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THE EFFECT OF LIQUIDITY, LEVERAGE, PROFITABILITY ON TAX AGGRESSIVENESS: CASE STUDY ON MANUFACTURING COMPANIES SUB PROPERTY AND REAL ESTATE SUB-SECTOR IN BEI

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Abstract

This study aims to examine the effect of liquidity, leverage, and profitability on tax aggressiveness in property and real estate companies listed on the Indonesia Stock Exchange for the 2019-2023 period. The data collection technique uses secondary data in the form of financial reports accessed from the official website www.idx.co.id and also from the website of each company. The data that has been collected is processed using eviews. The population used in this study are property and real estate companies listed on the Indonesia Stock Exchange during the 2019-2023 period. The sample selection technique used purposive sampling technique and obtained 17 companies for 5 years with a total sample data obtained was 85 sample data. The data analysis method used in this study is panel data regression analysis. The research results found that, liquidity and leverage have no effect on tax aggressiveness, and profitability has a negative effect on tax aggressiveness in property and real estate companies listed on the Indonesia Stock Exchange for the 2019-2023 period. This study uses panel data to test manufacturing companies in the property and real estate sub-sector. Further research can consider the influence of these variables and expand the scope of research to other industrial sectors. The results of this study not only provide new insights into the situation of financial management in companies, but can also be a basis for further refining and developing existing theories.

Keywords: ***tax aggressiveness, liquidity, leverage, profitability***

INTRODUCTION

Taxes are “Contributions of obligations to the state owed by individuals or entities that are compelling based on the Law, by not getting a direct reward and are used for the state and the prosperity of the people”, and in accordance with what has been stipulated in Law No.28 of 2007 and to further regulate it has been compiled in Law No.36 of 2008 paragraph (1) article 2, namely: (1). Tax subjects are: a. individual, b. corporate and c. permanent establishment. (1a) permanent establishment is a tax subject whose tax treatment is equalized with corporate tax subject. Indonesia has 92 property and real estate companies on the Indonesia Stock Exchange listed in 2023. Property and real estate also contributed to providing taxes from 2018-2022 amounting to Rp. 926.3 Trillion in state revenue (https://nasional.kontan.co.id/). Companies have various ways to be able to reduce taxes, one of which is to carry out tax aggressiveness, especially in property and real estate companies, we can see in the financial statements that they have published on the IDX there we can see that they also carry out tax aggressiveness to reduce taxes.

According to Karlina (2021) tax aggressiveness in a company can be measured based on the extent to which the company takes tax avoidance actions by utilizing various loopholes in tax regulations. There is also a way to calculate tax aggressiveness using the CETR value. Cash Effective Tax Rate (CETR) is a measure that shows the percentage of taxes actually paid by companies on their earnings, based on the cash or cash spent to pay taxes in a given period, usually one year. Different from the standard Effective Tax Rate (ETR) which is calculated based on accounting, CETR uses the actual amount of cash taxes paid, so it can provide a more real picture of the company's tax burden. The smaller the CETR value means the greater the company's tax avoidance and vice versa the greater the CETR value means the smaller the company's tax avoidance (Kurniyawati et al., 2023). However, if the company carries out its tax aggressiveness illegally, the company is more aggressive towards taxes and will also get a fine and a decrease in shares in accordance with the rules and regulations that have been determined.

In Indonesia, the property and real estate business continues to develop in the form of housing, or business premises such as offices, malls and others. The rapid development makes property companies a potential tax recipient, so the Directorate General of Taxes (DGT) is looking for revenue from the property and real estate company sector tax.

THEORETICAL BASIS

Agency Theory

Agency theory explains the concept of separation of functions between management as an agent and shareholders or company owners as a principle. According to Jensen & Meckling (1976), the principle is the party that authorizes the agent to act on behalf of the principle, while the manager is an agent who acts in the interests of shareholders, namely to maximize shareholder wealth. According to Putri & Lawita (2019) Principal has the power to authorize the agent to perform duties as management who manages and realizes company activities according to what the principal wants. Agency theory is a theory that explains the relationship between the agent as the party who manages the company and the principal as the owner, both of whom are bound in a cooperation contract. Agency theory arises because of an employment agreement between the principle who has the authority and the agent or party authorized to run the company. The manager (agent) has an obligation to provide information about the company to the owner of the company (principle) because the manager is considered to better understand and know the actual state of the company.

Trade Off Theory

Trade-off theory is the theory that firms choose how much debt financing and how much equity financing to use by balancing costs and benefits. Kraus & Litzenberger (1973) consider the balance between the deadweight costs of bankruptcy and the tax saving benefits of debt.The trade-off theory states that there are 2 (two) sources of corporate funding, namely through debt and equity. Debt financing has the advantage of making tax savings. Using an inappropriate debt ratio can make the company's financial situation unhealthy because debt has a high value.

