



## Coal Mining Sub-Sectors in Taxation: An Overview of Characteristic Factors

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### Abstract

*Tax Avoidance is a legal effort made by companies to minimize the payment of their business tax obligations to the tax authorities by taking advantage of existing tax regulation loopholes or those that have not been regulated in statutory regulations. Even if this action is legal, the government does not want it because it is unable to optimize tax revenues. Moreover, the company will benefit from tax avoidance whenever possible. This study aims to determine whether firms' characteristics variables influence tax avoidance. This study covers a population of 25 coal mining companies listed on the Indonesia Stock Exchange from 2014 to 2019. Using a purposive sampling technique, eight coal mining companies were selected as part of this study. The study uses SPSS data processing tools, and the data is analysed by multiple linear regression analysis. The findings showed that the firm characteristics represented by the variables of size, leverage, age, and sales growth did not affect tax avoidance, while the profitability variable affected tax avoidance. The results indicate that the variability of firm characteristics may explain the Tax Avoidance of 18.9%, while the remaining 81.1% can be explained by other variables.*

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## INTRODUCTION

Achieving equitable development in Indonesia requires significant financing due to the large Indonesian territory. Tax revenues are still the largest source of revenue for the State to date. This is in line with what was said members of Commission XI of the Indonesian Parliament Refrizal, who revealed that state revenues in 2019 were expected to reach Rp. 2,165.1 trillion, with the largest proportion, contributed by the taxation sector, reaching a value of Rp. 1,786.3 trillion. Meanwhile, Non-Tax State Revenue (PNBP) in the same year reached Rp. 378.2 trillion. The next source of revenue for the State comes from the grants that reach Rp. 435.3 billion (Tribunnews, 2019).

Based on these arguments, it can be concluded that taxes are the sector which contributes the most to a country's budgetary revenues. Taxes are the highest component in terms of revenues relative to other revenue sources in Indonesia. The tax sector is therefore the main source of revenue for Indonesia. In many cases, government spending for development purposes or expenditure, whether routine or not, is financed by taxes (Agsari, 2020).

As quoted in the literature of Allingham & Sandmo (1972) they explain that there are no taxpayers who voluntarily issue their funds to contribute to tax payments, but other ways are not obtained which impact on tax payments that are still made. Taxes force all litigated parties to pay debts and fines if they do not pay taxes, without the reciprocity obtained directly. Things like that, which underlie company managers to optimize tax payments by utilizing the knowledge and regulations on taxation so that taxes paid to the state can be reduced as low as possible.

According to Rezaei & Ghanaeenejad (2014), tax planning is carried out by management because this cost component is considered quite expensive, and the profits received by companies are not obtained directly from the taxes they pay. The reason for the underlying tax avoidance is that management is incentivized to do tax planning, which is to increase the value of businesses by transferring tax costs. The value of a company that is experiencing a positive trend will also have a positive impact on the welfare of the management, as a result, the management will be considered good by the principal who will then provide incentives to management who are considered successful in their performance.

Armstrong et al., (2015) state that management's tax planning serves their interests, such as increasing compensation and management bonuses. Aggressive tax planning is classified as a form of tax avoidance fraud case, and when discussing tax avoidance, the majority of studies use the agency theory perspective (Gaaya et al., 2017).

Tax avoidance is a difficult and complex activity in implementing such fraudulent practice. The reason is that implementing tax avoidance does not violate the tax rules established by the state. According to Wijayanti et al., (2016), tax avoidance activities conducted by certain corporate managements are permitted, but the state does not want this to happen.

In this study, the Effective Tax Rate (ETR) is used to detect corporate tax avoidance. In her literature, Putri (2018) writes that ETR can provide an overview of tax payments made by companies from cash flow statements so that we can dig up information about cash quantity data that are following conditions in the field that have been issued by companies for tax payments. In this study, researchers used several aspects of company character represented by company age, sales growth, company age, corporate debt, and profitability in the influence of tax avoidance by organizations on the company.

In practice, the size is divided into three groups, which are small, medium, and large companies. Company size may also be an indicator of corporate tax avoidance. Due to the size of the company as a ratio that can identify a company into a superior or an inferior group based on various factors of the company's total wealth such as total assets, the value of company securities, average turnover, and the amount of company marketing (Cahyono et al., 2016).

