

## Effect of Return On Assets and Debt to Assets Ratio on Tax Avoidance in Plantation Companies Listed on the Indonesia Stock Exchange Period 2017-2019

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### ABSTRACT

*For companies, tax is a burden that will reduce net profit so many companies are trying to find ways to minimize the tax burden that does not violate the Law commonly referred to as tax avoidance, this study aims to determine the effect of Return On Assets and Debt to Assets Ratio on tax avoidance. The sampling technique used is purposive sampling, the final number of samples as many as 10 plantation companies listed on the Indonesia Stock Exchange in 2017-2019. The analysis method used is multiple linear regression analysis of panel data using SPSS 24.00. Based on the results of the study, it shows that the Return On Assets and Debt to Assets Ratio have a significant effect on tax avoidance. It is recommended to the next research if you want to follow up on Return On Assets, Debt to Assets Ratio and tax avoidance or with similar research topics can be expected to add other variables, such as liquidity variables and company size. The management is expected to be able to manage all of its total assets and control interest expenses and minimize its tax burden every year so that the profit obtained by the company increases every year*

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## 1. INTRODUCTION

Every Indonesian citizen who belongs to the taxpayer will definitely pay and deposit his tax obligations into the State treasury, whether personal or in the form of an entity that does not get reciprocity directly. Taxes are one of the very important things for the State, because they make a great contribution to

the revenue of the State and to the prosperity of its people, therefore taxes must be well managed by the State.

Taxes make a great contribution to the development of the State in various fields both in terms of education, health, industry and so on, therefore the government strongly emphasizes the payment of taxes, because taxes are a very large mainstay of State revenues. From the side of the taxpayer industry, it should be in accordance with applicable norms and correct accounting principles so that tax avoidance does not violate tax rules that apply in the government or the State.

Tax collection is not an easy thing to implement. For the state, taxes are a source of income. But this is different from the company. For companies taxes are a burden that will reduce net profit. In its implementation, there are differences in interests between taxpayers and the government. The company strives to pay the smallest possible tax because by paying taxes means reducing the economic capabilities of the company (Sudana, 2015). That condition is what causes many companies to try to find ways to minimize the tax burden

Minimizing the tax burden can be done in various ways, ranging from those that are still within the framework of tax regulations to those that violate tax regulations. Minimizing tax liability that does not violate the Law is commonly referred to as tax avoidance.

Tax avoidance cases that are often in the form of tax avoidance are found by the authorities handling these cases in various business and economic sectors. One sector that has great potential and often takes tax avoidance actions is the plantation sector. The plantation sector in Indonesia is one of the strategic sectors that is the mainstay of Indonesia. Unfortunately, the management of this sector has not been transparent enough so that the potential revenue for the state is not optimal enough.

In Indonesia, efforts to boost or optimize tax sector revenues are carried out through intensification and intensification of tax revenues (Letter of the Director General of Taxes No. S- 3 14 / PJ.7 / 2003). However, efforts to optimize the revenue of this sector are not without obstacles. One of the obstacles in order to optimize tax revenue is the existence of tax avoidance (Tax Avoidance), not even a few companies that do tax avoidance (Sudana, 2015)

Tax avoidance is a way to avoid legal tax payments made by taxpayers by reducing the amount of tax owed without violating tax regulations or in

other terms looking for regulatory weaknesses with the aim of obtaining large profits and improving the company's financial condition

Factors of the company's financial condition that affect tax avoidance, including the first is to focus on the level of company profitability. The use of profitability ratios can be done using comparisons between various components in various financial statements, especially balance sheet financial statements and income statements. Measurements can be made for several periods of operation. The goal is to see the company's development in a certain period of time, either decrease or increase, as well as look for the cause of the change, (Susianti, 2018) The profitability of companies with tax avoidance will have a positive relationship and if the company wants to do tax avoidance, it must be more efficient in managing company profits so that it does not have to pay large amounts of tax.

Another factor that affects the company's financial condition towards tax avoidance is the funding policy that indicates the company is committing tax fraud is the leverage policy. The leverage ratio is a measure of how much a company is financed with debt. The use of debt that is too high will harm the company because it will fall into the extreme leverage category, namely the company is trapped in a high level of debt and it is difficult to let go of the debt burden. Therefore instead the company must balance some debt that is worth taking and where the sources that can be used to repay the debt come from, (Fahmi, 2012).

