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The Effect of Profitability and Leverage on Tax Planning with Company Size as a Moderating Variable

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ABSTRACT

The contribution of tax revenue to the Indonesian State Budget is greater than that of other sectors. The company views taxes as a burden that can reduce profits, so the company does tax planning. The tax planning strategy commonly used by companies is tax avoidance by taking advantage of the current legal loopholes. This study aims to examine the effect of profitability and leverage as well as the effect of firm size as a moderating variable on tax planning in coal mining sub-sector companies listed on the Indonesia Stock Exchange during 2016-2021. The research method used in this study is quantitative using secondary data in the form of financial statements of coal mining companies listed on the Indonesia Stock Exchange during 2016-2021. The sample of this research is 10 mining companies in the coal sub-sector with an observation period of 6 consecutive years. The data analysis technique in this study used multiple linear regression analysis and moderated regression analysis. The test results show that profitability has a significant negative effect on tax planning, leverage has a significant positive effect on tax planning, and firm size cannot moderate the effect of profitability and leverage on tax planning.
Keywords*: tax planning, tax avoidance, profitability, leverage, firm size.*

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Introduction

Indonesia as a developing country, in realizing its goals cannot be separated from state funding. Indonesia's state funding sources are contained in the State Revenue and Expenditure Budget (APBN). In 2016-2021 the Central Statistics Agency (BPS) recorded that the average tax sector revenue in the Indonesian state budget was 80% per year. Yulianty et al. (2021) stated that companies as taxpayers view taxes as a burden that can reduce profits, while on the other hand for the government taxes are state revenue which plays an important role in financing government spending. The difference in interests between the government and the taxpayer causes the taxpayer to carry out tax planning to make the tax burden more efficient.

According to Rahmadini & Ariani (2019) companies generally carry out tax planning by taking advantage of applicable legal loopholes, this method is known as tax avoidance. In 2017, it was indicated that PT Adaro Energy had transferred some of its profits to its corporate network abroad to reduce its tax obligations in Indonesia. Global Witness stated that this was done by selling coal at low prices to Coaltrade, its subsidiary in Singapore, as a result of which Adaro's tax obligations in Indonesia were low (Finance.detik.com, 2019).

There are many factors that encourage companies to carry out tax planning, one of which is profitability. According to Rifai & Atiningsih (2019), companies with high profitability will try to minimize their tax burden. Research conducted by Rahmadani et al. (2020) and Yulianty et al. (2021) found evidence that profitability has a significant positive effect on tax evasion, while Rifai & Atiningsih (2019) found evidence that profitability has a negative effect on tax evasion.

Another factor that encourages companies to do tax planning is leverage, according to Yulianty et al. (2021), one of the managers' motives for avoiding taxes is through the use of greater debt compared to share capital. Research conducted by Rahmadani et al. (2020), Gazali et al. (2020), Tiala et al. (2019) found evidence that leverage has a significant positive effect on tax evasion, while research conducted by Yulianty et al. (2021) found evidence that leverage has a negative effect on tax evasion. The difference between this study and previous research lies in the addition of a moderating variable, namely company size.

This study aims to provide empirical evidence regarding (1) the effect of profitability on tax planning in coal mining companies listed on the IDX during the 2016-2021 period, (2) the effect of leverage on tax planning in coal mining companies listed on the IDX during the 2016-2021 period. 2021, (3) moderation of company size on profitability and leverage on tax planning in coal mining companies listed on the IDX during the 2016-2021 period. This research is expected to be a study material for the development of research related to this research topic in the future and to increase knowledge for people who are interested in this research topic.

Research Method

This research is a quantitative research, namely research where data is presented in the form of numbers, usually obtained through structured questions (Sekaran & Bougie, 2017: 3). The data in this study is secondary data sourced from the annual financial reports of coal mining sector companies listed on the IDX for 2016-2021. The data was obtained from the website of the Indonesia Stock Exchange (IDX) and from the official website of each company.

The population in this study are coal mining companies listed on the IDX in 2016-2021, totaling 26 companies. The sampling technique in this study was a purposive sampling technique, namely determining the sample by considering certain criteria. The purposive sampling criteria in this study are: (1) Coal mining companies listed on the IDX in 2016-2021, (2) Coal mining companies that present consecutive annual financial reports for 2016-2021, (3) Coal mining companies that have positive net profit before tax (no loss) during 2016-2021, and (4) Coal mining companies that do not receive tax revenue during 2016-2021. Companies that meet these criteria are the samples in this study, these companies are listed in table 1 below:

Tabel 1 Objek Penelitian

No	Company Code	Company Name	IPO Date
1	ADRO	PT Adaro Energy	July 16, 2008
2	ITMG	PT Indo Tambangraya Megah	December 18, 2007
3	BSSR	PT Baramulti Suksessarana	08 November 2012
4	BYAN	PT Bayan Resources	August 12, 2008
5	PTBA	PT Bukit Asam	December 23, 2002
6	GEMS	PT Golden Energy Mines	November 17, 2011
7	HRUM	PT Harum Energy	06 October 2010
8	MBAP	PT Mitrabara Adiperdana	July 10, 2014
9	TOBA	PT TBS Energy	06 July 2012
10	MYOH	PT Samindo Resources	July 27, 2000

Result

Based on table 2 above, it can be seen that: (1) ETR has the highest value of 0.439, the lowest value of 0.166, with an average of 0.273 and a standard deviation of 0.058. (2) ROA, has the highest value of 0.68, the lowest value of 0.025, with an average of 0.186 and a standard deviation of 0.132. (3) DER, has the highest value of 1.328, the lowest value of 0.119, with an average of 0.505 and a standard deviation of 0.268. (4) LNTA, has the highest value of 32.317, the lowest value of 28.078, with an average of 29.86 and a standard deviation of 1.255.

Table 2. Descriptive Statistical Test Results

	ETR	ROA	DER	LNTA
N	50	50	50	50
Max	0,439	0,680	1,328	32,317
Min	0,166	0,025	0,119	28,078
Mean	0,273	0,186	0,505	29,86
Std. Dev	0,058	0,132	0,268	1,255

Normality test

Table 3 Normality Test Results

		Unstandardized Residual
N		50
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	.04611392
Most Extreme Differences	Absolute	.098
	Positive	.098
	Negative	-.056
Test Statistic		.098
Asymp. Sig. (2-tailed)		.200[c,d]

Based on table 3 above, the Asymp.sig (2-tailed) value in this study is 0.200 > 0.05. This shows that the regression model is normally distributed

Multicollinearity Test

Table 4 Multicollinearity Test Results

	Tolerance	VIF
ROA	0.989	1.011
DER	0.869	1.15
LNTA	0.86	1.162

Based on table 4 above, the VIF value < 10 and the tolerance value > 0.10 for all variables. This shows that the regression model in this study did not have multicollinearity.

Autocorrelation Test

Table 5 Autocorrelation Test Results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.617[a]	.381	.341	.047594	2.007

Based on table 5 above, the calculated DW value is 2.007. The DUtable value is 1.6739 and the 4 – DU value is 2.3261. Based on these calculations, DU < DW < 4 – DU is obtained. This shows that the regression model in this study did not have autocorrelation.

Heteroscedasticity Test

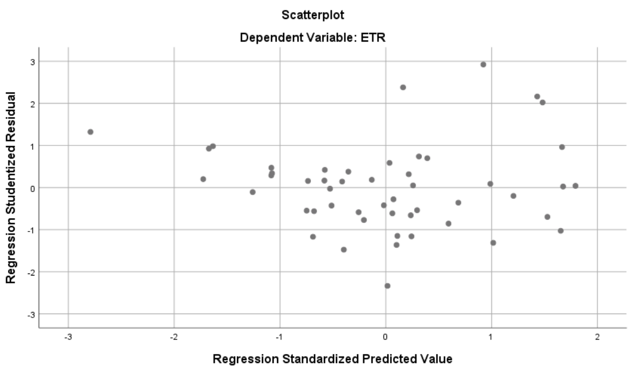

Figure 1 Heteroscedasticity Test Results

Based on Figure 1 above, it can be seen that the scatterplot graph does not show a particular pattern. This shows that the regression model does not experience heteroscedasticity.

Multiple Linear Regression Analysis

Table 6 Results of Multiple Linear Regression Analysis

	Constanta	ROA	DER
B	0,277	-0,214	0,072
T	15,638	-4,119	2,812
Sig.	0,000	0,000	0,007

Based on table 6 above, the multiple linear regression equation values are obtained as follows:
TP=0.277-0.214ROA+0.072DER+e

Moderation Regression Analysis

Table 7 Results of Moderation Regression Analysis

	Constanta	ROA	DER	LNTA	ROA.LNTA	DER.LNTA
B	-0,417	1,261	0,422	0,023	-0,049	-0,012
T	-0,570	0,796	0,394	0,948	-0,926	-0,343
Sig.	0,571	0,430	0,695	0,348	0,360	0,733

Based on table 7 above, the value of the moderating regression equation is obtained as follows:
TP=-0.417+1.261ROA+0.422DER+0.023LNTA-0.049ROA.LNTA-0.012DER.LNTA+e

Test R2

Table 8 R2 Test Results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.591[a]	.349	.322	.048272

Based on table 8 above, an R Square value of 0.349 is obtained. This shows that the independent variables (profitability and leverage) are able to influence the dependent variable (tax planning) by 34.9%.

