The Influence of Profitability, Leverage, Independent Commissioner, and Company Size to Tax Avoidance

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Abstract: This research aims to test the influence of profitability, leverage, independent Commissioner, and the size of the company to tax avoidance on mining companies listed on the Indonesia stock exchange in 2014-2016. The independent variable in this study is the Retrun On Assets (ROA), Debt To Equity Ratio (DER), the independent Commissioner, and the size of the company. For the dependent variable in this study using Cash Effective Tax Rate (CETR). The population that used as many as 45 companies, research on samples with a purposive sampling technique that generates a sample of 10 companies with a three-year period in order to conduct research. Analytical techniques used were linear regression analysis. The results of this research show that leverage, independent Commissioner of the company and the size effect on tax avoidance. While profitability has no effect on tax avoidance.

Keywords: **Profitability, Leverage, Independent Commissioner, Company Size, Tax Avoidance**

1. INTRODUCTION

The largest source of State revenue is from tax payments from taxpayers and private people. Every taxpayer has an obligation to participate in order to run well for the welfare state. From the payment of taxes, the Government can undertake development programs that can be enjoyed by the public. The role of taxes in the budget of the State expenditures and revenues in Indonesia keeps increasing from year to year. This is evidenced by the year 2013, the share of income tax amounting to 1,077,307 billion for the year rose to 1,146,866 billion in 2014, and 2015 for the year also increased to 1,240,419 billion. (DJP, 2016)

Tax avoidance is often associated with tax planning, where both of them alike are using legal ways to reduce or even eliminate tax obligations. However, tax planning need not be debated as to their validity, while tax evasion is considered unacceptable actions. Tax evasion occurs before the Letter of the Tax Ordinance (SKP) out. Things like this happen because of the taxpayer's own initiative directly aimed at avoiding and reduce the tax liability which should be paid.

The company as one of the taxpayer has an obligation to pay taxes which the magnitude is calculated from the net profits acquired. The greater the tax paid the company, then state income more and more. But on the contrary for the company, the tax burden is that will reduce net income. The Government's goal to maximize acceptance of the tax sector contrary to the purpose of the company as a taxpayer, which the company tried to minimize the burden of taxes so as to obtain a bigger profit in the order to prosper the owner and continued viability of the company.

Profitability ratio is the ratio of to assess the ability of the company in search of profit. This ratio also gives a measure of the level of effectiveness of the management of a company. (Darmawan & Sukartha, 2014) which found that the profitability of the effect on tax avoidance. While in other studies finding that profitability has no effect to tax avoidance (Saputra & Asyik, 2017) so based on the research gap the author will examine whether profitability effect on tax avoidance.

Variable leverage due to interest expenses will reduce the tax burden, then the higher the value of the company's debt then the value of the company's GAAP ETR will be even lower. Research performed by (Saputra & Asyik, 2017) which found that the leverage effect on tax avoidance. While in other studies found that there was no influence between leverage with tax avoidance (Darmawan & Sukartha, 2014). So based on the research gap the author will examine whether the leverage effect on tax avoidance.

In an independent Commissioner of the company serves as a supervisor in the management for balancing the decisions taken by the management between the interests of the minority shareholders with the other parties concerned. (Asri & Suardana, 2016) States independent Commissioners have no effect against tax avoidance. While on research (Rizal, 2016) stated that the most influential independent Commissioner against tax avoidance. Based on the research gap the author will examine whether independent Commissioner to tax avoidance.

The size of the company demonstrates the ability of the company to the action a refund decision perpajakannya. The size of the company shows stability and the company's ability to conduct its economic activity. The larger the company the more size cause a tendency to apply dutifully (compliances) or avoid taxes (tax avoidance). Research of (Asri & Suardana, 2016) found that company size influence on tax avoidance. While in other studies find that the size of the company have no effect against tax avoidance (Mahanani, Titisari, & Nurlaela, 2017). So based on the research gap the author will examine whether the company size influence on tax avoidance.

2. RESEARCH METHODS

This research is research to test the hypotheses that have been proposed by researchers. Testing in this study using multiple linear regression models, to see the influence of profitability, leverage, independent Commissioner, and the size of the company against Tax Avoidance. This type of research in quantitative research is secondary data and information obtained indirectly from the company. Secondary data obtained from the Indonesia stock exchange (BEI) in the form of the financial statements the company's mining sector 2014-2016 period.

3. RESEARCH RESULTS AND DISCUSSION

3.1 Reserch Result

3.1.1 Linear regression test Results

Model	B
(Constant)	0.572
Profitability	-0.441
Leverage	0.087
Independent Commisioner	0.359
Company Size	-0.053

Source : of Results Data, 2018

Results from the table above indicates that the variables are independent Commissioner and Leverage is positive. This means that the leverage and the independent Commissioner would enhance disclosure of tax avoidance. Hypothesis testing is done in the study was done with simultaneous and partial.

3.1.2. Model Test Results

F_{hitung}	F_{tabel}	Sig.	Standar.	Results
4.583	2,760	0,006	0,05	Normal

Source : of Results Data, 2018

Based on the above table shows that the value of F count totalled 4.583 with value of Sig is 0.006. The importance of value less than 0.05. This means profitability, leverage, the size of the company and the independent Commissioner has significant effects against the disclosure of tax avoidance. It can be concluded that the regression Model is worth to use.