The selection of funding sources based on trade off theory on the consideration of costs and benefits arising from the use of debt, so for companies it is important to choose the right capital structure. This is because the amount of debt used will affect the value of the company which has an impact on the efficiency of the company. So that companies are advised to use debt based on the benefits of debt for the long-term sustainability of the company. If the benefits are greater, the company is advised to increase debt, but if the sacrifice due to the use of debt is greater, then the company is not allowed to increase debt (Umdiana & Claudia, 2020).

Tax aggresiveness

Tax aggressiveness is used to describe a company's or individual's strategy of minimizing their tax liabilities in a way that is still legal, yet bordering on or approaching a violation of tax law. This usually involves the use of various legal loopholes, aggressive tax planning, and complex financial arrangements to reduce the amount of tax to be paid. According to Putri & Diamastuti (2021) Tax aggressiveness is a company's effort to reduce the cost of taxes that must be paid. According to Wayan (2022) Companies take tax aggressiveness actions because there are often changes in tax laws and companies have an orientation to earn as much profit as possible. . However, according to Hidayat & Muliasari (2020) Corporate tax aggressiveness is an act of engineering taxable income designed through tax planning, either using methods that are classified as legal by conducting tax avoidance or illegal by committing tax evasion.

The purpose of tax aggressiveness is to reduce taxes payable using legal means with reasonable limits, so the results can be seen from how effective the payment of taxes payable is paid by taxpayers. The proxy used to calculate tax aggressiveness is using the Cash Effective Tax Rate (CETR). According to Kurniyawati et al (2023) and Alafiah et al (2022) said that the higher the percentage level of CETR indicates that the lower the level of corporate tax aggressiveness, and vice versa. According to Handayani (2020) If the CETR value is $< 22\%$ the company does tax avoidance, and if the CETR value is $\geq 22\%$ the company does not avoid tax.

Liquidity

According to Darmawati et al (2023) Liquidity reflects the availability of resources (ability) of the company to meet its short-term obligations that are due on time. If the company has a low level of liquidity, the company is considered to have few current assets to pay its short-term obligations, and one of them is the company's tax burden. So that the company will have more potential to carry out tax aggressiveness. Low company liquidity tends to make companies take advantage of tax regulation opportunities to minimize tax payments to the State. And vice versa. However, this does not always have to happen. Because a company with a liquidity level that is around a safe position does not mean that the company is really in a safe position. Because the company has a large enough amount of bad debts or because of the company's inventory that is sold, which of course does not pay debts. From the research of Ihsan et al (2023) said that the test results of the liquidity variable had a positive effect on tax aggressiveness, and the results of the research of Ningsih & Noviari (2022) showed that liquidity had a positive effect on tax aggressiveness.

These results indicate that the higher the level of liquidity, the higher the level of tax aggressiveness by the company.

H_1= Liquidity has a positive and significant effect on tax aggressiveness.

Leverage

According to Suyanto & Supramono (2012) Companies may use debt to meet the company's operational and investment needs. However, debt will cause a fixed rate of return called interest. The greater the debt, the smaller the taxable profit will be because the tax incentive on debt interest is getting bigger. This implies an increase in the use of debt by companies. High research results show a low level of tax aggressiveness. The research results of Oktaviani et al. (2021) and Dewy (2018) agree that leverage has a significant positive effect on tax aggressiveness (CETR).

H_2 = Leverage has a positive and significant effect on tax aggressiveness.

Profitability

Profitability is the company's ability to generate profits from the activities carried out by the company. According to Slemrod (1989) which states that companies with high profitability tend to report their taxes more transparently than companies with low profitability. Companies that have low profitability generally face financial problems and are at high risk of tax avoidance. The research results of Hidayat (2018), Sari & Somoprawiro (2020), Wanda & Halimatusadiah (2021), Elvira, et al (2022) and Janatin & Pardi (2022) which say that profitability has a negative and significant effect on tax aggressiveness.

H_3 = Profitability has a negative and significant effect on tax aggressiveness

RESEARCH METODE

The population used in this research is all property and real estate sector companies listed on the Indonesia Stock Exchange (BEI) in 2019-2023 which consistently submit their financial reports by accessing the official website www.idx.co.id with a population of 92 companies. Sampling in this study used purposive sampling, with a sample size of 17 companies and a total of 85 observations.

