

EFFECT OF PROFITABILITY, LEVERAGE AND CHARACTERISTICS OF CORPORATE GOVERNANCE IN TAX AVOIDANCE MINING COMPANY LISTED IN BEI

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Abstract: This study aimed to examine the effect of profitability, leverage, and corporate governance characteristics against tax avoidance on mining companies listed on the Indonesia Stock Exchange in 2013-2015. The independent variables in this study are Return on Assets (ROA), Debt to Equity Ratio (DER), institutional ownership, independent board and audit committee. While the dependent variable in this study is tax avoidance by using Cash Effective Tax Rate (CETR). The sampling technique is done by using purposive sampling method and data analysis tool used is multiple linear analysis. The sample used in this study is that mining companies listed on the Indonesia Stock Exchange in the period 2013-2015, with a total of 11 companies per period. The results of this study concluded that the variable Return On Assets and Debt To Equity Ratio effect on tax avoidance in mining companies, whereas the institutional ownership variable, independent board and audit committee does not affect the tax avoidance in mining companies.

Keywords: Profitability, leverage, corporate governance, tax avoidance

1. INTRODUCTION

Taxes are the largest revenue earned by the state, in which the tax revenue is obtained from the taxpayer that all citizens who have kewajibannya to pay taxes in a country. Where taxes generated can then be used to build facilities in the country and can also be useful as well to cover the country's debt to neighboring states.

Tax is a mandatory contribution to the state owed by individuals or entities that are enforceable under the Act, to get rewarded directly and used for the purposes of state for the greatest prosperity of the people (Ministry of Finance of the Republic of Indonesia and

the Directorate General of Taxation, 2012),

Tax evasion (Tax Avoidance) is one way to legally avoid taxes that do not violate tax laws. Tax evasion can be said to be included in a complex and unique problems because one side is allowed, but its presence is not desired. There are several factors that influence a company in the tax obligations among other things, corporate governance, profitability, and the characteristics of the executive, (Maharani, I. G & Suardana, K. A, 2014),

Tax evasion was also done because there are several other factors, including the level of profitability and leverage in a company. Profitability is the company's ability to earn income. Companies that

have or obtain a high level of profitability or value Return on Assets (ROA) is high, it will certainly also tax burden will be higher as well, then here is what might trigger an enterprise to perform acts of tax evasion in it with the aim to reduce the burden company. Then other financial ratios that may affect their tax avoidance measures (tax avoidance) is Leverage. Leverage on the characteristics of the company this time using the DER (Debt to Equity Ratio). Leverage the company's level of debt used in financing, in relation to taxes. If the company has a high tax liabilities, the company will have a high debt anyway. And therefore the tax evasion techniques (tax avoidance) so bias will be pursued.

Techniques tax evasion or tax avoidance were more influenced by the characteristics of corporate governance. Corporate governance is corporate governance explain the relationship between the various participants in the company that determines the direction of the company's performance. Corporate governance can increase the added value for the shareholders, it can be concluded that the better the corporate governance mechanism undertaken by the company greater added value. The rules of corporate governance structure will affect the way a company to meet their tax obligations, but on the other hand depends on the dynamics of tax planning in a company's corporate governance (Friese, A., S., Link, and S. Mayer, 2006),

2. RESEARCH METHODOLOGY

The data used is secondary data with quantitative methods. The sample selection using purposive sampling method the mining companies listed in Indonesia Stock Exchange period 2013-

2015. Samples obtained during three periods as many as 33 companies in the study criteria. Then the data used is derived from the financial statements, the company's annual report, Indonesian Capital Market Directory (ICMD) and obtained from the Indonesian Stock Exchange (www.idx.co.id)

2.1 RESEARCH VARIABLES AND MEASUREMENT

- a. The dependent variable used in this study is Tax Avoidance (tax evasion), which is denoted by Y.
- b. Independent Variable used in this study are:

- 1) Profitability (ROA)

Calculate ROA by using the following formula (Halim, 2009 in (Fadilla, et al., 2015)).

$$\text{ROA} = \frac{\text{Net Income}}{\text{total Assets}}$$

- 2) Leverage (DER)

DER calculate with the following formula:

$$\text{DER} = \frac{\text{Total Debt}}{\text{Owner's equity}}$$

- 3) Institutional ownership

Counting institutional ownership with the following formula:

$$\text{INST} = \frac{\text{JSI}}{\text{TMS}} \times 100\%$$

Information :

INST: The proportion of institutional ownership

JSI: Number of Shares held by institutional investors

TMS: Total Capital Stock Outstanding

- 4) Independent Commissioner Board

Counting independent board using the following formula:

$$\text{INDP: JADKI} = \frac{\text{JADKI}}{\text{JSADK}} \times 100\%$$

Information :

JADKI: Number of Independent Commissioner Board Member

JSADK: Number of All Members of the Board of Commissioners.