3.1.3. Hypothesis test results

Variable	t_{hitung}	t_{tabel}	Sig.	Results
ROA	-1,675	2,059	0.106	Rejected
DER	2,241	2,059	0.034	Accepted
K.I	2,176	2,059	0.039	Accepted
SIZE	-2,584	2,059	0.016	Accepted

Source : of Results Data, 2018

Based on hypothetical table 1 above shows that the value of t is table-0106 significance with 1.675. The value of ttabel is less than the value of the value and significance of 2.059 Ftabel > 0.05. The results showed that profitability has no effect on the tax avoidance. It can be concluded that the hypothesis 1 was rejected.

Based on hypothetical table 2 shows that the value of t table is 2.241 with significance of 0.034. The value of thitung is greater than the number of Ftabel and their significance more < 0.05. The results show that the leverage effect on tax avoidance. It can be concluded that the hypothesis 2 received.

Based on the hypothesis of table 3 above shows that the value of a t value significance of 2.176 table 0.039. T-table value greater than Ftabel and sig < 0.05. The results show that the independent Commissioner to tax avoidance. It can be concluded that the hypothesis of the three accepted.

Based on a hypothetical table 4 above shows that the value of t a table-value significance of 2.584 0.016. T-table value greater than Ftabel and sig < 0.05. The results show that the size of the company's negative effect against tax avoidance. It can be concluded that the hypothesis 4.

3.1.4. The Results Of Determination's R^2

R	R Square	Adjusted R Square	Std. Error of the Estimates	Results
0,650	0,423	0,331	0,1002781	Take Effect 33,1 %

Source : of Results Data, 2018

Based on the table above shows that the results of the calculation of the value of the Adjusted R-Square of 0.331. This means that the percentage of variable influence profitability, Leverage, the size of the company, and the independent Commissioner of 33.1%. While the rest i.e. 66.9% explained by other variables outside of profitability, leverage, the size of the company and the independent Commissioner.

3.2 Discussion

3.2.1 The Influence of Profitability to Tax Avoidance

The research results of profitability has no effect against tax avoidance. These results make it clear that the level of public awareness that it is obligatory to pay taxes have risen so high ROA value indicates that the company has been leveraging its assets effectively and efficiently so that companies can afford to pay the burden of his company included the burden of taxes, then the value of the company with a high ROA would prefer paying tax burden than have to do acts of tax evasion.

3.2.2 The Influence of Leverage to Tax Avoidance

The research of effect on leverage of tax avoidance. These results make it clear that the value of high leverage on the company shows a high debt level of capital on its own. The high level of debt in a company would pose a burden for the company, namely interest expenses. The level of interest expenses were very high in an enterprise can reduce the corporate tax burden. So the company has a high tax burden will prefer to owe to the other party of its own capital in favor of minimizing the burden of taxes. The results of testing this leverage have significant positive direction, the higher the value the higher the leverage the possibility of acts of (tax avoidance in the company.

3.2.3 The Influence of Independent Commisioners to Tax Avoidance

Research results from the independent Commissioner to tax avoidance. These results make it clear that in this study according to the Financial Services Authority regulations Number 33/PJOK. 04/2014 which States that the number of independent Commissioners is obligated to at least 30% of the total number of members of the Board of Commissioners. When independent Commissioner percentage above 30% stated that the implementation of good corporate governance has gone well so that it is able to control and control of the management of the company do more tax evasion. an independent Commissioner of the company, then a tax avoidance in corporate activity will also be getting low. Independent Commissioner in an enterprise is effective in prevention efforts the practice tax avoidance

3.2.4 The Influence of Company Size to Tax Avoidance

The research of the size effect on corporate tax avoidance. The results of such research explains that the company does not use its own resources to manage his taxes because of the possibility of being a target of the Government's decision and the spotlight so many restrictions that the company owned to commit tax evasion (tax avoidance).

4. CONCLUSION

This research aims to know the influence profitability, leverage, and the size of the company's independent Commissioner against tax avoidance. This research use the dependent variable in the form of tax avoidance that is measured using the effective tax rate (ETR). Independent variables used in this study is profitability, leverage, the size of the company and the independent Commissioner. The population used is the mining company listed on the BEI. Sampling using a purposive sampling technique that produces 10 mining companies with a span of research over the last 3 years (2014-2016). The research of using multiple linear regression analysis.

Regression test results proved that statistically the variable profitability has no effect against tax avoidance, while variable leverage, independent Commissioner, and company size influence on tax avoidance. Issues regarding tax avoidance is a relatively new thing in Indonesia and most companies go public in indonesia have a low presepsi against it. Disclosure of the occurrence of tax avoidance is not easy in the measure, since most companies do this but don't do the disclosure of tax avoidance by way of regulating and minimizing tax burden within limits that violate the rules, tidaak because the tax is one of the factors a deduction of profit. With so many companies that are not open in the disclosure of tax avoidance.

Factors that affect tax avoidance are very much, and in this study using only 4 independent variables was still a little explaining variable dependennya corresponds to the value of the coefficient of determination R^2 only 33.1% which means still there is 66.9% influenced by other variables.

For further research on the expected reproduce independent variable to the maximum to see results from the disclosure of tax avoidance.

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