A company with a large number of assets in its operating activities will have an impact on more complex transactions. Therefore, it will emerge which is then used by taxpayers to perform the behavior of avoiding tax liability. The literature of Permata et al., (2018) and Cheisviyanny & Rinaldi (2015) concluded that tax avoidance is not affected by size. In the meantime, research by Edeline and Sandra (2018) and Ayufa et al. (2018) indicates that size affects tax avoidance.

Based on research from Dewinta & Setiawan (2016), the age of the company organization can be an indication of how long the company can compete and continue to exist in market competition. If the operational time of a company is getting longer, it will increase the experience gained and the more skilled the experts who manage and manage its tax burden will be. As a result, the level of tax avoidance continues to rise. The Agsari (2020) research indicates that firm age may affect tax avoidance, which is consistent with the research findings of Dewinta and Setiawan (2016). However, Permaton et al., (2018) and Wardani et al., (2019) in their research reported that tax avoidance is not affected by the firm age.

Profitability is part of the measurement of a company's performance. The profitability provides an overview of the company's ability to make profits over a period in selling activities, share capital, and assets. During this observation, the return on assets (ROA) determined the profitability of the company. Return on Assets (ROA) is an indicator that can describe the achievements of a company by paying attention to the amount of ROA, the higher the ROA value displayed by the company, it can be concluded that the healthier the performance of the company is (Cahyono et al., 2016).

ROA can be measured by focusing on a company's profit relative to the amount of corporate income tax (PPh) (Suardana & Maharani, 2014). Therefore, the more profit earned by the corporation will impact the amount of the tax liabilities that a corporation has to pay to the State more. As a result, this will encourage a company to do tax avoidance (Agsari, 2020). Research by Suardana and Maharani (2014) concluded that profitability has an effect on a company's tax avoidance activities. This statement is consistent with the statement from Saputra et al., (2015) which conclude that corporate tax avoidance may be affected by profitability. It is different from the research of Cahyono et al., (2016) and Arianandini & Ramantha (2018) which concluded that profitability does not influence company's tax avoidance.

A debt-financed corporate asset may be determined using leverage (Waluyo et al., 2014). Debt to Equity Ratio (DER) is used in this observation to obtain information about the amount of leverage (debt) by measuring the percentage of total debt to equity owned by a company in one current period. The high leverage of a corporation will reduce its taxation burden. It allows the manager to go into debt to reduce the tax burden. According to Cahyons et al., (2016) and Arianandini and Ramantha (2018), leverage does not affect the companies to avoid their tax obligations. The finding of Niawati et al., (2020) and Siregar & Widyawati (2016) are inversely proportional to previous studies, in their research Niawati and Siregar & Widyawati explained that tax avoidance can be affected by leverage.

The amount of an increase in profit may be reported using the sales growth indicator. If sales growth has increased, it will increase the company's operating capacity as well. This is concluded by Dewinta & Setiawan (2016) who argue that when sales have increased, it will have an impact on the higher profits that will be received by the company. As a result of these factors, companies can engage in tax avoidance. The effect of sales growth on tax avoidance was studied by Dewinta & Setiawan (2016) and Mahanani & Titisari (2016) found that tax avoidance was influenced by sales growth. Meanwhile, the observations made by Permata et al., (2018) and Agsari (2020) concluded that tax avoidance was not affected by sales growth.

Some companies were even found to be deliberately doing tax avoidance. Indonesia experienced this case in 2019, namely a case involving the mining company PT Adaro Energy. PT Adaro Energy has been proven to have committed Tax Avoidance. Similar to the Panama Papers, PT Adaro Energy has also been identified as having transferred its wealth abroad with a low tax rate. This was done by PT Adaro Energy so that the profits obtained by the company were maximized and succeeded in minimizing the tax obligations paid to the Government of Indonesia (Kontan.co.id, 2019).