5) The Audit Committee

Calculating the audit committee with the following formula:

$$\text{KOMA} = \sum \text{KOMITE AUDIT}$$

2.2 Data Analysis Methods

a. Statistical Analysis Deskriptive

By using descriptive statistik the picture information of the data will be more easily understood. Picture information of the data can be seen from the mean value, standard deviation, minimum and maximum values

b. Classic assumption test

1) Test Normality

Test normality of the data used to determine whether the data were normally distributed or not. Normality test used is the One-Sample Kolmogorov test Smirov. Normality test results showed that ROA, DER, KPI, Jakarta and KOMA have significant value > 0.05, we conclude that the data are normally distributed.

2) Test Multicollinearity

Multicollinearity test is used to determine whether there is a linear relationship between the independent variables in the regression model. From the test results multikolienaritas that ROA, DER, KPI, Jakarta and KOMA has a variance inflation factor (VIF) of less than 10 (VIF <10) or tolerancenya value of more than 0.1 so that it can be concluded that there is no multikolienaritas in this study.

3) Test autocorrelation

Autokolerasi test was used to test whether the regression model found any correlation between bullies error in period t-1 (previous). Based on testing that has been done shows that the value of Run-Test > 0.05 it can be concluded that the absence of autokolerasi.

4) Test Heteroskidastity

Heteroskidastity test aims to test whether the regression model occurred discontinuity of the residual variance of the observations to other observations. The results showed that the plots are scattered above and below the y axis.

c. Multiple Linear Regression Analysis

Multiple regression model is a regression analysis that explains the relationship between the dependent variable with several independent variables. The equation of the multiple regression model, as follows:

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + b_5X_5 + b_6X_6 + e$$

Information :

Y = CETR (Tax Avoidance)

a = Constant

X1 = Profitability (ROA)

- X2 = Leverage (DER)
- X3 = *Institutional ownership*
- X4 = *BOC Independen*
- X5 = *The Audit Committee*

d. Hypothesis test (t test)

Significant test (t test) were used to determine whether each independent variable has a significant influence on the dependent variable is the share price.

3. Results and Discussion

3.1 Statistical Analysis Descriptif

Descriptive Statistics Data

	<i>Min.</i>	<i>Max.</i>	<i>Mean</i>	<i>Std. Deviation</i>
ROA	-2.53	4.16	1.3245	1.47568
DER	-1.27	3.18	0.3603	1.16005
KPI	0.02	0.71	0.3216	0.21819
DKI	0.25	1.00	0.4512	0.17526
KOMA	1.00	4.00	2.6364	0.78335
CETR	0.02	1.00	0.3569	0.26091

From the table seen the value of the variable profitability or ROA (Return on Assets) has the smallest value -2.53, The maximum value 4:16, average 1.3245 and the standard deviation is 1.47568, Variable leverage or DER (Dept to Equity Ratio) minimum value -1.27, The maximum value 3:18, Average - Average 0.3603 and standard deviation 1.16005, Institutional ownership has a minimum value of 0.02 and the maximum is at 0.71 with the average - average 0.3216 and the standard deviation is 0.21819, Independent Commissioner Board has a minimum value of 0.25 and a maximum of 1.00 by the average - average 0.4512 and the standard deviation is 0.17526, The minimum value of the Audit Committee 1:00 the maximum value is 4:00

and the average - average 2.6364 and the standard deviation is 0.78335, Variable tax avoidance (CETR) has a minimum value of 0:02 the maximum value 1:00 Average - Average for CETR 0.3569 and the standard deviation is 0.26091,

3.2 Research Result

a. Classic assumption test

1) Test Normality

<i>Kolmogorov-Smirnov</i>	
<i>Asymp. Sig. (2-tailed)</i>	0787

Test normality of the data used to determine the certainty whether the obtained data were normally distributed or not or nearly normal. Normality test data using One Sample Kolmogorov-Smirnov test, with a significant criteria. If significant value > 0.05 then it can be concluded that the data are normally distributed.

