Effect of Return On Asset, Capital Intensity Ratio and Firm Size on Tax Avoidance

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ARTICLE INFO	ABSTRACT

This research aims to analyze the effect of return on asset, capital intensity ratio, and firm size on tax avoidance. The sample of this research are 17 property and real estate companies which listed in Indonesian Stock Exchange period 2016-2019. The method which used in this research is purposive sampling and multiple linear regression analysis to analyze data and supported by SPSS version 22. The result of this research show simultaneously the return on asset, capital intensity ratio, and firm size on tax avoidance with a sig. value $0,024 < 0,005$ and F_{count} $3,365 > F_{table}$ $2,76$. While partially show the return on asset has influence on tax avoidance t_{count} $3,100 > t_{table}$ $2,00100$. Capital intesity ratio and firm size has not influence on tax avoidance $t_{count} < t_{table}$ $2,00100$. For the result of coefficient determination testing (R^2) show the value $0,103$, which mean that 10,3% has influence by independent variable and the rest influenced by another factors.

Keywords: Return on Asset, Capital Intensity Ratio, Firm Size, Tax Avoidance

INTRODUCTION

The progress of a region or a country is often heard in terms of national development. Where national development itself is an activity that takes place continuously and continuously which aims to improve the welfare of the people, to be able to realize it, it is necessary to pay attention to the problem of development financing, it is necessary to know that in this development, it must require a large amount of funds (Kasmir, 2015). One of the efforts in creating the independence of a country in financing development is to explore sources of funds originating from within the country in the form of taxes, then used to finance development that is useful for the common interest.

According to Law Number 16 of 2009 concerning General Provisions and Tax Procedures in Article 1 paragraph (1), it is a mandatory contribution to the state owed by an individual or entity that is coercive (Marandu, Mbekomize, & Ifezue, 2015). Tax is one of the most important sources of income in Indonesia's state revenue, tax collection is carried out based on Article 23A of the 1945 Constitution which reads "Taxes and other levies that are coercive for the needs of the state are regulated by law" (Pasal 23A Undang-Undang Dasar Negara Republik Indonesia Tahun 1945, n.d.). In the law, the company is one of the taxpayers who have an obligation to pay taxes, the amount of

which is calculated from the net income earned and will generate profit after tax. For companies, the greater the income earned, the greater the tax burden that must be paid. Tax from the company's side is one of the factors considered because taxes are considered a burden that can affect the survival of the company (Ardi & Lana, 2007). This causes companies to tend to look for ways to reduce the amount of tax payments. Companies must continue to pay taxes in accordance with regulations that have been made and ratified, because taxes are forced contributions, unlike donations, infaq, or zakat. Tax has the function of the budgetair source state finances, which means that taxes are one source of government revenue to finance both routine and development expenditures. To increase tax revenue, the government makes a policy, namely the issuance of Law No. 36, 2008 Article 17 paragraph (2b) which explains that "Domestic corporate taxpayers in the form of open individuals are at least 40% of the total number of paid-up shares traded on the Stock Exchange. Indonesia and fulfill certain other requirements can obtain a tariff of 5% lower than the tariff as referred to in paragraph (1) letter b and paragraph (2a) which is regulated by or based on a Government Regulation". On the other hand, the tax system in Indonesia that uses the Self Assessment System, which is the authority given by the government to calculate and report its own taxes, can provide an opportunity for companies to calculate taxable income as low as possible, so that taxes borne by companies can be minimized.

Large companies are more likely to use their resources rather than using debt financing. Large companies will be in the government's spotlight, so that it will cause a tendency for company managers to act aggressively or obediently (Breda & Van, 1992). The larger the size of the company, the company will consider the risk more in terms of managing its tax burden (Budiman, 2012). Companies that are included in large companies tend to have resources that are larger than companies that have a smaller scale to perform tax management. Human resources who are experts in taxation are needed so that the tax management carried out by the company can be maximized to reduce the company's tax burden. Small-scale companies cannot optimally manage their tax burden due to a lack of experts in taxation (Cahyono, 2016). The more resources owned by large-scale companies, the greater the tax costs that can be managed by the company.