The mechanism, in this case, is PT Adaro Energy, mining coal in Indonesia, after which they market and sell some of the coal in Singapore. When they had succeeded in selling and getting a profit, they transferred the profits to the country of Mauritius. The amount transferred was so large that it reached 90% of the profit or the equivalent of USD 338 million. It did not stop there; part of the turnover was then sent back to Labuan (tax haven in Malaysia). After this process, companies in Labuan invest and invest in a mining company operating in Australia (Huda, 2019).

When the financial statements are reported, PT Adaro Energy can provide information about the minimum profit and assets, as a result, the Indonesian government cannot collect taxes maximally because of the activities of transferring the wealth. Of course, this has an impact on state revenue in the tax sector because the State Revenue and Expenditure Budget (APBN) is not able to meet the targets that have been planned by the Ministry of Finance. This is evident in 2019 only realized tax revenues reached Rp. 1,332.1 trillion. This figure only touched around 84.4% of the 2019 State Budget target of Rp. 1,577.6 trillion (Liputan6.com, 2020).

From the case of the Panama Papers and PT Adaro Energy, it can be concluded that there is a similarity in fraudulent activity, namely Tax Avoidance. This tax avoidance practice is not illegal but is very detrimental to the state. Individuals who work on this tax avoidance practice usually do so by riding on loopholes in government regulations governing taxation (Latifa, 2019). This tax avoidance practice is influenced by the desire of corporate individuals to keep their profits large by paying very minimalistic taxes. This is also related to the success indicators of managers when they get large profits, and when they are considered successful in the GMS, they can fulfil the wishes of the owners of capital.

Companies operating in the mining sector were selected as samples in this study because of the large number of tax avoidance cases carried out or carried out by several unscrupulous companies in the mining sector. In this observation, the sample used in this study is mining sector companies listed on the Indonesia Stock Exchange for the period 2014-2019. Sampling of mining companies has a reason, namely in the data taken from the KPK, mining sector companies have made default achievements, namely a lack of payment of mining taxes in the forest area of Rp. 15.9 trillion. Even in 2017, the shortage of payments has increased to reach Rp. 25.5 trillion (Novriansa, 2019). Besides, there are still many companies that are proven to be tax evasions, such as PT Adaro Energy and PT. Multi Sarana Avindo (Yang, 2019).

Based on the results of previous research, the influence of variables that are still different, the authors are interested in re-examining the observations made by Permata et al., (2018) regarding the effect of size, age, profitability, leverage, and sales growth on tax avoidance. The research equation of Permata et al., (2018) with this study is that only variables are used to determine the effect of tax avoidance. As for the difference in observations made by Permata et al., (2018) with this observation, it is in the company sample and the study period. If in the research of Permata et al., (2018) using basic industrial and chemical sector companies listed on the IDX, this research uses mining sector companies listed on the IDX. According to this description, the author uses the title Coal Mining Subsector Companies in Taxation: An Overview of Characteristics Factors.

## **METHOD**

### **Agency Theory**

The research of Hayes et al., (2015) they describe that in agency theory a person who is an agent played by a manager in a company tries to gain recognition and appreciation from a principal by justifying all means to be able to achieve the financial targets that have been made by the company. If the manager can achieve the predetermined target, the principal will give more appreciation to the manager. These factors create an opportunity for a manager to engage in manipulation and fraud.

### **Tax Avoidance**

Tax avoidance is a method that aims to minimize the number of tax payments optimally by maximizing the benefits of the regulations or provisions governing tax legally, such as by utilizing deductions and exemptions that are allowed or which do not exist in existing tax regulations apply (Suandy, 2011). Tax avoidance is permitted in practice, but on the government side, this is not desirable. As a result, tax avoidance is considered unique with complex problems (Ajeng Wijayanti et al., 2016).

### **Size**

Willy & Hartono (2015) state that the size of a company can describe the large or small quantity of a business entity that can be estimated by calculating the total assets or the size of the assets of the business entity by calculating the logarithmic value of total assets. The access of a company is directly proportional to the size of the company when the access of a company that can reach a wider area will affect the size of the company which is useful for obtaining sources of income from external parties. As a result, larger firms have an excellent opportunity to compete in the business community and have a longer chance of surviving in the industry.

