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THE EFFECT OF COMPANY SIZE, PROFITABILITY, AND LEVERAGE ON TAX AGGRESSIVENESS DURING THE COVID-19 PANDEMIC

Sely Megawati Wahyudi
University Mercu Buana

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ABSTRAK

Tax aggressiveness is an action taken by companies to manipulate taxable profits so as to reduce the tax burden that must be paid by companies to the state through legal means (tax avoidance) by taking advantage of loopholes in laws and tax regulations as well as illegal methods (tax evasion) such as intentionally not report part or all of the profits so that the tax burden is low.

This study is to determine the effect of firm size, profitability, and leverage on tax aggressiveness. The object of this research is a mining company listed on the Indonesia Stock Exchange for the period 2018-2020. This research was conducted with a quantitative descriptive approach. The method used is descriptive statistical analysis, classical assumption test, multiple linear regression analysis, and hypothesis testing. This study uses secondary data obtained from the Indonesia Stock Exchange (IDX) and the websites of each company. The results of this study are firm size has no significant effect on tax aggressiveness, while profitability and leverage have a significant effect on tax aggressiveness.

KEYWORDS: ***Company Size, Profitability, Leverage, Tax Aggressiveness, Mining Companies***

PRELIMINARY

Research Background

Indonesia is a developing country with the fourth largest population in the world. Abundant natural wealth and located between two continents and oceans that make Indonesia has a strategic location that affects Indonesia economically because Indonesia's territory is very strategic for world trade routes to pass. Due to these factors, many have built companies or made subsidiaries in Indonesia so that Indonesia has the advantage of increasing state revenue in the tax sector.

The definition of tax according to Prof. Dr. Rochmat Soemitro, SH., taxes are people's contributions to the state treasury based on the law (which can be enforced) without receiving reciprocal services (contra-achievements) that can be directly shown and which are used to pay general expenses (Mardiasmo, 2018).

From this explanation, it can be concluded that tax is a mandatory levy that is coercive in nature with the provisions of the applicable law where taxpayers cannot get direct compensation and the benefits are for the benefit of the people and the state.

Due to the coercive nature of taxes, many companies and management make tax management efforts to minimize income tax payments to the state, with legal or illegal methods. And, viewed from the company's point of view, taxes are a burden that the company can defer. Thus, a high tax burden encourages companies to try to do tax management so that less tax is paid (Sarra, 2017). The greater the profit received by the company, the greater the tax that must be issued by the company. So the company is trying to do tax aggressiveness (tax aggressiveness).

Tax aggressiveness is an act of tax planning (tax planning) carried out by companies to reduce tax obligations both legally (tax avoidance) and illegally (tax evasion) to reduce their tax obligations. A company is said to be tax aggressive if the company tries to reduce the tax burden aggressively or the more loopholes the company uses to avoid taxes even though this is legal because it does not violate the law.

Tax avoidance is an act of tax avoidance that is carried out legally because it takes advantage of loopholes in the law and other tax regulations. Meanwhile, tax evasion is an act of tax avoidance that is carried out illegally. For example, not reporting part or all of income, thereby reducing taxable income. The company will be considered more aggressive if the company takes tax avoidance steps by taking advantage of the loopholes in the tax regulations that are too many which can even make the company illegal, namely tax evasion.

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Based on the description above, the researcher is interested in conducting research with the title "The Effect of Company Size, Profitability, and Leverage on Tax Aggressiveness during the Covid-19 pandemic".

Formulation of the problem
Based on the background that has been described, the problem formulations in this study are:
1. Does the size of the company have an influence on tax aggressiveness during the covid-19 pandemic?
2. Does profitability have an influence on tax aggressiveness during the covid-19 pandemic?
3. Does leverage have an effect on tax aggressiveness during the covid-19 pandemic?

Research purposes
The purpose of this study is to determine whether:
1. To find out empirically the size of the company have an influence on tax aggressiveness during the covid-19 pandemic
2. To find out empirically the effect profitability have an influence on tax aggressiveness during the covid-19 pandemic
3. To find out empirically the effect leverage have an effect on tax aggressiveness during the covid-19 pandemic

LITERATURE REVIEW, FRAMEWORK AND HYPOTHESIS
Tax, Tax Agressivness, Firm Size
Tax
The definition of tax according to Law Number 16 of 2009 concerning the fourth amendment to Law Number 6 of 1983 concerning General Provisions and Tax Procedures in Article 1 Paragraph 1 reads that tax is a mandatory contribution to the state owed by an individual or entity that are coercive in nature based on the law, without receiving direct compensation and are also used for the purposes of the state for the greatest benefit of the people's prosperity.