Tax avoidance is an effort to reduce the amount of tax value through tax planning efforts within the legal range (Dewanti, 2019). Taxes carried out by the company must be carried out in a legal way so as not to harm the company itself. By following the applicable regulations, the company will assist in securing state finances. Tax avoidance practices are generally carried out by taking advantage of differences in tax regulations that are designed in such a way as not to violate the economic substance of a business activity (Dewi, 2005). Tax avoidance is a complicated problem because on the one hand it is permitted but not desired by the government, so that there will be differences in interests between companies and the government where companies always try to keep their tax burden as low as possible. Meanwhile, the government always tries to increase state tax revenue as much as possible every period that has been targeted in accordance with the State Budget (APBN) (Merkusiwati, 2016). Measurement of tax avoidance in this study uses the effective tax rate (ETR) proxy. ETR is cash issued for tax costs divided by profit before tax (Budiman and Setiyono, 2012). This measurement is used because it can describe the existence of tax avoidance activities. Measurement of tax avoidance according to (Dryeng, Hanlon, & Maydew, 2010) is good to use to describe the existence of tax avoidance activities because ETR has no effect on changes in estimates such as tax protection. The higher the percentage level of ETR, which is close to the corporate income tax rate of 25%, indicates that the lower the level of corporate tax avoidance, on the contrary, the lower the percentage level of ETR indicates that the higher the level of corporate tax avoidance.

METHODS

This research was conducted on real estate and property sector companies listed on the stock exchange 2016-2020. The data collection method used in this research is by using the literature study

method and the documentation method. The literature study method is a method of collecting data by conducting a literature review, reviewing various sources such as journals, books, and other sources related to research (Ghozali, 2012).

Based on the theory and the results of several studies, a conceptual framework can be formulated which is tax avoidance, using the purposive sampling method. Tax avoidance is an effort to reduce taxes, but still comply with the rules of taxation rules, for example by utilizing permitted exceptions and deductions as well as tax delays that have not been regulated in the applicable tax rules. With that, the tax made by the company must do a legal way so as not to harm the company itself. ROA From the t test table, it is known that ROA has an effect on tax avoidance, while the capital intensity ratio and size have no effect on tax avoidance.

RESULTS AND DISCUSSION

The multiple linear regression testing in this study aims to determine or show the mathematical relationship between each independent variable and the dependent variable. Based on the test results using multiple linear regression analysis, it can be seen that the effect of Return On Assets (ROA), Capital Intensity Ratio (CIR), and Company Size on Tax Avoidance is as follows:

Table 1. Regression Analysis

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	0,103	0,181		0,571	0,570
Return On Asset	-0,480	0,155	-0,379	-3,100	0,003
Capital Intensity Ratio	-0,001	0,001	-0,146	-1,196	0,237
Size	-0,001	0,006	-0,012	-0,097	0,923

Source: Data processed, 2021

It can be seen from the multiple linear regression equation in the table above is as follows:
$$Y_{CETR} = 0.103 - 0.480 \, (ROA) - 0.001 \, (CIR) - 0.001 \, (Size) + e$$

There is an equation for the constant value in the table above, which is 0.103, which means that the value of the variable composition of Return On Assets (ROA), Capital Intensity Ratio (CIR), and Company Size is considered constant (zero), so it can be seen that the constant value of Tax Avoidance is of 0.103.

The regression coefficient value of Return On Assets has a negative value in column B in the Unstandardized Coefficients of -0.480 which means that Return On Assets has increased by 1%, while for others it is considered constant. Then the dependent variable Tax Avoidance decreased by 0.480 and vice versa.

The coefficient value of the Capital Intensity Ratio also has a negative value in column B Unstandardized Coefficients, which is -0.001 which means that it has an increase of 1% with the assumption that the other variables are considered constant. Then the dependent variable Tax Avoidance decreased by 0.001.