Table 1 Operational Definition of Variables

No	Variable	Definition	Indicator	Scale
	Tax Aggressiveness (Y)	Tax Aggressiveness (Y) Tax calculation that looks at the comparison of tax liabilities obtained by manufacturing companies in the property and real estate sub-sector from taxable income expenses with the profit of manufacturing companies in the property and real estate sub-sector before tax. (Hanlon and Heitzman, 2010)	$\text{CETR} = (\text{Income Tax Payment}) / (\text{Profit Before Tax})$ (Hanlon and Heitzman, 2010)	Ratio
2	Liquidity (X1)	Liquidity is a ratio that shows the capacity of manufacturing		Ratio

		companies in the property and real estate sub-sector to pay off their short-term obligations, in other words, the company is able to pay off its maturing debts. (Kasmir, 2016)	$CR = \frac{\text{Current Assets}}{\text{Current Debt}}$ (Kasmir, 2016)	
3	*Leverage* (X2)	Leverage is a ratio used to measure the extent to which the assets of manufacturing companies in the property and real estate sub-sector are financed with debt. (Kasmir, 2016)	$DAR = \frac{\text{Total Debt}}{\text{Total Assets}} \times 100\%$ (Kasmir, 2016)	Ratio
4	Profitabilitas (X3)	Return on Assets (ROA) is a ratio that shows how much the contribution of assets in creating net income in manufacturing companies in the property and real estate manufacturing sub-sector. (Hery, 2020)	$ROA = \frac{NET\ INCOME}{TOTAL\ ASSETS} \times 100\%$ (Hery, 2020)	Ratio

RESULTS AND DISCUSSION

Table 2 Panel Data Regression Equation (Fixed Effect Model)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.4202	0.0811	5.1810	0.0000
CR	0.0004	0.0010	0.4429	0.6590
DAR	0.0048	0.0033	1.4519	0.1504
ROA	-3.9193	1.0475	-3.7413	0.0003
Effects Specification				
			S.D.	Rho
Cross-section random			0.132345	0.1511
Idiosyncratic random			0.313653	0.8489
Weighted Statistics				
R-squared	0.193249	Mean dependent var		0.209110
Adjusted R-squared	0.163369	S.D. dependent var		0.343131
S.E. of regression	0.313853	Sum squared resid		7.978825
F-statistic	6.467574	Durbin-Watson stat		1.950294
Prob(F-statistic)	0.000558			
Unweighted Statistics				
R-squared	0.222814	Mean dependent var		0.287494
Sum squared resid	9.195961	Durbin-Watson stat		1.692162

Source: Eviews Results Data processed, (2024)

Liquidity

The t-count value of liquidity, namely 0.4429, is smaller than the t-table, namely 1.6638, meaning that liquidity has no effect and is not significant on Tax Aggressiveness. However, it can be seen that the coeficient value has a positive but insignificant effect from the probability value of 0.6590> 0.05. In this study, liquidity has a positive effect on tax aggressiveness but is not significant, so in this study the hypothesis is rejected. This is in line with the research of Tiaras & Wijaya (2017), Matanari (2022), Hidayati et al. (2021), and Amalia, (2021) that liquidity has no effect on tax aggressiveness, so the H_2 hypothesis is rejected.

Leverage

The value of the leverage data with a t-count of 1.4519 is smaller than the t-table, namely 1.6638, meaning that leverage has no effect and is not significant on Tax Aggressiveness. However, it can be seen that the coeficient value has a positive but insignificant effect from the probability value of 0.1504> 0.05. Leverage (DAR) has no effect on tax aggressiveness, meaning that high or low leverage in a company does not affect tax aggressiveness in property and real estate companies listed on the IDX for the 2019-2023 period. This is in line with the research of Anindyka et al. (2018), C. D. Sari & Rahayu (2020) Matanari (2022), Nesa Apriliana (2022), and Beno et al. (2022) that leverage has no effect on tax aggressiveness, so hypothesis H_3 is rejected.

Profitability

The value of profitability, namely -3.7413, is smaller than the t-table, namely 1.66388, meaning that profitability has a significant effect on tax aggressiveness. However, it can be seen that the coeficient value has a negative but significant effect from the probability value of 0.0003 <0.05. Profitability has a significant negative effect on tax aggressiveness in manufacturing companies in the property and real estate sector listed on the IDX for the 2019-2023 period. The results of the analysis of the effect of profitability (ROA) on tax aggressiveness (CETR) in this research support the research results of Hidayat (2018), Sari & Somoprawiro (2020), Wanda & Halimatusadiah (2021), Elvira, et al (2022) and Janatin & Pardi (2022), all of which concluded that "profitability has a significant negative effect on tax avoidance".

CONCLUSION

Liquidity has a positive and insignificant effect on the tax aggressiveness of property and real estate companies on the Indonesia Stock Exchange (IDX) for the 2019-2023 period. Leverage has a positive and insignificant effect on tax aggressiveness in property and real estate companies on the Indonesia Stock Exchange (IDX) for the 2019-2023 period. Profitability has a negative and significant effect on tax aggressiveness in property and real estate companies on the Indonesia Stock Exchange (IDX) for the 2019-2023 period.

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