EFFECT OF PROFITABILITY, LEVERAGE, AND COMPANY SIZE ON TAX AVOIDANCE IN PLANTATION SECTOR COMPANIES

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Abstract: *The purpose of this research is to analyze effect of profitability, leverage, and company size on tax avoidance in Plantation Sector Companies. This type of research is causal research with a quantitative approach. The type of data to be collected is secondary data in the form of quantitative data. The research data is obtained from information available on the official website of the Indonesia Stock Exchange, namely www.idx.co.id. This quantitative data is in the form of company financial reports, starting from 2018 to 2022. Sampling in this study is carried out using the census method, in which the entire target population is sampled. So the number of samples in this study are 14 companies. Testing the hypothesis in this study uses the estimation results of fixed effect model regression. The results show that profitability has a positive and significant effect on tax avoidance in Plantation Sector Companies. Leverage has a negative and significant effect on tax avoidance in Plantation Sector Companies. Company size has a positive and not significant effect on tax avoidance in Plantation Sector Companies.*

INTRODUCTION

Indonesia as a country that has great potential in the plantation sector has become one of the largest plantation commodity producing countries in the world. There are many private companies engaged in the plantation sector in Indonesia. The plantation industry is the strength and pillar of the national economy. Revenue from the plantation sub-sector has exceeded that of the oil and gas sector. Plantations provide a very important role for the economic fundamentals of the Indonesian nation. So whatever happens to this industry, it will certainly have an impact on the national economy.

Because of the large business turnover of the plantation sub-sector, the policies adopted by each company will also have an impact on the national economy. For example, every company will try to maximize the profits it generates. Various business efficiencies are carried out so that the value of the company continues to increase. This is in accordance with the philosophy that the purpose of establishing a company is basically to be able to generate the maximum profit from the business processes carried out. The profit generated is the final result of the difference between income and all costs charged. The greater the profit generated, the more productive the company is considered to be, and this is one indicator of management's performance appraisal in front of shareholders.

The profit that every company wants is of course profit after tax. Because the net profit of a company is basically profit after deducting tax costs. So that in this case, the tax burden is one of the important points that management must pay attention to so as not to erode the profits that have been generated. But on the other hand, this tax savings has the potential to reduce state revenues, and will impact on the realization of the revenue and expenditure budget country. Disrupted tax revenues can cause delays in the planned development process. This of course has implications for existing tax policies. From the state side, tax collection is a form of sovereignty of a country (Kurniawan, 2015). This situation shows the importance of the role of taxes from the plantation sub-sector.

In order to anticipate that the tax burden is kept to a minimum, but still within the correct tax regulations, companies generally carry out tax management. Tax management is an effort to implement management functions in order to achieve effectiveness and efficiency in the implementation of tax rights and obligations (Pohan, 2013). So tax management is an integral part of the company's strategic planning which should have started before a business was started. One of the real forms of tax management is tax avoidance. Tax avoidance is an effort to streamline the tax burden by avoiding tax imposition by directing it to transactions that are not tax objects (Pohan, 2013).

The implementation of tax avoidance in various companies (including companies in the plantation sub-sector) has been carried out so intensely. Because the owner of the company considers that the cost of taxes is a cost that must be of particular concern to the company. It is not uncommon for companies to experience large losses due to negligence in managing their taxes. In addition, the condition that compels companies to carry out tax avoidance is the increasing number of tax rules that tend to create new objects to be taxed.

With the conditions described above, of course it becomes a necessity for the company to constantly improve the knowledge of its employees in terms of taxation. This is intended so that the company's profits are not eroded by the existence of tax sanctions as a result of errors both administratively and technically in the implementation of the taxation. Today, many companies are trying to reduce their operational costs but fail to reduce their tax costs. Of course this is an obstacle to optimizing company profits as desired by management. This is where the importance of tax avoidance is carried out in order to reduce tax costs legally (without violating applicable regulations).

The purpose of this research is to analyze effect of profitability, leverage, and company size on tax avoidance in Plantation Sector Companies.

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RESEARCH METHODS

This research is conducted through a scientific approach using a theoretical structure to build one or more hypotheses that require quantitative testing. This type of research is causal research with a quantitative approach. Causal research is a research conducted to investigate causal relationships by observing the effects that occur and the possible factors that give rise to these effects. In this study there is an independent variable (cause), namely the influencing variable and the dependent variable (effect) namely the affected variable (Octiva et al., 2018; Pandiangan, 2018; Pandiangan, 2022).