According to Sari et al., (2016), company size can be classified by looking at several components such as market capitalization, total assets, sales, log size, and others where these things are commonly known as scale in company size. Companies are taxpayers so that in their operational activities they are required to pay taxes to the state as a form of obedience and obedience to state regulations. Total assets owned by a company will also affect the size of the company, the bigger the total assets, the bigger the company size which results in more complex and complex transactions. As a result, the potential for taxpayers to engage in tax avoidance will be further enhanced (Barli, 2018).

Finding by Dharma & Ardiana (2016); Mahanani & Titisari (2016) and Dewinta & Setiawan (2016) stated that tax avoidance carried out by business entities can be influenced by the size of the company. From these explanations and arguments, the research hypothesis is stated as follows:

**H1: Size affects Tax Avoidance.**

## Age

According to Dewinta & Setiawan (2016), the age of the company can be an indicator of how long the company can compete in the industrial world and can survive in various business competitions. The age of the company can also be an indicator that the company can survive or not. This will result in a wider range of financial information to be presented by the company. Companies can display their ability to maximize opportunities in their environment which aims to have a positive impact on their business and be able to overcome obstacles that hit the company and difficulties that can threaten the life of a corporate entity. It can be seen by paying attention to the company's age. In this study, the age of the company is used from the date of the establishment of a business entity listed on the Indonesia Stock Exchange.

Company age can illustrate that a company will become inefficient due to aging. Company age can affect a company in doing tax avoidance because the older the company is standing, the experience and learning and other influences that the company has, the more possible it is to reduce operational costs and of course reduce tax costs (Loderer & Waelchli, 2010). Besides, the influence of the aging company will increase the company's experience in managing and managing its human resources to do tax avoidance. Dewinta & Setiawan (2016) and Agsari (2020) literature, they explain that tax avoidance carried out by business entities can be affected by the age of the company. Based on the arguments and statements above, it can be formulated that the research hypothesis is as follows:

**H2: Age affects Tax Avoidance.**

## Profitability

According to Fahmi (2012) profitability is the capacity of a business entity to earn profits related to components such as company capital, total assets, or income from sales. Kasmir (2018) states that a company allows most of its operating capital or internal funding to be financed if the dividend rate on investment is high. For such reasons, the company's chances of being in debt to external parties can be minimized. This is because they in financing the operations of their company use the retained earnings that are owned by the company first provided that the retained earnings of the company are large.

Profitability can describe the condition of the company in obtaining a return on the company's financial performance obtained from the management of a company's assets which can be calculated using the Return on Assets (ROA) method. ROA is used by business entities to take advantage of how much assets a company uses in determining the net profit earned by the company (Cahyono et al., 2016). According to Cheisviyanny & Rinaldi (2015), ROA affects tax avoidance because assets can be managed by the company effectively and efficiently. Therefore, companies tend to do tax avoidance. Based on the literature that has been made by Dewi & Noviari (2017) and Dewinta & Setiawan (2016) provides information that profitability influences tax avoidance. Based on this description, the following hypothesis is proposed:

**H3: Profitability affects Tax Avoidance.**

## Leverage

Kasmir (2018) reveals that leverage is a ratio that is used to be able to assess how far a company's assets can be financed by debt, this means how much the company's debt burden is borne by assets owned by a business entity. This ratio is used by the company to measure the capability of a business entity in paying debt, both for a short period and for a long period, however, in its implementation, a company has an option for sources of funds that can be allocated to cover shortages when it needs more funds. One component of the source of funds that can be used by a company is external debt. Therefore, management is motivated to work more creatively and make an innovation in obtaining maximum profits because the company has a burden of obligations that must be paid and paid as well as loans for capital which are relatively increasing.

In providing loans to a company, creditors must pay attention to the profit prospects of the business entity to measure the risk that will be experienced by the creditor. The balance between the proportion of assets funded by company owners and the proportion of assets funded by external parties still needs to be maintained and should not be neglected (Prastowo, 2015). In measuring the balance between the proportion of assets funded by the owner of the company and the proportion of assets funded by external parties, it can be seen by using the measurement of the Debt to Equity Ratio. Therefore, related parties who need it can find out the risk level of uncollectible corporate debt, this is because the capital structure owned by the company can be explained using the Debt to Equity Ratio calculation method (Prastowo, 2015).

