Manager : Jurnal Ilmu Manajemen, 7 (3) (2024) 22-30

Published by: Universitas Ibn Khaldun

Journal homepage: http://ejournal.uika-bogor.ac.id/index.php/bidik/about

E-ISSN : 2655-0008. P-ISSN : 2654-8623

The Influence of Profitability on the Aggressiveness of Intercompany Transaction Tax as an Intervening Variable

Angga Prasetia, M Anwar Masruri, Verni Avariwangi, Rasiman, Ayu Lestari

Ibn Khaldun Bogor University, Indonesia

angga@uika-bogor.ac.id

Abstract

This study aims to analyze the impact of benefits on tax impulsiveness by making intercompany transactions as mediation. The object of this study is company records on the stock trade in Indonesia during 2020 - 2023, with 129 companies. The sampling strategy in this study was purposive sampling testing. The collected data were analyzed using descriptive analysis and statistical analysis techniques, using the WarpPLS 6.0 program. The results showed that profitability affected tax impulsiveness, profitability affected intercompany transactions, whereas intercompany transactions did not affect tax aggressiveness, while profitability towards tax aggressiveness through intercompany transactions resulted in no reconciliation. It is mentioned for further study to boost the number of defendants, the sample of companies studied, and their respective indicators.

Keywords: Tax Impulsiveness, Profitability, Leverage, Dividends, Intercompany Transactions

Introduction

One of several sources of state revenue that is crucial in a country, especially in Indonesia, is taxes. This can be seen from the amount of state tax revenue in the State Revenue and Expenditure Budget (APBN). The largest percentage of the total state revenue as a whole is owned by the state tax revenue. For corporations, taxes are a burden that must be budgeted periodically, there are efforts taken by a corporation to reduce the tax burden paid is known as tax aggressiveness. Tax aggressiveness is an act of manipulation that is planned to reduce taxable income that is related to tax evasion or not.

In Indonesia, in the practice of tax aggregation, the power related to calculation, payment, and reporting is completely handed over to the taxpayer (KUP article 12) because Indonesia is one of several countries that applies self-assessment techniques. Corporations can use two steps to minimize the amount of tax paid. First, reducing the amount of tax according to the applicable tax regulations (tax avoidance). Second, reducing the tax value but violating the applicable rules (tax evasion) was stated by Brian and Martani (2020). Tax aggressiveness is the desire of companies to reduce tax liabilities to increase corporate value

Sari and Martani (2010) define tax aggressive acts as an act intended to reduce taxable margins that are included in the tax evasion criteria or not. There is a dualism of differences in tax perception between the government and corporations. From the government's point of view, taxes are a source of state revenue, but on the other hand, taxes for corporations are considered as dependents that minimize profits. From this, there is a way for corporations to reduce the amount of tax paid legally or not. Automatically, this act affects state tax revenue and also gives birth to aggressive actions on a corporation in paying taxes. Aggressive taxes can be grouped into tax evasion or not. Tax evasion itself is an act that results in losses for the state, which if these activities are not properly controlled, will cause corporate aggression towards taxes (Suyanto and Supramono, 2021).

Tax avoidance (tax aggressiveness) is the ability of corporations to pay tax cash, which is obtained from pre-tax profits (Dyeng et al, 2008). Hanlon & Heitzman (2010) argue that minimizing tax costs presents a set of tax strategies that include tax management, tax planning, aggressive tax, tax evasion, and tax sheltering. The phenomenon that has occurred in Indonesia recently is an increase in the number of corporations that conduct transactions with related parties by expanding their efforts in establishing branch offices located in tax heaven countries and then conducting transfer pricing. As long as transfer pricing is carried out at a reasonable price as regulated in the applicable tax regulations, the corporation cannot be categorized as a tax avoidance actor.