The definition of tax according to Prof. Dr. Rochmat Soemitro, SH., taxes are people's contributions to the state treasury based on the law (which can be enforced) without receiving reciprocal services (contra-achievements) that can be directly shown and which are used to pay general expenses (Mardiasmo, 2018).

Tax Agressivness
Tax is a source of income for the state, while for companies, taxes are a burden that will reduce net income. The different interests of the tax authorities who want large tax revenues are different from the interests of companies that want minimal tax payments to generate larger profits.

Viewed from the company's point of view, taxes are one of the cost components that reduce company profits. The high tax burden encourages every company to try to do tax management so that less tax is paid (Sarra, 2017).

The benefit of tax aggressiveness for the company is the savings in spending on taxes so that the profits obtained are greater because it can save the tax burden that must be issued than it should and will certainly benefit the company because with large profits it will attract investors. Meanwhile, the disadvantage of tax aggressiveness for the company is the possibility of the company being sanctioned in the form of a fine from the tax authorities for taking tax aggressive actions and decreasing share prices because not all shareholders want the company's aggressive strategy. For the government, this corporate tax aggressiveness is certainly detrimental to the state because it will reduce state revenues in the tax sector.

The measure of the level of tax aggressiveness carried out by the company is proxied by comparing the Net Profit Margin (NPM) within the company with the Net Profit Margin (NPM) of the company's events, or with the Effective Tax Ratio (ETR) and other measurements such as Book Tax Differences (BTD). , Discretionary Permanent (DTAX), Unrecognize Tax benefit, Tax Shelter Activity, and Marginal Tax Rate.

Firm Size
Company size is a scale to classify the size of the company according to various ways, including total assets, total sales, stock market value, and so on (Hery, 2017: 3). Company size is generally divided into 3 categories, namely large firms, medium firms, and small firms. Companies that have a larger size are seen as critical by investors so that they have a strong drive to generate high levels of profit so they tend to take tax aggressive actions to reduce the tax burden.

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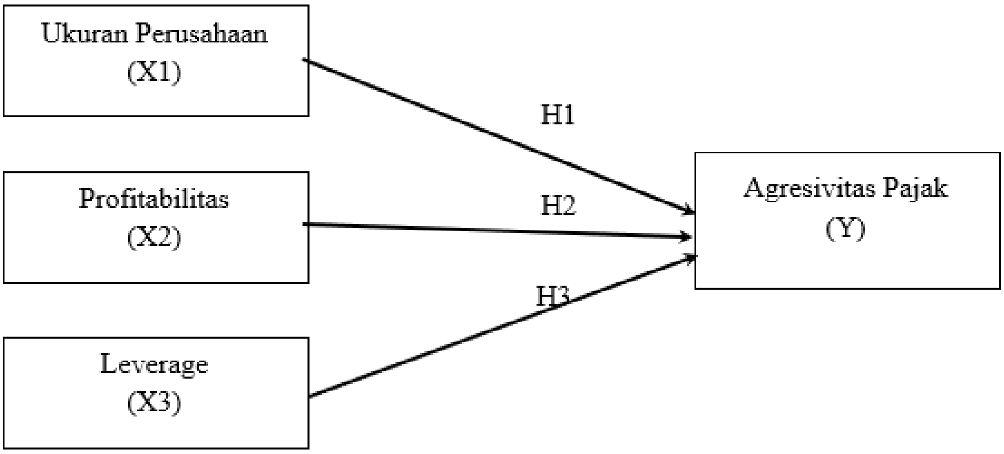
Thought Framework



RESEARCH METHODS

Types of research

This study uses a causal research method that aims to examine the influence of the behavior of the Fintech use system on online-based payment users. This research requires hypothesis testing with statistical tests.

Operational Definition of Research Variables

The meaning of each variable used in this study are:

NO	VARIABEL	INDICATOR	SKALA
1	Agresivness Tax (Y)	ETR = $\frac{\textit{Beban Pajak Penghasilan}}{\textit{Pendapatan Sebelum Pajak}}$	Ratio
2	Firm Size (X1)	SIZE = Log (Total Aset)	Ratio
3	Profitability (X2)	ROA = $\frac{\textit{Laba Sebelum Pajak}}{\textit{Total Aset}}$	Ratio
4	Leverage (X3)	DAR = $\frac{\textit{Total Liabilities}}{\textit{Total Aset}}$	Ratio

Population and Research Sample

The population in this study is a mining company. Sampling was done by purposive sampling which is part of the non-probability sampling method. The sample is the part that is observed to be used for research purposes to a part of the whole. The sample used in this study are mining companies that have been listed on the Indonesia Stock Exchange (IDX) for 4 quarters of 2020 using a purposive technique.