Following the agency theory, the company leader has the authority to carry out tax avoidance activities, because as the highest decision-maker that the company leader is required to have a character who is brave to take risks against the influence of tax avoidance activities. At the level of tax avoidance of a company, a significant role lies in the company's management in making decisions, the debt which is determined by company financing. Research on the effect of leverage on tax avoidance conducted by Barli (2018) and Niawati et al., (2020) shows that it turns out that tax avoidance by companies can be influenced by leverage. As described above, the following hypothesis is proposed:

**H4: Leverage affects Tax Avoidance.**

### Sales Growth

Sales Growth or changes in sales explain the increase in the number of sales of a company each year. Change in sales explains that the result of a significant sale shows the volume of an increase in profit. When sales growth increases rapidly, this will also affect the increasing operating capacity of a company. Therefore, with the increasing sales growth, it will have an impact on the profits that the company has managed to get even higher. It can be concluded that the profit earned by the company will experience a positive trend of change if sales growth has increased, therefore the company undertakes tax avoidance activities so that tax obligations paid by business entities can be minimized (Dewinta & Setiawan, 2016).

By looking at sales from the previous year, the existing resources can be well optimized by a company. The operating capacity of a company can increase if it is proportional to the huge increase in sales growth. Therefore, the profit earned by the company will increase because sales growth has increased. Because of that, a company tends to do tax avoidance when sales growth increases so that the profits it generates are also greater (Dewinta & Setiawan, 2016).

The results of research on tax avoidance in companies that are affected by sales growth have been carried out by Dewinta & Setiawan (2016) and Mahanani & Titisari (2016) in their scientific journals which show that tax avoidance in companies can be affected due to sales growth. Based on this description, the research hypothesis is formulated as follows:

**H5: Sales Growth affects Tax Avoidance.**

### Variables

The purpose of this study was to determine whether the variable characteristics of the company affect tax avoidance. This study has a population of 25 coal mining companies listed on the Indonesia Stock Exchange during the 2014-2019 period. Using a purposive sampling technique, eight coal mining companies were selected as part of this study. The study used SPSS data processing tools, followed by data analysis using multiple linear regression analysis.

According to Ghozali (2016), an operational definition is a variable that can be calculated using a predetermined construct. The operational definition explains that the procedure is used by the reviewer in using constructs so that it is possible for other reviewers to replicate appropriately or make developments to get a better way of measuring constructs.

#### 1. Tax Avoidance

Tax avoidance is all forms of behavioral procedures that aim to minimize tax obligations that must be paid by taxpayers by utilizing loopholes in state regulations regarding taxation and not harming tax laws (Anita Wijayanti & Masitoh, 2018). In knowing the tax avoidance variable, it is calculated using the Effective Tax Ratio (ETR). This ETR functions with the intention that tax avoidance can be reflected. ETR, which consists of all cash used to pay taxes divided by profit before tax. According to Cheisviyanny & Rinaldi (2015), the ETR formula is as follows:

$$ETR = \frac{\text{Tax Expense}}{\text{Profit Before Tax}}$$

#### 2. Size

Size is commonly known as company size which describes the size of the total assets of a company or the amount of wealth owned by a business entity through the calculation method employing the logarithmic value of total assets (Agsari, 2020). According to Cahyono et al., (2016), the Size formula is as follows:

Size = Logarithm of Natural Total Asset

3. Age

Age, commonly known as company age, can describe the existence of a company in competing and surviving in the business world. In knowing this variable, data is used that explain the date a company is listed on the Indonesia Stock Exchange (BEI) (Dewinta & Setiawan, 2016). Based on literature from Handayani (2016) the age formula is as follows

$$\text{Age} = \text{Year of observation} - \text{Year of existence}$$

4. Profitability

Profitability or profitability is an ability that is owned by the company to get as much profit as possible related to invested capital, total assets, and sales of products produced by business entities. Return on Asset (ROA) is used in this study to determine the profitability variable. This relates to the asset management against net income that has been obtained by the company. According to May (2020), the profitability formula is as follows:

$$\text{Return on Assets} = \frac{\text{Profit Before Tax}}{\text{Total Assets}} \times 100\%$$

