INTERNATIONAL PROCEEDING OF
LAW & ECONOMICS
IPLE 2020

ISBN: 978-623-6763-07-0

THE INFLUENCE OF FIXED ASSETS INTENSITY, SALES GROWTH AND PROFITABILITY ON TAX AVOIDANCE ON REGISTERED AUTOMOTIVE COMPANIES ON IDX 2015-2018 PERIOD

Agustriana[1], M.Firza Alpi[2]
Universitas Muhammadiyah Sumatera Utara
m.firzaalpi@umsu.ac.id

Abstract

The purpose of this study was to determine the effect of fixed asset intensity on tax avoidance, to determine the effect of sales growth on tax avoidance, to determine the effect of profitability on tax avoidance and to determine the effect of fixed asset intensity, profitability and sales growth on tax avoidance in automotive companies listed on the BEI. The research approach uses associative quantitative. The population in this study are all automotive companies listed on the IDX, where the number of companies is 11 companies and the sample from the study is 11 companies with 4 years of observation. The data collection technique used in this research is documentation. The analytical technique used in this research is descriptive statistics, Multiple Linear Regression analysis, Hypothesis Testing, Determinant Test. The results showed that partially fixed asset intensity had no effect on tax avoidance in automotive companies. Partially Sales Growth has no effect on Tax Avoidance, Partially has no effect on Tax Avoidance and Simultaneously shows that Fixed Asset Intensity, Sales Growth and Profitability have no significant effect on Tax Avoidance in Automotive Companies.
Keywords: Fixed Asset Intensity, Sales Growth, Profitability, Tax Avoidance

1. INTRODUCTION

Tax avoidance is not a violation of the tax law because the taxpayer's efforts to reduce, avoid, minimize or alleviate the tax burden are carried out in a manner that is permitted by the Tax Law.(Kurniasih & Sari, 2013).

Tax avoidance is an effort to avoid tax legally that does not violate tax regulations by taxpayers by trying to reduce the amount of tax owed by looking for regulatory weaknesses (loopholes).(Hutagaol, 2010). This tax avoidance is deliberately carried out by the company in order to reduce the level of tax payments that must be paid and increase the company's cash flow. The benefit of tax avoidance is to increase tax saving which has the potential to reduce tax payments so that it will increase cash flow(Mc Guire et al., 2011)

One of the determining factors in taking tax avoidance actions is the intensity of fixed assets.The intensity of ownership of fixed assets can affect the company's tax payments. The intensity of the company's fixed assets describes the company's investment in the company's fixed assets. Fixed asset intensity is a ratio that compares the intensity of ownership of a company's fixed assets with total assets. The higher the ratio of fixed assets, the higher the depreciation expense attached to these fixed assets.

The fixed asset intensity ratio also shows the amount of capital used to generate income. Fixed assets will experience depreciation every year which causes depreciation expense. Companies can take advantage of the depreciation expense to reduce the tax burden to be paid by the company. Companies with large assets will have a lower tax burden than companies with smaller assets because they benefit from the depreciation expense borne by the company.(Sabli & Noor, 2012).

In addition to the intensity factor of fixed assets, sales growth can also affect the taking of tax avoidance actions. Sales growth is defined as an increase in the number of sales from time to time or from year to year(Kennedy et al., 2011). Companies can properly optimize existing resources by looking at sales from the previous year. Sales growth has an important role in working capital management.

In addition to the intensity of fixed assets and sales growth factors, profitability can also influence the taking of tax avoidance actions. Profitability is one of the measurements for company performance. The profitability of a company describes the ability of a company to generate profits during a certain period. The profitability ratio can be measured using the profit margin ratio, the variable being the net profit margin which is a measure of the profit between profit after interest and taxes compared to sales.(Cashmere, 2012)..

2. RESEARCH METHODS

In this study, the type of research used is a quantitative and associative approach. Where seen from the type of data, the research uses a quantitative approach, but also when viewed from the way of explanation,

ISBN: 978-623-6763-07-0

the research uses an associative approach. Where the independent variables consist of the intensity of fixed assets, sales growth andProfitability, while the dependent variable uses tax avoidance.