The formulation of the problem of this study is the existence of gap research from previous research by using the summation scale of corporate tax aggressiveness with the help of Book Tax Difference (BTD) to proximate Tax Aggressiveness, and add mediation variables, namely intercompany transactions that are proxied by related party debts, related party receivables and sales to related parties in promoting corporate industry finance on the Indonesia Stock Exchange. influencing Tax Aggressiveness will be useful for investors and other parties who have an interest in this issue to raise the question of whether the Profitability of Tax Aggressiveness of Intercompany Transactions is an Intervening variable The purpose of this research is to investigate and analyze how much profitability is related to tax aggressiveness. Investigate and examine how much profitability is related to intercompany transactions. Investigate and examine how much intercompany transactions are related to tax aggressiveness. Investigate and examine how much profitability is against tax aggressiveness mediated by intercompany transactions.

Stakeholders are individuals, groups of people, communities, or societies that are as a whole or partially related to corporations and needs. Characteristics as a stakeholder must have legitimacy, power, and interests over the corporation. The sustainability of the corporation depends on the help of stakeholders, so it can be said that the corporation must actively seek such support. The strength of stakeholders affects corporate efforts to adjust. Corporate activities are a guideline for responding to the existence of one stakeholder and another stakeholder (Chariri and Ghazali, 2007).

Tax aggressiveness is a rule for an event to minimize or eliminate tax liabilities by considering the consequences that arise. Meanwhile, tax avoidance is not classified as an act of violating the law because it is a step to reduce, avoid, minimize, or alleviate tax liabilities in the manner that has been stated in the Siti Kurnia tax law (2010).

Taxpayers/tax actors can reduce their tax liabilities by avoiding taxes that remain based on applicable tax rules as an example of restrictions on the imposition of interest such as fiscal fees that can be charged. In the use of tax avoidance in accordance with regulations, taxpayers need to know what is stated in the tax law.

An Intercompany transaction is a transaction between all corporations that fall under the umbrella of the Parent corporation. According to PSAK 65 of 2013, consolidated financial statements are a form of financial disclosure of a group of businesses that include assets, liabilities, equity, income, expenses, and cash flows of the parent entity and subsidiaries described in a single economic entity. Entities where decision-making authority is used as guidelines or actors of other parties. The investor controls the investee, this happens if the investor is exposed or has authority over the results of his relationship with the investee and has the power to influence the results of his or her authority.

A special relationship according to taxes is a relationship established by two or more taxpayers that results in a smaller amount of tax liability paid than should be paid. Special transaction activities are formed from agreements agreed by related parties and have the same purpose.

The profitability ratio is a ratio that describes the amount of corporate operating profits and assets utilized. The profitability ratio also reflects the net results of all financing policies and operating conditions of the corporation (Brigham and Houston, 2017:114). From this statement, it can be seen that the level of profitability is the level of ability of the corporation to generate net profits from activities carried out during the accounting period. The measurement of the level of corporate profitability using a variety of ratios, namely operating margin, net profit margin, return on total assets, return on common equity, return on invested capital, and basic earning power ratio.

According to Riyanto (1995), leverage is defined as the use of funds and to be able to use them, corporations are required to pay fixed liabilities. The level shown by the leverage of a corporation indicates a picture of the company's finances. This happens because leverage is used as a tool to measure the size of a corporation as seen from the number of creditors to finance the corporation's assets. The high level of leverage of a corporation can be determined by loans outside the corporation to pay for assets. On the other hand, the low level of leverage is an indication that the assets in a corporation are financed independently.

A dividend policy is an agreement between a corporation and a stock manager regarding the profits obtained, the agreement is related to whether or not the profits are divided as dividends obtained or the retention of profits which are then used as investments in the future. The distribution of profits as dividends will reduce the profits stored and also reduce the overall amount of internal financing (Setiawati, 2012).

Effect of Profitability on Tax Aggressiveness

Corporations with a high increase in gross profitability at the beginning of their formation are used as an indication of their healthy financial condition. This affects compliance with tax payments and the fulfillment of obligations, to investors, creditors, and the government by paying taxes. Low corporate profitability also affects tax payments, there will be non-compliance in the payment. This is because a corporation will attach importance to the financial situation and corporate assets rather than paying taxes so an aggressive attitude towards taxes arises. Profitability is a factor that affects avoiding corporate tax. This statement is in line with research conducted by Annisa (2017), Yoehana (2013), Wilson (2016), Santi (2016), Fajriyansyah & Firmansyah (2016), Kurniasih and Sari (2013)

The Effect of Profitability on Intercompany Transactions

An intercompany transaction is an agreement between parties that have a relationship to take control of the party has a great influence in terms of finances and operations

Sales are used to measure the value of intercompany transactions, with the amount of assets receivable and lending to related parties. So that when the corporation is in a state of profit, the related parties have the opportunity to control their financial operations. This forms a profitability relationship with Intercompany transactions. This is in line with the research of Puspitasari (2015), Nugraha & Henny (2015), and Harimurti (2007).

