puspita, et al. 2017: 42). The lower the CETR value, the higher the level of tax avoidance.

$$\text{CETR} = \frac{\text{Cash paid for tax expenses}}{\text{Profit before tax}}$$

The ratio to measure profitability is Return On Assets (ROA), which is a measurement to assess a company's net profit relative to total assets.

$$\text{ROA} = \frac{\text{Net profit}}{\text{Total asset}} \text{ (Kurniati, dkk. 2021)}$$

The capital intensity ratio is measured by the proportion of fixed assets from the total assets of company. Capital intensity measurement based on Firdaus, et al (2022):

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

The independent board of commissioners can be measured using the indicator from the number of independent commissioners compared to all member of the board's commissioners (Kurniati, et al. 2021).

$$\text{Independen board's commissioners} = \frac{\text{Number of independent commissioners}}{\text{Total number of board's commissioners}}$$

The audit committee proxied by the number of audit committee personnel in the company (Wulansari, 2017).

Audit committee = Number of audit committee member in a company

Shares owned by commissioners, audit committees and company management constitute managerial share ownership.

$$\text{Managerial ownership} = \frac{\text{Number of managerial shares}}{\text{Number of shares outstanding}}$$

Institutional ownership is share ownership by other institutions, namely ownership by companies or other institutions (Suparlan, 2019: 51).

$$\text{Institutional ownership} = \frac{\text{Number of institutional ownership}}{\text{Number of share outstanding}}$$

The data analysis technique in this research is descriptive statistical analysis and multiple regression analysis, which are test techniques used to determine the impact of independent variables on the dependent variable. The tests that must be fulfilled before carrying out regression analysis are the classic assumption test to ensure that the regression model does not have problems of heteroscedasticity, multicollinearity, autocorrelation and is normally distributed, the F statistical test, the t statistical test and the coefficient of determination test.

RESULTS AND DISCUSSION

Description of Research Object

The total number of samples in this research period was 170. However, after data processing there were 43 outlier data, so these data were excluded from the research sample. So, the amount of data that can be processed is 127.

Descriptive Statistic Analysis

Table 4
Descriptive Statistic Analysis Result

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Profitability	127	.002	1.306	.05597	.128567
Capital Intensity	127	.001	1.009	.37668	.256849
Independent Board Commissioners	127	.200	.667	.399524	.115178
Audit Committee	127	1.000	4.000	2.67717	.665259
Managerial Ownership	127	.075	.994	.78257	.191655
Institutional Ownership	127	.006	.919	.21039	.171841
Tax Avoidance	127	.001	.836	.25887	.190760
Valid N (listwise)	127				

The results of the descriptive analysis show that the mean's corporate tax avoidance is 0.25887, this number corresponds to the corporate tax rate which ranges below the value of 1. The mean value of capital intensity, independent board's commissioners, audit committee, managerial ownership and institutional ownership has the value is bigger than the value of standard deviation, while profitability has a mean value smaller than the standard deviation.

Multiple Regression Analysis

The goodness of fit test results provide evidence that the model used is fit (significant < 0.05).

Table 5
Multiple Regression Test Results

Model		Coefficients ^a				
		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	87.460	34.024		2.571	.012
	Profitability	.661	.349	.181	1.892	.062
	Capital Intensity	.343	.057	.551	5.997	<.001
	Independent Board Commissioners	.085	.125	.064	.682	.497
	Audit Committee	-.002	.022	-.010	-.103	.918
	Managerial Ownership	-.744	.319	-1.034	-2.332	.022
	Institutional Ownership	-.850	.367	-1.030	-2.315	.023

a. Dependent Variable: Tax Avoidance

Soyrcce: Processed secondary data, 2022

Based on table 5 above, the multiple regression equation can be described as follows:

$$\text{CETR} = 87,460 + 0,661 + 0,343 + 0,085 - 0,002 - 0,744 - 0,850 + \varepsilon$$

The constant value has a positive value of 87.460. The profitability regression coefficient (X1) is 0.661 and shows a positive influence with a sig value. is greater than α (0.062 > 0.05), then the first hypothesis is rejected. The capital intensity regression coefficient value (X2) is 0.343 and shows a positive influence with a sig value. smaller than α (0.001 < 0.05), then the second hypothesis is accepted. The regression coefficient value for the independent board of commissioners (X3) is 0.085 and shows a positive influence with a sig value. is greater than α (0.497 > 0.05), then the third hypothesis is rejected. The audit committee regression coefficient value (X4) is -0.002 and shows a negative influence with a sig value. is greater than α (0.918 > 0.05), then the fourth hypothesis is rejected. The managerial ownership regression coefficient value (X5) is -0.744 and shows a negative influence with a sig value. smaller than α (0.022 < 0.05), then the fifth hypothesis is accepted. The institutional ownership regression coefficient value (X6) is -0.85 and shows a negative influence by showing a sig value. smaller than α (0.023 < 0.05), then the sixth hypothesis is accepted.

Discussion

Based from the regression test, the first hypothesis which states that profitability has a positive effect on tax avoidance, is rejected. This results in line with Saputra, et al (2017) which shows that profitability has no effect on tax avoidance. It because companies are considered capable of paying tax burden imposed by utilizing their assets effectively and efficiently, so that companies with high ROA value decide to pay the tax burden rather than having tax avoidance.

The second hypothesis of this research, which states that capital intensity has a positive effect on tax avoidance, is accepted. It support Rusini (2020) and Firdaus, et al (2022) which states that companies that have fixed assets will have depreciation expenses which can reduce profit before tax, so companies will utilize fixed assets to reduce tax.

The third hypothesis test on independent board of commissioners shows that there is not any influence on tax avoidance, so the third hypothesis is rejected. The results that can be seen are that the higher in the percentage of independent commissioners in the number of commissioners in a company as a whole does not affect the tax avoidance policy carried out by a company. In line with research conducted by Pramudito, et al (2015), Kurniati, et al (2021) and Purbowati (2021).

The fourth results show that the audit committee has not been able to prove any influence on tax avoidance, so hypothesis is rejected. Supports the research by Saputra, et al (2017), Kurniati, et al (2021), Purbowati (2021) and Jusman, et al (2020). The company's tendency to avoid taxes does not depend on the number of audit committees but on their own quality of work.

The fifth results show that managerial ownership has a significant negative effect on tax avoidance, the hypothesis is accepted. The higher managerial ownership will optimize supervision of management performance by monitoring every decision taken by management. In accordance with research by Pramudito, et al (2015).

The sixth results show that institutional ownership has a significant negative effect on tax avoidance, so the hypothesis is accepted. The greater the institutional ownership make the great voting rights and encourage financial institutions to review management's performance and ensure the proper allocation of tax paid, it supports the research conducted by Purbowati (2021).

CONCLUSIONS

Analysis of the data show the influence of profitability, capital intensity, independent board of commissioners, audit committee, managerial ownership and institutional ownership on tax avoidance in secondary consumer goods industry companies listed on the Indonesia Stock Exchange in 2016-2020. Capital intensity has a positive effect on tax avoidance, managerial ownership and institutional ownership has a negative effect on tax avoidance. Meanwhile, profitability, independent board of commissioners and audit committee have no effect on tax avoidance.

This research has limitations that can be developed further by future researchers. Future researchers can add other variables that can be taken from external factors and other internal company factors. Companies are expected to pay attention to every decision they make in accordance with applicable tax regulations. Government expected to carry out supervisions and determine policies related to tax regulations.

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