Data Collection Technique

The type of data obtained in this study is documentary data, namely data obtained by researchers indirectly through intermediary media (obtained and recorded by other parties), generally in the form of evidence of records or historical reports that have been compiled in published archives (documentary data). and unpublished. Sources of data used in this study are secondary data, namely data that has been processed by primary data collectors and through literature studies related to the problems faced and analyzed, presented in the form of information.

Method of Analysis

Descriptive statistical data

Descriptive statistics are used to describe the variables in this study. The analytical tool used is the average (mean), maximum and minimum (Ghozali, 2013). This analysis tool is used to describe the variables of managerial ownership, institutional ownership, and liquidity.

Classic Assumption Test

Normality Test

The normality test aims to test whether in the regression model confounding or residual variables have a normal distribution. As it is known that the t and F tests assume that the residual value follows a normal distribution, if this assumption is violated then the statistical test will be invalid for a small sample size (Ghozali: 2013). In this

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study, the statistical test used to test the residual normality was the Kolmogorov-Smirnov non-parametric statistical test. K-S test is done by making a hypothesis

H0 : residual data are normally distributed

Ha : residual data are not normally distributed

Hypothesis Testing

Multiple linear regression analysis is used to determine the effect of two or more independent variables with one dependent variable, whether each independent variable is positively or negatively related to the dependent variable.

Research Results and Discussion

Results of Data Analysis

Descriptive statistics

Table Descriptive Statistics

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
ETR	44	-11.427	14.530	-.22961	3.207215
Ukuran Perusahaan	44	16.996	33.940	27.09155	4.498829
Profitabilitas	44	-.819	1.203	-.01636	.367245
Leverage	44	-15.152	9.504	.58930	4.215642
Valid N (listwise)	44				

The results of the SPSS output above show descriptive statistics of ETR, Company Size, Profitability, and Leverage:

a. The number of samples (N) is 44.
b. The smallest value (minimum) for ETR (-11,427), Firm Size (16,996), Profitability (-0.819), and Leverage (-15,152).
c. The highest value (maximum) is for ETR (14,530), Firm Size (33,940), Profitability (1,203), and Leverage (9,504).
d. The mean (mean) for ETR (-0.22961), Firm Size (27.09155), Profitability (-0.01636), and Leverage (0.58930).
e. Standard Deviation for ETR (3.207215), Firm Size (4.498829), Profitability (0.367245), and Leverage (4.215642).

Data Normality Test

Table Normality

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		44
Normal Parameters[a,b]	Mean	-1.9619186
	Std. Deviation	1.10649251
Most Extreme Differences	Absolute	.059
	Positive	.040
	Negative	-.059
Test Statistic		.059
Asymp. Sig. (2-tailed)		.200[c,d]

a. Test distribution is Normal.
b. Calculated from data.
c. Lilliefors Significance Correction.
d. This is a lower bound of the true significance.

From the results above we see on Asymp. Sig. (2-tailed) and it can be seen that the unstandardized residual value is 0.200. Because the value is greater than 5% or 0.05, it can be concluded that the data is normally distributed.

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Determination Test

Table Determination Test

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.684[a]	.468	.429	2.263444	2.348

a. Predictors: (Constant), Leverage, Profitabilitas, Ukuran Perusahaan

b. Dependent Variable: ETR

Based on the table above, the number R2 (R Square) is 0.468 or (46.8%). This shows that the percentage of the contribution of the influence of the independent variable on the dependent variable is 46.8%. Or the variation of the independent variable used in the model is able to explain 46.8% of the variation in the dependent variable. While the remaining 53.2% is influenced or explained by other variables that are not included in this research model

Hypothesis Testing

Table Hypothesis Test

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	2.572	.953		2.699	.010		
	Ukuran Perusahaan	.173	.359	.064	.481	.633	.753	1.328
	Profitabilitas	1.046	.193	.644	5.408	.000	.937	1.067
	Leverage	.721	.367	.254	1.966	.056	.797	1.255

a. Dependent Variable: ETR

From the table above, it can be seen that the t count is 0.481 for company size, 5.408 for profitability, 1.966 for Leverage. Then also obtained t table 1.6802 (2-sided test). And it can be concluded:

1. For the Company Size variable, namely T Count < T Table (0.481 < 1.6802), it means that partially there is no significant effect between Company Size and Tax Aggressiveness. So from this case it can be concluded that partially Company Size has no significant effect on Tax Aggressiveness in mining companies listed on the Indonesia Stock Exchange (IDX).
2. For the Profitability variable, namely T Count > T Table (5,408 > 1,6802), it means that partially there is a significant effect between Profitability and Tax Aggressiveness. So from this case it can be concluded that partially profitability has a significant effect on profitability in mining companies listed on the Indonesia Stock Exchange (IDX).
3. For the Leverage variable, namely T Count > T Table (1.966 > 1.6802), it means that partially Leverage has a significant effect on Tax Aggressiveness. So from this case it can be concluded that partially Leverage has a significant effect on Tax Aggressiveness in mining companies listed on the Indonesia Stock Exchange (IDX).

This model is used to test the effect of Firm Size, Profitability and Leverage on Tax Aggressiveness. Systematically this regression model is formulated as follows::

$$Y = 2.572 + 0.173\ x1 + 1.046\ x2 + 0.721\ x3 + e$$

Where :

a. $\beta 0$ = 2,572; it means that if Company Size, Profitability and Leverage are worth 0, then Tax Aggressiveness is worth 2,572.
b. $\beta 1$ = 0.173; it means that if Company Size increases by 1, then Tax Aggressiveness will increase by 0.173.
c. $\beta 2$ = 1.046; meaning that if Profitability increases by 1, then Tax Aggressiveness will increase by 1,046.
d. $\beta 3$ = 0.721; meaning that if leverage increases by 1, then Tax Aggressiveness will increase by 0.721.

Test Statistics f

Table Uji F
ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	180.585	3	60.195	11.750	.000[b]
	Residual	204.927	40	5.123		
	Total	385.512	43			

a. Dependent Variable: ETR

b. Predictors: (Constant), Leverage, Profitabilitas, Ukuran Perusahaan

Based on the table obtained F Count of 11.750, using a 95% confidence level, a = 5%, obtained for F Table of 2.82. F value Count > F Table 11.750 > 2.82), then Ho is rejected. This means that there is a significant influence between Company Size, Profitability, and Leverage together on Tax Aggressiveness. So it can be concluded that Company Size, Profitability, and Leverage together have an effect on Tax Aggressiveness.

Discussion

1. The Effect of Firm Size on Tax Aggressiveness
   From the analysis above, it can be concluded that Sig > 0.05, which means that there is no significant effect between company size and tax aggressiveness. The results of this study are the same as the results of research conducted by Ayu and Lely (2018) which shows that company size has no effect on tax aggressiveness.
2. The Effect of Profitability on Tax Aggressiveness
   From the analysis above, it can be concluded that Sig <0.05 is seen, which means that there is a significant influence between Profitability and Tax Aggressiveness. The results of the study are the same as those conducted by Liana, Yanti, and Viriany (2018) showing that profitability has an effect on tax aggressiveness which is supported by research conducted by Sri and Afik (2019) and Barbara and Fatimah (2019)
3. The Effect of Leverage on Tax Aggressiveness
   From the analysis above, it can be concluded that Sig <0.05 is seen, which means that there is a significant influence between Leverage and Tax Aggressiveness. The results of this study are the same as the results of research conducted by Taufik and Eta (2018) which shows that leverage has an effect on tax aggressiveness.

Conclusion

From the results of this study, the following conclusions can be drawn:

1. Company size has no significant effect on Tax Aggressiveness with a positive regression coefficient direction, in other words it can increase Tax Aggressiveness.
2. Profitability has a significant effect on Tax Aggressiveness with a positive regression coefficient direction in other words it can increase Tax Aggressiveness. Thus simultaneously, Profitability can increase Tax Aggressiveness.
3. Leverage has an effect on Tax Aggressiveness with a positive regression coefficient direction in other words it can increase Tax Aggressiveness

Suggestion

Some suggestions that can be put forward in the results of this study are due to the imperfections of the research conducted by the author, the authors provide suggestions that are expected to increase knowledge from this research, namely as follows:

1. Further research is needed to find out more things to influence Tax Aggressiveness.
2. Research time should be made long, in order to provide a better picture. Because the results are likely to be different when using different periods.

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