Effect of Intercompany Transactions on Tax Aggressiveness

The existence of a party agreement with a special relationship is the main problem that arises due to transfer pricing. With the existence of an intercompany agreement as a measure to avoid taxes, of course, it will save taxes that must be submitted by corporations, looking at the state of corporations in Indonesia where most of them are owned by families, this results in the smooth practice of intercompany transactions to avoid paying taxes. This statement is in line with the results of research conducted by Puspitasari (2015), and Nugraha & Henny (2015).

Effect of Profitability on Tax Aggressiveness through Intercompany Transactions

The special relationship in the corporation causes the tax liability paid by the corporation, harming the state revenue from the tax sector, besides that the criteria of financial accounting standards have better provisions in accordance with tax regulations, this is the basis for its choice to identify the existence of illegal agreements and give birth to losses for the state. This is in accordance with Oktavia et.al research (2021).

Research Methods

The method used in this research is descriptive or explanation and hypothesis testing. Tax aggressiveness as a dependent variable is used as a sample associated with independent variables, namely Profitability, Control Variables, and Intercompany transactions as mediating variables for the research group this research is a quantitative research to examine the hypothesis of the research.

The population in this research includes all industrial corporations included in the Indonesia Stock Exchange (IDX) in the 2020-2023 period. The researcher conducted a purposive sampling technique, where the number of samples was 129 corporations. The type of data in this research is secondary data in the form of corporate financial statements for the period 2020 - 2023.

Structural Equation Modeling (SEM) with the Partial Least Square (PLS) approach is used to analyze existing data.

Results and Discussion

Table 1
Descriptive Statistics

Variable	Indicator	2022	2023	2022	2023
PROF	GPM	0,26	0,27	0,26	0,26
	ROA	0,16	0,17	0,16	0,15
T.INT	Ut.BR	10,53	10,54	10,68	10,53
	Piu.BR	10,74	10,83	11,04	11,02
	PJ.BR	11,66	11,70	11,91	11,93
LEV	LEV	0,16	0,17	0,21	0,21
DEV	DEV	0,82	0,83	0,94	1,00
AP	BTD	0,08	0,07	0,06	0,07

Source : SPSS 27

The average gross profit margin during 2020 - 2023 has the highest figure in 2021, which is 0.27 or 27 percent, while in 2020, 2022, and 2023 it is 0.26 or 26 percent, which means that corporations tend to be stable. This indicates that the condition of the company's gross profit has persisted in the last 4 (four) years.

The average value of return on assets during 2020 - 2023 has the highest figure in 2021, namely 0.17 or 17 percent, while in 2020 and 2022 it decreased by 0.01, namely 0.16 or 16 percent, and in 2023 it decreased again by 0.01 to 0.15 or 15 percent. This indicates that the corporation did not gain an increase in profit generation and efficiency in the use of corporate assets because it experienced a decrease from 2021 – 2023.

In 2020-2021, corporations have the highest average values of Leverage of 16 percent and 17 percent, and there is an increase in 2022-2023 by 4 percent to 21 percent, meaning that corporations in 2022-2023 do not have sufficient profits, so corporations increase debt policy in 2022-2023. This can be indicated that in the last 2 (two) years the corporation has chosen to increase its debt which may cause a decrease in tax burden.

Manufacturing corporations in the last 4 (four) years of the study are more likely to distribute their dividends, this is evident from the average value of corporations in the last 4 (four) years is increasing, thus meaning that the corporation in that year has experienced an increase in profits so that it can pay taxes.

