

Effect of company size and profitability on tax aggressiveness listed on the Indonesia stock exchange

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ABSTRACT

This study aims to determine the effect of company size and profitability partially and simultaneously on tax aggressiveness in pharmaceutical companies listed on the Indonesia Stock Exchange for the period 2017-2021. The approach used in this study is quantitative. The population in this study is all registered pharmaceutical companies on the Indonesia Stock Exchange (IDX) in 2017-2021. Sampling used purposive sampling method using certain criteria. The sample of this study was 10 companies from 12 companies. The analytical method used to test the hypothesis was to use multiple linear regression analysis. The results of the study show that partially firm size has no significant effect on tax aggressiveness. Profitability has a significant effect on tax aggressiveness. Then firm size and profitability have a significant effect on tax aggressiveness simultaneously.

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1. Introduction

Tax is the largest source of income for the state, which is used to finance routine state expenditures and national development expenditures in accordance with law no.36 of 2008, concerning general provisions and tax procedures, taxes are "Compulsory contributions to the state owed by individuals or coercive bodies based on law, by not getting direct reciprocity and used for the needs of the state for the prosperity of the people" "The benefits of taxes are to finance state expenditures that are self-liquidating (providing profits) such as productive projects for export goods, financing public expenditures that can be enjoyed by the community, and financing productive expenditures such as channeling assistance to fishermen and farmers. Tax benefits can be felt for the Indonesian people with infrastructure development in every development carried out by the government to be able to improve Indonesia's welfare and the economy as well as for spending on the budget of other governments.

The tax function is divided into two, namely the budgetary function (state financial source) and the regular end function (regulator). carry out government policies in the field of socialization and the economy and achieve certain visions outside the financial sector (Rahayu, 2018).

Tax is in fact the amount of income for the state, but for taxpayers, especially corporate taxpayers, of course, tax obligations are owed and become a burden for the company which will affect the company's profit. Therefore, many corporate taxpayers try to avoid taxes through tax planners.

Tax aggressiveness is all the efforts made by management to reduce the tax burden that should be paid by the company. According to (Frank, 2009: p. 468) in (Suyanto, 2012) Corporate tax aggressiveness is an act of manipulating taxable income by companies both in a legal way (tax planning) and in an illegal way (tax evasion). Tax aggressiveness is measured using the Effective Tax Rate (ETR), Book Tax Difference (BTD), and Cash Effective Tax Rate (CETR). There are several factors that influence corporate tax avoidance, namely company size and profitability.

Company size is one of the factors that influence tax avoidance activities. According to (Susilo, 2012: p.6) in (Maisyita, 2021) Company size is a scale or value that can classify a company in a large or small category based on total assets. Company size is grouped into two, namely large and small companies, company size is determined through Size (log total assets) which is considered more stable than other proxies during a certain period. The larger the size of the company, the more likely the company is to carry out excellent tax planning so that the tax evasion that is carried out also does not violate applicable regulations, (Udayana, 2016).

Profitability is the level of a company's ability to generate profits, which is one of the factors that is said to influence the emergence of tax aggressiveness. According to (Hery, 2016: p.192) the profitability ratio is the ratio used to measure a company's ability to generate profits from its business activities. The higher the level of profitability of a company, the higher the profit the company gets. On the other hand, the greater the profit a company earns, the greater the amount of tax paid by the company. So many companies carry out tax planning to reduce the amount of tax paid. make a deposit. Profitability measurement namely Gross Profit Margin (GPM), Profit Margin Ratio (PMR), Return on Asset Ratio (ROA), Return on Equity Ratio (ROE), Return on Sales Ratio (ROS), Return on Employed Capital (ROCE) and Return of Investment (ROI), but the measurement that the author uses in this study is Return on Asset Ratio (ROA).

A high level of company size indicates that the company is a large company. However, the size of a large company does not rule out the possibility of the company committing tax evasion, as stated by Rego (2003) that large companies will have more complex transactions so that they will increasingly take advantage of loopholes to carry out tax evasion actions.

According to Niki Lukviarman (2006.p.36) in (Becker et al., 2015) the industry standard of a company's ROA is considered good if it is at a level of 5.98%, if the ratio reaches a value of 5.98%, it means that the ROA value is said to be good. Based on the company Profitability table from 2018-2021 the average is above 5.98% which shows good company Profitability.