While the last one there is a negative value in Company Size of -0.001 which means that if the value of Company Size increases by 1% with the assumption that the other variables are considered constant. Then the effect on the dependent variable Tax Avoidance decreased by 0.001.

Table 2. F test Result

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	0,029	3	0,010	3,365	0,024[b]
Residual	0,168	59	0,003		
Total	0,196	62			

Source: Data processed, 2021

In this study, the F (simultaneous) test was used to measure how far the influence between the independent variables together with the dependent variable was through the provision of sig < 0.05 or F count > F table. Then there is the influence of the simultaneous independent variable on the dependent variable.

From here the researcher can assume from the research results contained in the table above that F count is 3.365 and F table with a significant level of 0.05 is F table = (k;n-k-1) = (3;63-3-1) (3 ;59) = 2.76 So it can be explained that the value of sig 0.024 < 0.005 and F count 3.365 > 2.76 and it can be explained that the return on assets, capital intensity ratio, and company size simultaneously affect tax avoidance.

From the table 1, it is known that ROA has an effect on tax avoidance, while the capital intensity ratio and size have no effect on tax avoidance. In this study partially tested the dependent variable, the method used was to determine the effect partially by comparing the t count and t table with a level of 0.05 or 5%, namely (n-k-1=df) (63-3-1 =59). The formula that can be done in the t table is as follows:

$$\text{t table} = t(\alpha/2; n-k-1) = t(0.050/2;59) = t(0.025;59) = 2.00100$$

Then it is known that the t table value is 2.00100 so that it can be explained as follows:
1. Return On Assets (ROA) X1
   The results obtained from the t value is -3.100 while the t table is 2.00100. Then it can be seen that t count -3.100 > from t table 2.00100 while the significance value is 0.003 <0.05, which means that Return on Assets has an effect on Tax Avoidance.
2. Capital Intensity Ratio (CIR) X2
   The results obtained from the calculated t value is -1.196 while the t table is 2.00100. Then it can be seen that t count -1.196 < from t table 2.00100 while the significance value is 0.237 > 0.05, which means that the Capital Intensity Ratio has no effect on Tax Avoidance.
3. Company Size X3
   The results obtained from the calculated t value is -0.097 while the t table is 2.00100. Then it can be seen that t count -0.097 < from t table 2.00100 while the significance value is 0.923 > 0.05, which means that company size has no effect on Tax Avoidance.

Effect of Return On Assets on Tax Avoidance
Based on the test results using the t-test in knowing the effect of the return on assets variable, it is known that the significance of 0.003 <0.05. The value of t count return on assets is -3.100 > 2.00100 which means t count > t table. This shows that H1 is accepted, which means that return on assets has an effect on tax avoidance.

Return on Assets is a ratio that shows how much net profit can be obtained from all assets owned by the company. Thus this ratio relates the profits obtained from the company's operations to the amount of investment or assets used to generate profits or operating profits. Profitability describes a company's operational success which shows the final result of a number of policies and decisions taken by the company's management. Profitability also shows the combined effect of liquidity, asset management, and debt management on operating results. Profitability (profitability) is the net end result of various policies and management decisions.

Profitability using ROA proxy is said to have a negative effect on Tax Avoidance because companies with high levels of profitability indicate the state of companies that have high profits or have the ability to pay taxes. The company believes that by having high profits, it can pay taxes in accordance with the applicable laws and regulations without carrying out tax avoidance activities. The effect of return on assets in this study is in accordance with research conducted by Dewanti (2019) and Gemilang (2016), showing that return on assets has an effect on Tax Avoidancee.

Effect of Capital Intensity Ratio on Tax Avoidance
Based on the results of the test using the t-test to determine the effect of the variable capital intensity ratio, it is known that the significance is 0.237> 0.05. The value of t-count capital intensity ratio is -1.196 <2.00100, which means t-count <t-table. This shows that H2 is rejected, which means that the capital intensity ratio has no effect on tax avoidance.