A leverage policy that generates corporate profits before taxable that uses debt as a source that causes the emergence of interest expense can certainly reduce the company's tax liability and can be classified as a tax avoidance measure.

According to Mardiasmo (Widiyohening, 2017) states that: "Tax avoidance is a means of properly fulfilling tax obligations but the amount of tax paid can be kept as low as possible to obtain the expected profit and liquidity. Sedangkan according to Lim (2011) defines tax avoidance as tax savings arising by utilizing legally conducted taxation provisions to minimize tax liabilities. Tax avoidance measures will reduce the state treasury or affect state revenues in the State Budget (APBN). Tax revenue in Indonesia has been planned in such a way as to achieve the desired target in accordance with the revenue budget in the State Budget (APBN)

The increasing return on assets of the company, the higher the occurrence of tax avoidance practices. Companies that are able to manage their assets well will benefit from tax incentives and other tax concessions so that the company will be seen to carry out tax avoidance. (Febrianti, 2022) Profitability is an important factor for the imposition of income tax on the enterprise, since profitability is an indicator of the enterprise in the

achievement of the company's profit. The data above shows that the average company's profit is large enough to pay large taxes as well. This is because the company's income will be charged based on the amount of income received by the company. Companies with a high level of profitability can pay higher taxes than companies that have low profitability. Then companies that have a high return on assets will tend to carry out tax avoidance practices. (Ganiswari, 2019)

According to Ganiswari, (2019) shows that if the Debt to Assets Ratio increases, tax avoidance will also be lower, because taxable profits will become smaller and tax incentives on debt interest will be greater. So that the higher the Debt to Assets Ratio, the lower the tax paid by the company due to the incidence of interest costs. Interest costs can reduce the final result of the company's profit whose impact when the company will pay taxes, the taxes paid will be reduced because there is an increase in the cost of such interest.

Companies in agriculture in the plantation sector are companies whose business is to manage and utilize land to become land to meet needs. Choosing the plantation sector as the object of research because most of the companies in this sector are experiencing a decline in profit prices, this can be seen from the development of the activities of plantation sector companies listed on the IDX declining every year and also affected by the decline in world CPO (crude palm oil) prices, even though this sector plays an important role in growing and improving the national economy as well as increasing the country's foreign exchange and absorbing labor

## 2. METHODS

This type of research uses an associative approach. According to Sugiyono (Sugiyono, 2013), Associative research is research that aims to determine the relationship between two or more variables. In this study, researchers wanted to know the effect of Return On Assets and Debt to Assets Ratio on tax avoidance. The type of data used is quantitative, which is in the form of numbers using formal, standard, and measuring instruments.

This research was conducted in a plantation company listed on the Indonesia Stock Exchange. The period of the study was conducted during September-November 2022. The type of data used in this study is using quantitative data, so it can be in the form of numbers or can be measured from the financial statements of the research period starting from 2017-2019. In this study, the data used is secondary data where the data has been provided by the Indonesia Stock Exchange in the form of financial statements of plantation companies during the period 2017 to 2019

A population is a group that has something in common in one or more

things that form the main problem in a study. According to Sugiyono (Sugiyono, 2013). Population is the totality of all elements present in the study area.

The population used in this study was the population of plantation companies listed on the Indonesia Stock Exchange in 2017-2019 which amounted to 16 companies for 3 consecutive years so that 48 data were obtained. The following is the population of plantation companies listed on the Indonesia Stock Exchange from 2017 to 2019.

**Population of Plantation Companies listed on the Indonesia Stock Exchange from 2017 to 2019**

No	Kode Perusahaan	Nama Perusahaan
1	AALI	Astra Agro Lestari Tbk
2	ANJT	Austindo Nusantara Jaya Tbk
3	BWPT	BW Plantation Tbk
4	DSNG	Dharma Satya Nusantara Tbk
5	GOLL	Golden Plantation Tbk
6	GZCO	Gozco Plantation Tbk
7	JAWA	Jaya Agra WattieTbk
8	LSIP	PP London Sumatera Indonesia Tbk
9	MAGP	Multi Agro Gemilang Plantation Tbk
10	PALM	Provident Agro Tbk
11	SGRO	Sampoerna Agro Tbk
12	SIMP	SalimIvomasPratamaTbk
13	SMAR	Sinar Mas Agro Resource and Technology Tbk
14	SSMS	Sawit Sumbermas SaranaTbk
15	TBLA	Tunas Baru Lampung Tbk
16	UNSP	Bakrie Sumatera Plantation Tbk