F test

Table 9 F Test Results

Model	Df	F	Sig.
Regression	2	12.624	.000[b]
Residual	47		
Total	49		

Based on table 9 above, the Fcount value is 12.624 > Ftable is 3.20 with a significance of 0.000 <0.05. So it can be concluded that simultaneously the variables of profitability and leverage affect tax planning.

T test

Table 10 T test results

	B	t	Sig.
Constanta	0.277	15.638	0.000
ROA	-0.214	-4.119	0.000
DER	0.072	2.812	0.007
ROA.LNTA	-0.048	-0.988	0.328
DER.LNTA	0.027	0.749	0.458

Based on table 10 above, it can be concluded as follows: (1) ROA, has a Tcount value of -4.119 with a significance of 0.000 <0.05, meaning that profitability affects tax planning in a negative direction, so H1 in this study is rejected. (2) DER, has a Tcount value of 0.072 with a significance of 0.007 <0.05, meaning that leverage affects tax planning in a positive direction, so that H2 in this study is accepted. (3) ROA.LNTA, has a Tcount value of -0.048 with a significance of 0.328 > 0.05, meaning that company size cannot moderate the relationship between profitability and tax planning, so H3 in this study is rejected. (4) DER.LNTA, has a Tcount value of 0.027 with a significance of 0.458 > 0.05, meaning that company size cannot moderate the leverage relationship with tax planning, so H4 in this study is rejected.

Effect of Profitability on Tax Planning

Based on table 10 results of the partial test that has been done, profitability has an effect on tax planning in a negative and significant direction. So the first hypothesis (H1) in this study which states that profitability has a positive effect on tax planning, is rejected.

The negative direction indicates that there is an inverse relationship, when the company's profitability is high, the tax planning carried out by the company will be lower. This happens because the high value of the company's profitability indicates that the company has good performance. Companies with high profitability tend not to carry out tax planning because they are able to manage company profits well without carrying out tax efficiency (Hakim, 2020).

The results of this study are in line with research conducted by Rifai & Atiningsih (2019), Wati & Astuti (2020), Goh et al. (2019), who found that profitability has a negative effect on tax planning.

Effect of Leverage on Tax Planning

Based on table 10 results of the partial test that has been done, leverage has an effect on tax planning in a positive and significant direction. So the second hypothesis (H2) in this study which states that leverage has a positive effect on tax planning, is accepted.

The positive direction indicates that there is a directly proportional relationship, when a company's leverage is high, the tendency of the company to carry out tax planning will be higher. This happens because of the interest expense arising from the company's debt. The interest expense can be a deduction from a company's taxable income as stated in Law No. 36 of 2008.

The results of this study are in line with research conducted by Rahmadani et al. (2020), Gazali et al. (2020), who found leverage has a positive effect on tax evasion.

The Effect of Company Size Moderates the Profitability Relationship on Tax Planning

Based on table 10 results of the partial test that has been done, company size cannot moderate the relationship between profitability and tax planning. so that the third hypothesis (H3) in this study which states that company size can moderate the relationship between profitability and tax planning, is rejected.

Thus tax planning cannot be influenced by company size as a moderating variable. This is because the size of a company does not guarantee that the company can manage its assets properly to make a profit. This indicates that large companies do not necessarily have a high profitability value so that companies cannot take advantage of their profitability in conducting tax planning.

The results of this study are in line with research conducted by Faizah (2022), who found company size was unable to moderate the effect of profitability on tax planning.

The Effect of Company Size Moderating the Leverage Relationship Against Tax Planning

Based on table 10 of the results of the partial test that has been done, company size cannot moderate the relationship between leverage and tax planning. so that the fourth hypothesis (H4) in this study which states that firm size can moderate the relationship of leverage to tax planning, is rejected.

Thus tax planning cannot be influenced by company size as a moderating variable. This is because the bigger the company, the more costs the company needs to finance the company's operations. Companies need more external funding to support their business activities. Funds from external sources do not only come from third party loans or creditors, but can also come from loans to related parties or loans to shareholders, so that companies cannot take advantage of interest expenses arising from loans from third parties or creditors to minimize the company's tax burden.
The results of this study are in line with research conducted by Faizah (2022), who found company size was unable to moderate the effect of leverage on tax planning.

Conclusion

Based on the results of research that has been done regarding the effect of profitability and leverage on tax planning with firm size as a moderating variable, the following conclusions can be drawn: (1) The profitability variable has a negative and significant effect on tax planning. This means that the higher the level of profitability of a company, the lower the tendency of companies to carry out tax planning, (2) The leverage variable has a positive and significant effect on tax planning. This means that the higher the level of leverage of a company, the tendency of the company to carry out tax planning will also increase. (3) The variable size of the company cannot moderate the influence of the profitability variable and the leverage variable on tax planning. This means that the variable company size is not a moderator.

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