The type of data to be collected is secondary data in the form of quantitative data. Quantitative data is data in the form of numbers that can be counted (Asyraini et al., 2022; Octiva, 2018; Pandiangan, 2015; Sudirman et al., 2023). The research data is obtained from information available on the official website of the Indonesia Stock Exchange, namely www.idx.co.id. This quantitative data is in the form of company financial reports, starting from 2018 to 2022.

The population is the whole member or group that forms the object subject to investigation by the researcher. While the sample is a subset of the population (Jibril et al., 2022; Pandiangan et al., 2018; Pandiangan, 2022). This study will use the target population as a source of sampling. The target population is the determination of the population based on the conditions specified in the research. Sampling in this study is carried out using the census method, in which the entire target population is sampled. So the number of samples in this study are 14 companies.

Testing the hypothesis in this study uses the estimation results of fixed effect model regression. Fixed effect models refer to models with no different (constant) slopes but varying or different intercepts based on the cross section (in this case the company). Although the intercepts may differ between companies, each of these intercepts does not differ from time to time (Pandiangan et al., 2022; Tobing et al., 2018, Sutaguna et al., 2022). From this model, the fixed effect model is the same as the regression which uses dummy variables as independent variables, so that it can be estimated using ordinary least squares. Estimation with ordinary least squares makes this estimate a general least square fixed effect so that the resulting data is unbiased and consistent (Octiva et al., 2021; Pandiangan et al., 2021; Pandia et al., 2018).

RESULT

Fixed Effect Model Regression

Table 1. Fixed Effect Model Regression

Dependent Variable: Tax Avoidance
Method: Panel Least Squares
Date: 11/01/23 Time: 22:51
Sample: 2018 2022
Periods included: 5
Cross-sections included: 14
Total panel (balanced) observations: 70

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.955110	1.353703	-0.705554	0.4836
Profitability	19.12469	15.22800	1.255890	0.0010
Leverage	-2.723472	3.668297	-0.742435	0.0012
Company Size	0.019437	0.057995	0.335154	0.7389

The results show that profitability has a positive and significant effect on tax avoidance in Plantation Sector Companies. The reason is because if the company's ability to generate profits increases, the company's operating profit will also increase and the value of taxes will also increase, therefore the tendency of companies to avoid taxes will also increase. If profits increase while tax avoidance decreases, then this is because the company does not take efficiency measures in paying taxes. Tax avoidance is an effort to make tax payments efficient. So that if the company produces profits that tend to increase, management will increase efforts to increase tax cost efficiency through tax avoidance. Tax avoidance is a risky activity, so managers will not take risks in minimizing their investment risk.

Leverage has a negative and significant effect on tax avoidance in Plantation Sector Companies. This can happen in terms of debt received by the company and then used optimally to generate profits. So that in the end, the increase in loan interest expense can be covered by an increase in operating profit. In fact, the percentage increase in operating profit is higher than the percentage increase in interest expense on loans, and ultimately causes the amount of tax to be paid to increase. Companies that have a high tax burden submit more debt in order to benefit from reduced interest on the debt so that the taxes paid will be smaller. Leverage has a significant effect on tax avoidance where manufacturing companies use debt to minimize the company's tax burden and even tend to be aggressive towards taxes by utilizing the applicable tax regulations.

Company size has a positive and not significant effect on tax avoidance in Plantation Sector Companies. This can be interpreted that if the company's total assets increase, the complexity of the business will also increase. Increasing the number of company assets can have implications for increasing company profits, where all assets owned will be utilized to generate optimal profits. So that the increase in profit will encourage management to save on tax costs by carrying out tax avoidance. Companies are more stable and more capable of generating profits and paying their obligations compared to companies with small total assets, so that the greater the total assets indicate that the company has good prospects in a relatively long term, so there is no need to carry out tax avoidance.

CONCLUSION

The results show that profitability has a positive and significant effect on tax avoidance in Plantation Sector Companies. Leverage has a negative and significant effect on tax avoidance in Plantation Sector Companies. Company size has a positive and not significant effect on tax avoidance in Plantation Sector Companies.

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