The fluctuation in the average value of intercompany transactions during 2020 - 2023 has increased from year to year, especially in related receivables and related sales, this indicates that there is a gap for corporations to make savings and sales efficiency by increasing their sales transactions to parties with special relationships where corporations can save transaction costs. Corporations can minimize transaction costs so that corporate tax liabilities are low and corporate profits will increase.

Table 2
Hasil Path Coefficient dan P-Value

Relationship	2020 - 2023		
	B	P	Result
Prof → AP (BTD)	0,58	<0,00*	H1 accepted
Prof → T.INT	-0,71	<0.00*	H2 accepted
T.INT → AP (BTD)	-0,04	0,35	H3 rejected
Prof → AP (BTD) → T.INT	0,60	<0.00*	4 accepted

Source : SPSS 27

A corporation with profitability to gross profits that increases at the beginning, indicates a good financial condition in the corporation, this results in the obedientness of a corporation in paying its taxes and also fulfilling its corporate obligations such as sharing profits and paying taxes. Meanwhile, corporations with low profitability will result in the behavior of delaying tax payments or even avoid tax payments, resulting in an aggressive attitude towards taxes in a corporation. This is supported by research conducted by Annisa (2017), Yoehana (2013), Wilson (2016), Santi (2016), Fajriyansyah & Firmansyah (2016), Kurniasih and Sari (2013) which stated that Profitability has an influence on Tax Aggressiveness.

An intercompany transaction is an agreement between parties that has a special relationship and has the power to exert a great influence on other parties and also has an influence on financial and operational decision-making.

Intercompany transactions can be seen from the number of sales, with the amount of assets receivable and lending to related parties. So that when the corporation is in a state of profit, the related parties have the opportunity to control their financial operations. This affects Profibility's relationship with Intercompany transactions. In line with research conducted by Puspitasari (2015), Nugraha & Henny (2015), and Harimurti (2007). This illustrates that profitability has a significant impact on intercompany transactions, so it can be stated that GPM and ROA are factors that affect intercompany transactions.

Problems caused by intercompany transactions or parties with special connections are not the only source of problems in tax avoidance strategies by many corporations, but other factors make taxpayers try to avoid taxes, therefore intercompany transaction relationships do not have a major impact on tax aggressiveness. The results of this research are in line with Belinda's (2016) research which explains that there is no effect on profitability on intercompany transactions, and contrary to research conducted by Octavia (2021), Puspitasari (2015), Nugraha & Henny (2015), that intercompany transactions affect tax aggressiveness (BTD).

The special relationship in corporations causes the burden of taxes paid by corporations, thereby harming state revenue from the tax sector, besides provisions related to financial accounting standards are better in accordance with tax regulations, so that they can be selected to identify whether there are illegal agreements and cause losses to the state. This is supported by research by Oktavia et.al (2021).

Conclusion

This research aims to examine the impact of profitability on tax aggressiveness (BTD) and intercompany transactions as mediating variables in a manufacturing corporation. The sample studied amounted to 18 out of 126 manufacturing corporations on the Indonesia Stock Exchange during the 2020-2023 period.

The design model applied in this research is experimental research, where this research aims to test hypotheses. This research applies the quantitative calculation method and data processing of the Structural Equation Modeling-Partial Least Squares (SEM-PLS) version of WarpPLS 6.0

From the results of the hypothesis test, the researcher concluded several points in this research, namely

The first hypothesis of this research is supported by the results of the test in the form of "profitability has a positive impact on tax aggressiveness (BTD). So it can be concluded that the increasing profitability owned by a corporation has an impact on increasing corporate aggressiveness to avoid taxes. The results of the research on the first hypothesis are proven to be significantly positive.

The second hypothesis of this research is supported by the results of the test in the form of "profitability has an impact on intercompany transactions" So it can be concluded that the more profitability owned by the corporation, the greater the opportunity for stakeholders to conduct intercompany transactions between entities by making adequate performance of both the holding company and the subsidiary company.