The research place used in this study is the Indonesia Stock Exchange, with the type of data used is quantitative data, namely data in the form of numbers. The number of automotive companies listed on the IDX is for 2014-2018, the research sample is 55 samples. This study uses secondary data sources, namely the data obtained in the form of company financial report data for 2014 to 2018. Data analysis techniques can be carried out in the following stages:

1. Classical Assumption Test consisting of Data Normality Test, Multicollinearity Test and Heteroscedasticity Test
2. Multiple Linear Regression Analysis
3. Hypothesis consisting of Partial Test (t-test), Simultaneous Significance Test (F-Test) and Determinant Test (R^2).

3. RESULTS AND DISCUSSION

1. Effect of Fixed Assets Intensity on Tax Avoidance in Automotive Companies Listed on the IDX

From the results of statistical tests on the intensity of fixed assets, there is a significant significant value of 0.682. The significant value is greater than the probability value of 0.05 (α=5%) or the value of 0.682>0.05. The variable intensity of fixed assets has a tcount of -0.413 with ttable = 2.036. So tcount < t table it can be concluded that the intensity of fixed assets partially does not have a significant effect on Tax Avoidance. The results of this study are in line with the research of Chiou et.al. (2012), Adisamartha & Noviari (2015), Putra & Merkusiwati (2016), and Windaswari & Merkusiwati (2018) which state that fixed asset investment does not have a significant effect on tax avoidance.

The higher the intensity of fixed assets indicates ownership of fixed assets in the company, unable to suppress taxes issued by the company. This is because the intensity of high fixed assets has an impact by increasing depreciation costs. The higher the intensity of fixed assets, the higher the effective tax rate caused by the greater depreciation of the company. The lower the value of the company's effective tax rate, the company tends to do tax avoidance.

When companies invest in fixed assets motivated by tax avoidance, there is no correlation because there is an additional asset depreciation expense that makes the company's profit decrease. So that the level of investment in fixed assets has no effect on tax avoidance efforts (Putra & Merkusiwati, 2016). The data in the study also shows that the level of investment in fixed assets in companies does not affect the level of tax avoidance.

2. The Effect of Sales Growth on Tax Avoidance in Automotive Companies Listed on the IDX

From the statistical test results of sales growth there is a significant value of 0.096. The significant value is greater than the probability value of 0.05 (α=5%) or the value of 0.095>0.05. The sales growth variable has a tcount of -1.704 with ttable = -2.036. So tcount < t table it can be concluded that sales growth partially does not have a significant effect on Tax Avoidance. The results of this study are in line with the research of Oktaviyani & Munandar (2017), Swingly & Sukartha (2015) and Mahanani & Titisari (2017) which found that the sales growth variable had no effect on corporate tax avoidance.

This means that companies that have high sales growth are assumed not to make tax avoidance efforts. Sales growth is sales growth that is identical to sales or income. Sales growth is not synonymous with profit or profit. Companies that have high sales growth, do not necessarily generate high profits as well. This is because high sales growth followed by high corporate spending will result in low profits. So that the level of sales growth has no effect on tax avoidance (Mahanani & Titisari, 2017).

This is not in line with what was expressed by(Dewinta & Setiawan, 2016)who in his research states that increasing sales growth will make the company get a large profit, therefore the company will tend to practice tax avoidance.

3. The Effect of Profitability on Tax Avoidance in Automotive Companies Listed on the IDX

From the results of the statistical test of profitability there is a significant value of 0.195. Significant value 0.361. The significant value is greater than the probability value of 0.05 (α=5%) or the value of 0.361>0.05. The variable intensity of fixed assets has a tcount of -0.923 with t-table = 2.036. So tcount < ttable it can be concluded that profitability partially does not have a significant effect on Tax Avoidance.