2) Test Multicollinearity

Variable	tolerance	VIF
ROA	0.880	1.137
DER	0.620	1.612
KPI	0.764	1.308
DKI	0.749	1.335
KOMA	0.528	1.893

From the test results multikolinieritas that the independent variables consist of ROA, DER, KPI, Jakarta and KOMA has a variance inflation factor (VIF) of less than 10 (VIF <10) or tolerancinya value of more than 0.1, so that it can be concluded that there is no multikolinieritas in this research.

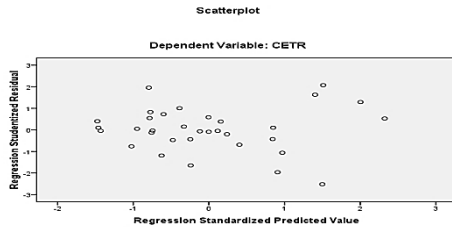
3) Test autocorrelation

Test Runs Test

Asymp. Sig. (2-tailed)	1,000
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Run-Test Results value > 0.05 then it can be concluded that the absence of autokolerasi.

4) Test Heteroskidastisitas



The above results indicate that the plots are scattered above and below the Y axis, which means that the research data free of heteroskedastisitas.

b. Multiple Linear Regression Analysis

This analysis is to determine the direction of the relationship between the dependent and independent variables are each independent variable associated positive or negative. Forms of multiple linear equations in this study are as follows:

$$CETR = a + \beta_1ROA + \beta_2DER + \beta_3KPI + \beta_4DKI + \beta_5KOMA + e$$

Model		
	Sig.	b
(Constant)	.027	.356
ROA	.000	-.100
DER	.002	-.119
KPI	.680	-.068
DKI	.396	-.176
COMA	.063	.105

Multiple linear regression analysis equation that is formed above tersebut gives the following definitions:

- 1) A constant value (a) of 0.356 showed that if all the independent variable is 0, tax avoidance worth 0.356,
- 2) The regression coefficient profitability variable (ROA) (β_1) Is negative for 0.100, This means that if a variable profitability (ROA) rose by 1%, assuming other variables remain, it will be followed by a reduction of tax avoidance 0.100 or 10.0%
- 3) The regression coefficient variable leverage (DER) (β_2) Is negative for 0.119, This means that if a variable leverage (DER) rose by 1%, assuming other variables remain, it will be followed by a reduction of tax avoidance 0.119 or 11.9%
- 4) Institutional ownership variable regression coefficient (β_3) Is negative for 0.068, This means that if a variable institutional holdings rose by 1%, assuming other variables remain, it will be followed by the increase in tax avoidance by 0.068 or 6.8%
- 5) The regression coefficient variable independent board (β_4) Is negative for 0.176, This is when variables independent board rose by 1%, assuming other variables remain, it will be followed by a reduction of tax avoidance 0.176 or 17.6%.
- 6) Regression coefficient of the audit committee (β_5) Is positive for 0.105, This means that if a variable of the audit committee to rise by 1%, assuming other variables remain, it will be followed by the increase in tax avoidance by 0.105 or 10.5%.

c. Feasibility Model (Test F)

Fhitung	Ftable	Sig	information
8817	2570	.000a	take effect

From the table shows that the value of F 8817 with a significance level of 0.000. Based on the significant value can be seen that the significant value of <0.05 ($0.000 > 0.05$). Can be concluded that the model meets the eligibility.

d. Hypothesis testing

1) Test t

Model	t	ttable	Sig.	Decision
ROA	-4479	2,052	0000	be accepted
DER	-3507	2,052	0002	be accepted
KPI	-0417	2,052	0680	rejected
DKI	-0862	2,052	0396	rejected
COMA	1,938	2,052	0063	rejected