Meanwhile, the third hypothesis of this research is not supported by the results of the test in the form of "Intercompany transactions have an impact on tax aggressiveness. So it can be concluded that Intercompany transactions, both holding companies and subsidiary companies, do not affect tax aggressiveness

The fourth hypothesis of this research is supported by the results of the test in the form of "Profitability has an impact on tax aggressiveness through Intercompany Transactions". So it can be concluded that the higher the profitability of a corporation, the greater the opportunity for stakeholders to carry out tax evasion but intercompany transactions are not able to be intermediaries for tax avoidance activities, this can be seen from the sampling of research that is limited to all sectors of the manufacturing industry onlyThere are shortcomings in research results that may cause indecisiveness in the results of research that only examines CSR and Management. The researcher's hope for future research can be added to several variables that have not been listed and researched in this research so that the results of this research can be updated which are only and can be used as a reference to aspects that can have an impact on Tax Aggressiveness.

There are shortcomings in the research results that may cause indecisiveness in the results of research that only examines the limited profitability used, namely Return on Asset and Gross profit margin and Intercompany Transactions as mediating variables The dependent variables studied are only limited to the book-tax difference proxied by taking into account the difference between the profit book before tax and the profit after tax.

The researcher's hope for research conducted in the future can add several variables that have not been listed and researched in this research so that they can update the results of this research which are only and can be a reference to aspects that can have an impact on book-tax difference and more in-depth transactions on the stock exchange so that it is more precise in determining the variables to be studied.

Bibliography

Graham, J. R., Hanlon, M., Shevlin, T., & Shroff, N. (2020). Incentives for Tax Planning and Avoidance: Evidence from the field. Accounting Review, 89(3), 991–1023. https://doi.org/10.2308/accr-50678

Khomsatun, S., & Martani, D. (2015). The Effect of Thin Capitalization and Assets Mix of Indonesia Sharia Stock Index (Issi) on Tax Avoidance. XVIII National Symposium on Accounting, (No. 1), 1–23

Lestari, Yeni, Nurmala Ahmar, and Syahril Djaddang (2023). "The effect of profitability on tax aggressiveness is mediated by intercompany transactions (a study on manufacturing companies listed on the Indonesia Stock Exchange in 2015-2020)." Scientific Journal of Economics and Business Triangle 2.2 (2023): 54-64.

Ngadiman, N., & Puspitasari, C. (2017). The Effect of Leverage, Institutional Ownership, and Corporate Size on Tax Avoidance in Manufacturing Sector Corporations Listed on the Indonesia Stock Exchange 2010-2012. Journal of Accounting, 18(3), 408–421. https://doi.org/10.24912/ja.v18i3.273

Oktavia, O., & Martani, D. (2013). The level of disclosure and use of financial derivatives in tax avoidance activities. Indonesia Journal of Accounting and Finance, 10(2), 129–146. https://doi.org/10.21002/jaki.2013.07

Pajak, A., Economist, F., & Diponegoro, U. (2015). Introduction, IV, 16–30.

Pajriansyah et.al (2016)." The Effect of Leverage on Fiscal Loss Compensation and Profit Management on Tax Avoidance". Thesis of the State Financial Polytechnic of STAN Indonesia.

Political Connection to Tax Avoidance (Empirical Study on Manufacturing Corporations Listed on the IDX for the 2012-2015 Period). Online Journal of Students of the Faculty of Economics, University of Riau, 4(1), 685–698.

Rini, D. M., Handajani, L., & Sasanti, E. E. (2015). Tax Aggressiveness in Indonesian Public Corporations that Disclose Corporate Social Responsibility. Sna

Sari, S. P. (2020). No Titleر. Pontificia Universidad Católica del Perú, 8(33), 44.

Surono, Shella Kurniasari. (2013). Analysis of Factors Affecting Cash Effective Tax Rate as a Measuring Tool in Tax Avoidance". Thesis of Sebelas March University. Surakarta.

Suyanto, K., & Supramono, S. (2021). Liquidity, leverage, independent commissioners, and profit management against corporate tax aggressiveness. Journal of Finance and Banking, 16(2).

www.idx.go.id

www.scholar.google.co.id

Yoehana, M. (2013). Analysis of the Influence of Corporate Social Responsibility on Tax Aggressiveness. Diponegoro University Thesis, 1–62