This means that companies that have high profitability have not been able to operate efficiently and by the government this will be rewarded by providing a lower effective tax rate compared to companies that operate less efficiently (tax subsidies). In other words, companies that have a high NPM will be obliged to pay higher taxes so that company management has a tendency to carry out tax avoidance, even reducing the possibility of tax avoidance.

Where there is a high profitability that is not followed by a lower company tax avoidance. A high profitability ratio indicates that there is an efficiency carried out by the management. The efficiency action taken by the management is quite low. As Maharani and Suardana (2014) said, the higher the profitability

ISBN: 978-623-6763-07-0

value, the better the company's performance. Companies that earn profits are assumed not to do tax avoidance because they are able to regulate their income and tax payments. This may be the reason why the profitability variable in this study has no effect on tax avoidance.

One of the company's long-term goals is to maximize the welfare of shareholders or investors by maximizing the value of the company and obtaining maximum profit. The amount of tax as we know, depends on the amount of income. The greater the income, the greater the tax to be paid. Therefore, companies need proper tax planning so that companies pay taxes efficiently

The relationship between profitability and tax avoidance stated by(Dewinta & Setiawan, 2016)as follows: "Companies that have a high level of profitability, the higher the level of tax avoidance of a company because companies with large profits will be more flexible to take advantage of loopholes in managing their tax burden".

4. Effect of Fixed Asset Intensity, Sales Growth and Profitability on Tax Avoidance in Automotive Companies Listed on the IDX

Simultaneous testing shows that simultaneously Fixed Asset Intensity, Sales Growth and Profitability have no significant effect on Tax Avoidance in Automotive Companies listed on the Indonesia Stock Exchange, because the results of Fcount (1.007) < Ftable (2.93) with a significant value 0.400 below the value of 0.05. With an R Square value of 0.07 or 7%, which means the relationship between Tax Avoidance and Fixed Asset Intensity, Sales Growth and Profitability, while the remaining 93% are other variables not examined by this study, such as company debt, company size, company liquidity. and other variables.

4. CONCLUSION

This study examines how the Influence of Fixed Asset Intensity, Sales Growth and Profitability on Tax Avoidance in Automotive Companies. Based on the results of the research in the previous chapter, the conclusions obtained from this study are:

1. Partially, Fixed Asset Intensity has a positive effect, but has no significant effect on Tax Avoidance in Automotive Companies. Listed on the Indonesia Stock Exchange.
2. Partially, Sales Growth has a negative effect, but does not significantly affect Tax Avoidance in Automotive Companies. Listed on the Indonesia Stock Exchange
3. Partially, profitability has a positive effect, but has no significant effect on Tax Avoidance in Automotive Companies. Listed on the Indonesia Stock Exchange.

Simultaneously shows that the Intensity of Fixed Assets, Sales Growth and Profitability have no significant effect on Tax Avoidance in Automotive Companies..

REFERENCES

Adiman, RMK, Savitri, E., & Anggraini, L. (2018). The Influence of Profitability, Leverage, Company Size, Outsider Ownership, and Reputation of KAP on Timeliness of Financial Report Submission. (Empirical Study on Trade, Services and Investment Companies Listed on the Indonesia Stock Exchange 2014-201. JOM FEB, 1(1), 1–15.

Adisamartha, IBPF, & Noviari, N. (2015). Effect of Liquidity, Leverage, Inventory Intensity and Fixed Assets Intensity on Aggressive Levels of Corporate Taxpayers. Udayana University Accounting E-Journal, 13(3), 973–1000.

Alpi, MF (2016). The Effect of Return On Assets and Earning Per Share on Stock Prices in Textile and Garment Companies Listed on the Indonesia Stock Exchange. Maksitek Scientific Journal, 1(1), 56–64.

Alpi, MF (2018). The Effect of Current Ratio And Total Assets Turnover Towards Return On Assets In Plastic And Packaging Companies. Journal of Axiom Accounting Research, 17(2), 1–36.