5. Leverage

The company's debt ability to finance a company's assets can be calculated using leverage. This study uses the Debt to Equity Ratio (DER) which aims to obtain information about the value of the leverage variable. DER has a function to explain the quantity of a ratio between the costs lent by creditors to the amount of capital that comes from the owner to finance the company. According to Ayufa et al., (2018) DER can be formulated as follows:

$$\text{Debt to Equity Ratio} = \frac{\text{Total Debt}}{\text{Total Equity}}$$

6. Sales Growth

Sales growth describes the amount of increase in profit, which is influenced by income from sales. A rapid increase in sales growth will also affect an increase in the operating capacity of a company. Therefore, the revenue generated by the company will increase because sales growth has increased. According to Agsari (2020), the sales growth formula is as follows:

$$\text{Sales Growth} = \frac{\text{Sales of the Year}_t - \text{Sales of the Year}_{t-1}}{\text{Sales of the Year}_{t-1}}$$

**RESULT AND DISCUSSION**

**Tabel 1.** Descriptive Statistical Analysis

Variable	Minimum	Maximum	Mean	Std. Deviation
Tax Avoidance (Y)	0.0583	0.9863	0.3578	0.1757
Size (X1)	18.2020	22.6997	19.9364	1.3213
Age (X2)	7	38	23.94	9.081
Profitability (X3)	0.0118	53.1502	15.1305	12.9827
Leverage (X4)	0.1694	1.4027	0.6119	0.2907
Sales Growth (X5)	-32.0205	101.6977	6.678356	25.6364

Source: Data processed, 2021

Based on the table, the results show that the lowest value of the size owned by PT Mitrabara Adiperdana Tbk in 2014 was 18.2020 and the highest value owned by PT Adaro Energy Tbk in 2019 was 22.6997. While the overall standard deviation value is 1.3212551 from 54 secondary data. The results of the descriptive analysis show information that the standard deviation value is smaller than the average (mean), so it can be concluded that the data is homogeneous, which means that the average size has a low deviation rate.

Based on the table, the results show that the lowest value of age owned by PT Toba Bara Sejahtera Tbk in 2014 was 7 and the highest value owned by PT Bukit Asam Tbk and PT Resource Alam Indonesia Tbk in 2019 was 38. While the overall standard value deviation of 9,081 from 54 secondary data. The results of the descriptive analysis show information that the standard deviation value is smaller than the mean value, so it can be concluded that the data is homogeneous, which means that the average age has a low deviation rate.

Based on the table, the results show that the lowest value of profitability held by PT Indo Tambangraya Megah Tbk in 2015 was 0.0118 and the highest value was owned by PT Baramulti Suksessarana Tbk in 2017 was 53,1502. While the overall standard deviation value is 12.9827126 from 54 secondary data. The results of the descriptive analysis show information that the standard deviation value is smaller than the average (mean), so it can be concluded that the data is homogeneous, which means that the average profitability has a low level of deviation.

Based on the table, the results show that the lowest value of the leverage held by PT Resource Alam Indonesia Tbk in 2016 was 0.1694 and the highest value owned by PT Toba Bara Sejahtera Tbk in 2019 was 1.4027. While the overall standard deviation value is 0.2907149 from 54 secondary data. The results of the descriptive analysis show information that the standard deviation value is smaller than the mean value, so it can be concluded that the data is homogeneous, which means that the average leverage has a low deviation rate.

Based on Table 4.3, the results can be drawn that the lowest value of sales growth owned by PT Resource Alam Indonesia Tbk in 2018 was -32.0205 and the highest value owned by PT Resource Alam Indonesia Tbk in 2019 was 101.6977. While the overall standard deviation value is 25.6363592 from 54 secondary data. The results of the descriptive analysis show information that the standard deviation value is smaller than the mean value, so it can be concluded that the data is heterogeneous, which means that the average age has a high degree of deviation.

Based on Table 4.3, the results can be drawn that the lowest value of tax avoidance owned by PT Darma Henwa Tbk in 2019 was 0.0583 and the highest value owned by PT Darma Henwa Tbk in 2014 was 0.9863. While the overall standard deviation value is 0.1757105 from 54 secondary data. The results of the descriptive analysis show information that the standard deviation value is smaller than the average (mean), so it can be concluded that the data is homogeneous, which means that the average tax avoidance has a low level of deviation.