Capital Intensity Ratio is an investment activity carried out by a company associated with investment in the form of fixed assets (capital intensity). Almost all fixed assets are depreciated and depreciation expense can reduce the amount of tax paid by the company. This states that the company invests using high fixed assets with the aim of operating the company and the company's investment is not used for tax avoidance activities. Fixed assets in the company itself are used for the company's operational needs, the use of fixed assets is used to assist and improve the company's operations which will also increase the company's net profit compared to the depreciation expense of the fixed assets.

This study is in accordance with research conducted by Ghozali (2012) and Hanum (2013) which shows that the Capital Intensity Ratio has no effect on Tax Avoidance. The results of this study did not find any effect of a large amount of fixed assets on tax avoidance by the company, because the company in paying taxes already has the provisions stipulated in the 1945 Constitution article 23A regarding tax payments and cannot do tax avoidance, the company is obliged to pay taxes. follow the tax payment and calculation procedures..

Effect of company size on tax avoidance
Based on the test results using the t-test to determine the effect of the firm size variable, it is known that the significance is 0.923 > 0.05. The value of t count of company size is -0.097 < 2.00100 which means t count < t table. This shows that H3 is rejected, which means that company size has no effect on tax avoidance.
Company size is a scale that can classify companies into large and small companies according to various ways such as company size can be seen from the total assets of the company owned, stock market value, average level of sales, and total sales. This study is in accordance with research conducted by Cahyono (2016) and Merkusiwati (2016), namely with the results of the study showing that company size has no effect on Tax Avoidance. Where the tax authorities can supervise large companies such as companies in the study, namely property and real estate with large company sizes, they are still subject to tax payments in accordance with applicable tax regulations.

Effect of Return on Assets, Capital Intensity Ratio, and Company Size on Tax Avoidance
Based on the test results using the F test where F table with a significance level of = 5% and df1 = k-1 = 3-1 = 2, df2 = n-k-1 = 63-3-1 = 59. It is known that the F table is 2.76 , the calculated F value is 3.365 > 2.75 F table. Then H0 is rejected, which means that the independent variable has an effect on the dependent variablenden with a significance level of 0.024 and a sig value <0.05. So simultaneously the independent variables return on assets, capital intensity ratio, and company size together have a significant effect on the dependent variable of tax avoidance.

This research is in line with research conducted by Merkusiwati (2016), Mustikasari (2007), Oktamawati (2017), and Dwiyanti (2019) which states that return on assets, capital intensity ratio, and company size simultaneously have a significant effect on tax avoidance.

CONCLUSION

In this study, researchers tested the effect of return on assets, capital intensity ratio, and company size on tax avoidance, namely property and real estate companies listed on the Indonesia Stock Exchange for the 2016-2019 period.

By looking at the results of the research that has been discussed, we can draw the following conclusions: 1) The results of the research on the effect of Return On Assets on Tax Avoidance state that it has a t count of -3.100 > from t table 2.00100 and a significance value of 0.003 <0.05, which means H1 is accepted and H0 is rejected. This shows that Return on Assets has an effect on Tax Avoidance. 2) The results of the research on the effect of the Capital Intensity Ratio on Tax Avoidance states that it has a t count of -1.196 < from t table 2.00100 and a significance value of 0.237 > 0.05, which means H2 is rejected and H0 is accepted. This shows that the Capital Intensity Ratio has no effect on Tax Avoidance. 3) The results of the research on the effect of firm size on tax avoidance state that it has a t count of -0.097 < t table 2.00100 and a significance value of 0.923 > 0.05, which means H3 is rejected and H0 is accepted. This shows that Company Size has no effect on Tax Avoidance. 4) Simultaneously return on assets, capital intensity ratio, and company size together have a significant influence on tax avoidance with the results of the calculated F test of 3.365 and F table of 2.76 with a significance value of 0.024.

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