Alpi, M. Firza. (2018). The Influence of Debt To Equity Ratio, Inventory Turn Over, And Current Ratio To Return On Equity In Pharmaceutical Sector Companies Listed On The Indonesia Stock Exchange. Journal of Business Administration, 1(1), 157–175.

Budiman, J., & Setiyono. (2012). Effect of Executive Characteristics on Tax Avoidance. XV National Accounting Symposium. Lambung Mangkurat University, 1(1).

Dewinta, IAR, & Setiawan, PE (2016). Effect of Firm Size, Company Age, Profitability, Leverage, and Sales Growth on Tax Avoidance. Udayana University Accounting E-Journal, 14(3), 1584–1613.

Dharma, IMS, & Ardiana, PA (2016). The Effect of Leverage, Fixed Asset Intensity, Company Size, And Political Connections on Tax Avoidance. Udayana University Accounting E-Journal, 15(1), 584–613.

Handayani, R. (2018). The Effect of Return on Assets (ROA), Leverage and Company Size on Tax Avoidance in Banking Companies Listed on the IDX for the Period of 2012-2015. Maranatha Journal

ISBN: 978-623-6763-07-0

of Accounting, 10(1), 72–84.
Hartono, J. (2010). Portfolio Theory and Investment Analysis (1st ed.). BPFE UGM.
Harry. (2015). Financial Statement Analysis (1st ed.). CAPS.
Hutagaol, J. (2010). Taxation Contemporary Issues. Graha Ilmu.
Indonesian Institute of Accountants. (2015). Statement of Financial Accounting Standards (PSAK). Salemba Four.
Irawati, S. (2010). Financial management. References.
cashmere. (2012). Analysis of financial statements. King Grafindo Persada.
Kennedy, Azlina, N., & Suzana, AR (2011). Factors Affecting Capital Structure in Real Estate and Property Companies that Go Public on the Indonesia Stock Exchange. E-Journal of Economics, University of Riau, 19(2), 1–10.
Kurniasih, T., & Sari, MMR (2013). Effect of Return on Assets, Leverage, Corporate Governance, Company Size, and Fiscal Loss Compensation on Tax Avoidance. Economic Studies Bulletin, 18(1), 58–65.
McGuire, S., Wang, D., & Wilson, R. (2011). Dual Class Ownership and Tax Avoidance. American Taxation Association Midyear. Jata Conference.
Nurwani. (2017). The Effect of Liquidity and Profitability on Dividend Policy: A Study on Manufacturing Companies Listed on the Indonesia Stock Exchange. Journal of Business Financial Research, 1(1), 1–8.
Pohan, C. (2013). Tax Management. Main Library Gramedia.
Prakosa, K. (2014). The Effect of Profitability, Family Ownership, and Corporate Governance on Tax Avoidance in Indonesia. XVII National Accounting Symposium, 1(1).
Rahayu, SK (2010). Indonesian Taxation: Concepts and Formal Aspects. Graha Ilmu.
Rist, M., & Pizzica, AJ (2014). Financial Ratios for Executives. Appreciate.
Riyanto, B. (2010). Corporate Expenditure Fundamentals, ed. 4. BPFE.
Rudianto. (2012). Introduction to Accounting Concepts and Techniques for Preparing Financial Statements. Erlangga.
Sabli, N., & Noor, M. (2012). Tax Planning and Corporate Governance, 3rd International Conference on Business and Economics Research (3rd IBER) Proceeding. MARA University of Technology.
Saragih, F. (2013). Profitability Ratio Analysis In Assessing Company Financial Performance At PT. Port of Indonesia I (Persero) Medan. Journal of Economists, 1(1), 1–11.
Sudana, IM (2015). Corporate Financial Management Theory & Practice. Erlangga.
Sulasmiyati, DH (2015). The Effect of Tax Knowledge and Quality of Fiscal Services on Taxpayer Compliance. JAB Universitas Brawijaya, 5(1).
Swastha, B. (2014). Sales Management. BPFE.
Syamsuddin, L. (2011). Corporate Financial Management. King Grafindo Persada..