According to (Setiani, 2016) said if the ROA value is high, it means that there is an ability carried out by management. Increased profits result in increased company profits. Increased profits result in the amount of tax that must be paid also higher. Or it can be said that there is a possibility of efforts to carry out tax evasion

2. Research Method

This type of research is quantitative which aims to explain the effect of the independent variables, namely Company Size, Profitability on Tax Aggressiveness. According to (Sugiyono, 2016), quantitative data is a type of data that can be measured or calculated directly, in the form of information or explanations expressed in numbers. or numeric. This research was conducted at Pharmaceutical Industry companies listed on the Indonesia Stock Exchange in 2017-2021. The data analysis technique used is multiple linear regression

3. Results And Discussions

3.1 Regression Analyst

To assess the effect of the independent variables Firm Size (X1) and Profitability (X2) on the dependent variable, Tax Aggressiveness, multiple linear regression analysis (Y) is used.

Table 1. Regression Analysis

Model	Unstandardized Coefficients		Standardized Coefficients
	B	Std. Error	Beta
1 (Constant)	34.473	13.517	
Firm size	-.691	.523	-.201
Profitability	.447	.276	.248

Dependent Variable: Y – Tax Aggressiveness

$$Y = 34.473 - 691X_1 - 0,447X_2$$

The above equation can be interpreted as follows: The value of the constant (α) is positive, namely 34,473. This means that if all the independent variables have a value of 0, then the value of tax aggressiveness is 34,473; The regression coefficient for firm size is -0.691. This means that if all independent variables have a fixed value and company size increases, then tax aggressiveness will decrease by -0.691; The ROA regression coefficient is 0.447. This means that if all the independent variables have a fixed value and ROA increases, then tax aggressiveness will increase by 0.447

3.2 t-test

Table 2. t-test

	Model	t	Sig.	t table	result
1	(Constant)	2.550	.014		
	Firm size	-1.319	.194	2,01	Rejected
	Profitability	1.622	.012	2,01	Received

a. Dependent Variable: Y – Purchase Decision

Based on table 2 it is known that the t-count results from the effect of the variable Company Size on Tax Aggressiveness -1,319 with a significant value of 0,194 using a significance limit or p-value of 0.05 ($\alpha = 5\%$), so t table is 2,011. This means t-count < t-table or -1.319 < 2.011 and the significance value of t-count are 0.194 > 0.05. Thus, company size individually does not have a significant effect on tax aggressiveness.

Based on the table above, it is known that the t-count results from the influence of the Profitability variable on Tax Aggressiveness are 1,622 with a significant value of 0,012 using a significance limit or p-value of 0.05 ($\alpha = 5\%$), then t table is 2.011. This means t-count < t-table or 1.622 < 2.011 and the significance value of t-count are 0.12 < 0.05. Thus, Profitability individually has a significant effect on tax aggressiveness.

3.3 f-test

Table 3. Anova f-test

	Model	Sum of Squares	Df	Mean Square	F	Sig.
	Regression	824.359	2	412.179	3.484	.040 ^a
1	Residual	5087.184	43	118.307		
	Total	5911.543	45			

a. Dependent K *beauty* variabel: Tax Aggressiveness

b. Predictors: (Constant), Profitability (X2), Firm Size (X1)

Based on the table above for the f test criteria carried out at the 0.05 level with a value of df (nl) = 2, and df2(n-k-1) or 50-2-1 = 47, the results obtained by F-table are 3.20. Then the F-count value is 3,484 and F-table is 3.20 with a significance value of 0.040 or F-count < F-table = 3,484 > 3.20 or the f-count significant value 0.040 < α 0.05. This means that company size and ROA have a significant effect on tax aggressiveness simultaneously.

Company size is a scale or value that can classify a company into large or small categories which can be seen from the value of total assets or total assets of the company. The first hypothesis in this study states that company size has an effect on tax aggressiveness. The results of this study state that company size does not effect on tax aggressiveness, so it can be concluded that the first hypothesis in this study was rejected.