- a) H1: ROA effect on Tax Avoidance
From these data indicate that $t < t$ table ($-4479 < 2.052$) with the level of significance probability $0.128 > 0.05$. Then H1 Ho accepted and rejected.
- b) H2: DER effect on Tax Avoidance
From these data indicate that $t < t$ table ($-3507 < 2.052$) with the level of significance probability $0.000 > 0.05$. Then H2 Ho accepted and rejected.
- c) H3: KPI effect on Tax Avoidance
From these data indicate that $t < t$ table ($-0417 < 2.052$) with the level of significance probability $0.056 > 0.05$. Then H3 Ho rejected and accepted.
- d) H4: DKI effect on Tax Avoidance
From these data indicate that $t < t$ table ($-0862 > 2,052$) with a level of significance probability $0.000 > 0.05$. So H4 Ho rejected and accepted.
- e) H5: KOMA effect on Tax Avoidance
From these data indicate that $t < t$ table ($1,938 < 2,052$) with a level of significance probability $0.880 > 0.05$. Then H5 Ho rejected and accepted.

e. test R

Model	R Square	Adjusted R Square
1	.620	.550

According to the table above, adjusted R² value of 0.550, It can be concluded that the ability of independent variables in explaining the dependent variable of 55.0%. The remaining portion of 45.0% is explained by other variables outside

3.2 Discussion

a. Profitability effect on tax avoidance

Results of the analysis showed that the profitability effect on tax avoidance. This is evidenced by the significant value of <0.05 is 0.000. Results from this study is in line with research from (Agusti WY, 2014), (Maharani, I. G & Suardana, K. A, 2014) and (Khairul Adri Fiandri & Dul Muid, 2017) stating that profitability effect on tax avoidance. However, this study rejects the results of (Nur Indah Wahyu Utami, 2013) and (Moses Dicky Saputra & Nur Fadjrih Reva Joy, 2017),

b. Leverage Effect on Tax Avoidance

Results of the analysis showed that the leverage effect on tax avoidance. This is evident from the significant values of <0.05 is 0.002. The results are consistent with the results of the study (Moses Dicky Saputra & Nur Fadjrih Reva Joy, 2017) which stated that the leverage effect on tax avoidance. However, this study rejects the results of (Deddy Dyas Cahyono, Rita Andini, and Kharis Raharjo, 2016),

c. Institutional Ownership effect on tax avoidance

The results of this study indicate that the Institutional Ownership no

effect on tax avoidance. It can be seen that the significance value of $0.680 > 0.05$. These results are consistent with research (Maharani, I. G & Suardana, K. A, 2014), (Imron Septiadi, Anton Robiansyah, & Eddy Suranta, 2016) stating the lack of influence of institutional ownership against tax avoidance. This study is not in line with research (Tati Yulia Okrayanti, Supri Wahyudi Utomo & Elva Muraina, 2017),

d. Independent Commissioner Board of effect on tax avoidance

The results showed that the variable of independent board has no effect on tax avoidance. Significant values obtained for $0.396 > 0.05$. These results are in line with (Rahmi Fadhilah, 2014) and (Tati Yulia Okrayanti, Supri Wahyudi Utomo & Elva Muraina, 2017) stating that the independent board effect on tax avoidance. And against the results of (Winata, 2014),

e. The Audit Committee effect on Tax Avoidance.

The results showed that the significant value of 0.063, which means > 0.05 so it has no effect on tax avoidance. In line with research from (Tommy Kurniasih & Maria M Ratnasari, 2013), (Imron Septiadi, Anton Robiansyah, & Eddy Suranta, 2016) and (Tati Yulia Okrayanti, Supri Wahyudi Utomo & Elva Muraina, 2017) which states that the audit committee influence on tax avoidance. But rejected the results of (Maharani, I. G & Suardana, K. A, 2014),

4. Conclusion

The results of the research that has been done is shown that the hypothesis 1 (H1) profitability (ROA) effect on tax

avoidance. Hypothesis 2 (H2) the leverage effect on tax avoidance. Hypothesis 3 (H3) Institutional Ownership, Hypothesis 4 (H4) Board of independent directors, and Hypothesis 5 (H5) at the same audit committee tidak effect on tax avoidance.

Results from these studies show that: (1) Only Profitability and leverage effect on tax avoidance, (2) variable of corporate governance has no effect on tax avoidance, (3) profitability, leverage, and characteristics of corporate governance against tax avoidance is only 55.0% that influence the remaining 45% is influenced by other factors.

For further research may extend the period or perhaps the population. Also expected to further study of the characteristics of the company to add variables or characteristics of corporate governance as an independent variable that can complement a percentage amount that has not been 100%.

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