Sumber : [www.idx.co.id](http://www.idx.co.id)

The data analysis technique used in this study is quantitative data analysis, according to Sugiyono "quantitative data analysis is data analysis of data containing certain numbers or numerals". The data analysis techniques used are as follows:

Descriptive statistics are methods related to the collection and presentation of a group of data so as to provide useful information. Classification into descriptive statistics and inference statistics is carried out based on the activities carried out.

Descriptive statistical analysis is a study conducted to determine the value of independent variables and dependent variables. In this analysis, a

discussion was carried out on how the return on assets and Debt to Assets Ratio to tax avoidance in plantation companies listed on the Indonesia Stock Exchange, using the formula of average calculation (mean) and standard deviation

The classical asumi test aims "to see if the regression model used in the study is the best model. if the model is a good model, then the results of the regression analysis are worthy of being used as recommendations for knowledge or for practical problem-solving purposes. The conditions carried out for the classical assumption test include normality test, multi-collinearity test, heterochedasticity test, autocorrelation test

### 3. FINDINGS AND DISCUSSION

As one of the important subsectors in the agricultural sector, the plantation subsector has traditionally contributed significantly to the Indonesian economy. The plantation subsector is also one of the sub-sectors that has experienced the most consistent growth, both in terms of acreage and production. Of the several important plantation commodities in Indonesia (rubber, palm oil, coconut, coffee, cocoa, tea, and sugarcane), oil palm, rubber and cocoa grow faster than other plantation crops with a growth rate above 5% per year. The rapid growth of these three commodities is generally related to the relatively better level of profit of these commodities and also the government's policy to encourage the expansion of the commodity area.

The findings in this study are about the findings of this study on the suitability of previous theories, opinions and research that have been put forward from previous research results and patterns of behavior that must be carried out to overcome these things. Here are five main parts that will be discussed in the analysis of the findings of this study, namely as follows:

#### 1. Effect of Return On Assets on Tax Avoidance

Based on research obtained on the effect of Return On Assets on Tax Avoidance in plantation companies listed on the Indonesia Stock Exchange, the results of the hypothesis test partially show that the calculated value for the variable Return On Assets is -2,291 and  $t_{\text{tabel}}$  with  $\alpha = 5\%$  known to be as large as 2.048. thus  $-t_{\text{hitung}}$  smaller than  $-t_{\text{tabel}}$  and a significant value of Return On Assets of  $0.030 < 0.05$  meaning that from these results it was concluded that  $H_0$  was rejected ( $H_1$  was accepted) indicating that there is an influence and significant between Return On Assets on Tax Avoidance in plantation companies listed on the Indonesia Stock Exchange. This shows that with the increase in Return On Assets,

tax avoidance will decrease in plantation companies listed on the Indonesia Stock Exchange, where companies that are able to manage their assets well will benefit from tax incentives and other tax concessions so that the company will be seen to carry out tax avoidance. Return On Assets is an important factor for the imposition of income tax for the company, because return on assets is an indicator of the company's profit achievement. The data above shows that the average company's profit is large enough to pay large taxes as well. This is because the company's income will be charged based on the amount of income received by the company. Companies with a high level of profitability can pay higher taxes than companies that have low profitability. Then companies that have a high return on assets will tend to do less tax avoidance practices.

*Return On Asset* (ROA) able to measure the company's ability to generate profits in the past to be projected in the future. Assets or assets referred to are the entire assets of the company obtained from own capital or from foreign capital that have been converted by the company into company assets that are used for the survival of the company.

According to Sudana, ROA shows the company's ability to use all assets owned to generate profit after tax (Sudana, 2015)

## **2. Effect of Debt to Assets Ratio on Tax Avoidance**

Based on research obtained regarding the effect of Debt to Assets Ratio on Tax Avoidance in plantation companies listed on the Indonesia Stock Exchange, the results of the hypothesis test partially showed that the calculated value for the Debt to Assets Ratio variable was -2,253 and the  $t_{table}$  with  $\alpha = 5\%$  was known to be 2,048. thus  $-t_{hitung}$  is less than  $-t_{table}$  and the significant value of Debt to Assets Ratio is  $0.033 < 0.05$  meaning from these results the conclusion that  $H_0$  is rejected ( $H_a$  accepted) shows that there is an influence and significant between the Debt to Assets Ratio and Tax Avoidance in plantation companies listed on the Indonesia Stock Exchange.