Based on the research obtained regarding the effect of company size on tax aggressiveness, the partial results of hypothesis testing show that the value of tcount is 2.011 and ttable with $\alpha = 5\%$, it is known that it is 2.011. Thus -tcount < -ttable or (-1.319 < -2.011) and the significance value of tcount is 0.194 > 0.05. This means that tcount < ttable or -1.319 < 2.011 and the significance value of tcount is 0.194 > 0.05. This means that company size has no effect on tax aggressiveness. Then the first hypothesis which states that company size has an influence on tax aggressiveness is rejected. So it can be it is concluded that if the size of the company has decreased, it is possible that it will not affect the value of tax aggressiveness in pharmaceutical companies listed on the Indonesia Stock Exchange (IDX) for the period 2017 to 2021.

The results of this study indicate that company size has no significant effect on tax aggressiveness. The results of this study are in line with the results of research conducted by (Sri Rahayu, 2018) which states

that company size (SIZE) has no significant effect on tax aggressiveness which states that the size variable the company has no effect on tax aggressiveness. On the contrary, the results of this study contradict (Ari Wahyu Leksono, 2019) which states that company size influences tax aggressiveness.

Return On Assets is a ratio that shows how much net profit can be obtained from all the assets owned by the company. Return On Assets can also be used to see whether a company is doing tax evasion, because in relation to taxes, the greater the profit earned, the greater the tax borne by the company will be in accordance with the increase in company profits so that the greater the tendency of a company to do tax evasion.

Based on the results of research on the Profitability variable obtained from the partial test (t-test) previously described, it shows that the t-table is 2.011. This means $t\text{-count} < t\text{-table}$ or $1.622 < 2.011$ and a significance value of t-count are $0.012 > 0.05$. This shows that partial Return on Assets has a significant effect on tax aggressiveness.

Then the first hypothesis which states that Profitability has an influence on tax aggressiveness is accepted. So it can be concluded that if Profitability has decreased, it is likely to affect the value of tax aggressiveness in pharmaceutical companies listed on the Indonesia Stock Exchange (IDX) for the period 2017 to 2021.

The results of this study indicate that Profitability has no significant effect on tax aggressiveness. The results of this study are in line with (Sri Ayem and Afik Setyadi, 2019) who state that Profitability has an effect on tax aggressiveness.

Based on the research obtained regarding the effect of company size and Return On Assets (ROA) on tax aggressiveness, the results of simultaneous hypothesis testing show an F-count value of 3,484 with a significance level of 0,040. Meanwhile, the f-table value is known to be 3,484. $3,484 > 3.25$ means that company size and Return On Assets simultaneously have an effect. While the significance level is 0.040 ($0.040 < 0.05$). This means that company size and ROA have a significant effect on tax aggressiveness simultaneously.

Then the third hypothesis which states that company size and returns on assets jointly affect tax aggressiveness is accepted. So it can be concluded that if company size and Return On Assets simultaneously increase in value, it will affect the tax aggressiveness value of pharmaceutical companies listed on the Indonesia Stock Exchange (IDX) for the period 2017 to 2021.

The results of this study are in line with previous research conducted by (Ari Wahyu, 2019) which states that company size and Return On Assets simultaneously have a significant effect on tax aggressiveness. From the results of the calculation of Adjusted R Square is 0.139 or equivalent to 13.9%. Adjusted R Square shows the magnitude of the influence of the independent variables simultaneously on the dependent variable. Based on the results obtained, the company size (SIZE) and profitability (ROA) variables of the company are able to explain their relationship with tax aggressiveness (ETR) of 13.9%, which means that there are other variables that must be considered by the company in planning its effective tax rate

4. Conclusion

Based on the results of the research and discussion previously stated, it can be concluded from research regarding the effect of Company Size and Profitability on Tax Aggressiveness in Pharmaceutical companies listed on the Indonesia Stock Exchange (IDX) for the 2017-2021 period as follows: Partially the t-test states that company size has no insignificant effect on tax aggressiveness in pharmaceutical companies listed on the Indonesia Stock Exchange (IDX) for the period 2017 to 2021; Partially the t-test states that Profitability has a significant effect on tax aggressiveness in pharmaceutical companies listed on the Indonesia Stock Exchange (IDX) for the period 2017 to 2021; Based on the F test states that company size and profitability simultaneously have a significant effect on tax aggressiveness in pharmaceutical companies listed on the Indonesia Stock Exchange (IDX) for the period 2017 to 2021.

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