This shows that with the increase in the Debt to Assets Ratio, tax avoidance will decrease in plantation companies listed on the Indonesia Stock Exchange, where companies with a high level of Debt to Assets Ratio have more ability to avoid taxes through financial transactions.. It is possible for companies to use debt to meet the company's operational and investment needs. However, debt will cause a fixed rate of return called interest. The interest expense borne by the company can be used as a deduction from the company's taxable income to reduce its tax burden. This shows that if leverage increases, tax avoidance will also be lower, because taxable profits will become smaller and tax incentives on debt

interest will become larger. So that the higher the leverage, the lower the tax paid by the company due to the incidence of interest costs. Interest costs can reduce the final result of the company's profit whose impact when the company will pay taxes, the taxes paid will be reduced due to the addition of those interest costs.

*Debt to Assets Ratio* is a ratio that measures how much assets are financed with debt. The higher the ratio, the greater the risks that will be faced by the company. DAR is calculated by dividing total liabilities by total assets. This ratio is used to measure how much assets are financed with debt. The higher the ratio, the greater the assets financed with debt and the more risky it is for the company.

According to Kasmir, the Debt to Assets Ratio (DAR) is a debt ratio used to measure the ratio between total debt and total assets. In other words, how much the company's assets are financed by debt or how much the company's debt affects the management of assets. (Pongoh, 2013)

The results of this study are in line with the results of previous research conducted by Ridho concluded that leverage has a significant effect on tax avoidance. (Ridho, 2016)

### **3. Effect of Return On Assets and Debt to Assets Ratio on Tax Avoidance**

Based on research obtained on the effect of Return On Assets and Debt to Assets Ratio on Tax Avoidance in plantation companies listed on the Indonesia Stock Exchange, the results of the hypothesis test simultaneously showed that the calculated value was 3,777 with a significant level of 0.036. While the value of  $f_{tabel}$  known at 2.57 based on these results it can be known that  $f_{hitung} > f_{tabel}$  ( $3,777 > 2,57$ ) meaning  $H_0$  is rejected and  $H_1$  is accepted. So it can be concluded that the variables Return On Assets and Debt to Assets Ratio have a significant effect on Tax Avoidance in plantation companies listed on the Indonesia Stock Exchange.

This shows that the Return On Assets and Debt to Assets Ratio are able to increase tax avoidance in plantation companies listed on the Indonesia Stock Exchange because the amount of debt owned by the company is getting higher and the number of assets owned by the company is increasing and the company is able to make a profit, so that the tax burden borne by the company has increased, with the tax burden borne by the company getting higher, the tax avoidance carried out by the company is getting higher.

Taxes are the main support in national development in Indonesia. However, there is a difference in interest between the government as a tax collector and the company as a taxpayer.

According to Kurnia (Suhayati, 2018) states that tax avoidance is concerned with

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regulating an event in such a way as to minimize or eliminate the tax burden by taking into account the presence or absence of consequences. Tax avoidance does not constitute a violation of tax legislation ethically it is not considered wrong in the framework of the taxpayer's business in order to reduce, avoid, minimize or ease the tax burden in the manner permitted by the tax law

#### **4. CONCLUSION**

Based on the data obtained and the data analysis that has been carried out and the discussions that have been carried out in the previous chapter, conclusions can be drawn regarding the Effect of Return On Assets and Debt to Assets Ratio on Tax Avoidance in Plantation Companies Listed on the Indonesia Stock Exchange for the 2017-2019 Period as follows:

1. Partial Return On Assets has a significant effect on tax avoidance in plantation companies listed on the Indonesia Stock Exchange.
2. Partial Debt to Assets Ratio has a significant effect on tax avoidance on plantations listed on the Indonesia Stock Exchange.
3. Simultaneously, the Return On Assets and Debt to Assets Ratio have a significant effect on tax avoidance in plantation companies listed on the Indonesia Stock Exchange.

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