**Tabel 2.** Normality Test

Kolmogorov-Smirnov Z	1.114
Asymp. Sig. (2 tailed)	0.167

Source: Data processed, 2021

The Kolmogorov-Smirnov test results that can be seen in the table are the Asymp level. Sig. (2-tailed) of 0.167, it can be concluded that the residual data have met the criteria for normal data because the value is greater than 0.05.

**Tabel 3.** Multicollinearity Test

Model	Collinerity Statistics	
	Tolerance	VIF
X1 (Size)	0.821	1.219
X2 (Age)	0.680	1.471
X3 (Profitability)	0.744	1.344
X4 (Leverage)	0.583	1.715
X5 (Sales Growth)	0.818	1.223

Source: Data processed, 2021

It can be concluded based on the table showing that the VIF for each variable has a value less than 10 and a tolerance value above 0.1. In this study, the independent variables in the regression model are not related to each other, or it can be assumed that there is no multicollinearity in the independent variables.



**Tabel 4.** Heterocedastisity Test – Spearman Rho

Variable	Signifikansi
	Unstandardized Residual
Size (X1)	0.502
Age (X2)	0.675
Profitability (X3)	0.557
Leverage (X4)	0.482
Sales Growth (X5)	0.730

Source: Data processed, 2021

Based on the table, it can be seen that the Sig. (2-tailed) of the 5 variables to the Unstandardized Residual has a significant value of more than 0.05. In the Size Sig. (2-tailed) is at 0.502. On the variable Age Sig. (2-tailed) shows the number 0.675. On the Profitability Sig. (2-tailed) returns 0.557. The fourth variable is the Leverage variable with the Sig. (2-tailed) is 0.482. The last variable, Sales Growth, has a significant value. (2-tailed) is 0.730. It can be concluded that there is no heteroscedasticity.

**Tabel 5.** Autocorrelation Test – Run Test

Unstandardized Residual – Test Value	-0.02961
Asymp. Sig. (2 tailed)	0.410

Source: Data processed, 2021

Based on table 4.7, it can be seen that the significance is 0.410, which is more than 0.05, so it can be said that the regression model in this test does not experience autocorrelation problems.

**Tabel 6.** Goodness of Fit Model (Simultaneous Significance Test)

	Model	Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.434	5	.087	3.462	.009 <sup>b</sup>
	Residual	1.203	48	.025		
	Total	1.636	53			

Source: Data processed, 2021

Based on table 4:10 the F test shows that the results of the calculated F value of 3.462 and a significance value of 0.009 which means it is smaller than the normal limit of the significance value with the number 0.05 so it can be concluded that the five variables are size, age, profitability, leverage, and sales growth together have a significant effect on tax avoidance.

**Tabel 7.** Determination Coefficient Test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.515 <sup>a</sup>	.265	.189	.158285151

Source: Data processed, 2021

Based on table 4.9, it can be seen that the coefficient of determination shows the results of Adjusted R Square (R2) 0.189, which means that 18.9% of the dependent variable, namely tax avoidance, can be explained by the five independent variables, namely size, age, profitability, leverage, and sales growth. The remaining 81.1% can be explained by other variables.

**Tabel 8.** Hypotesis Testing

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	.907	.384		2.363	.022
X1 (Size)	-.015	.018	-.112	-.818	.418
X2 (Age)	-.003	.003	-.171	-1.142	.259
X3 (Profitability)	-.008	.002	-.569	-3.967	.000
X4 (Leverage)	-.097	.098	-.161	-.993	.326
X5 (Sales Growth)	.000	.001	.053	.390	.698

Source: Data processed, 2021

In this study, empirical evidence can be seen regarding the effect of the five variables, namely size, age, profitability, leverage, and sales growth on tax avoidance in the study period with a range of years from 2014 to 2019 and the research object used is the mining sector company with coal subsector which has been listed on the Indonesia Stock Exchange. Based on the results of the tests that have been carried out in this study, it can be seen that only one of the five variables affects tax avoidance, namely the profitability variable. Because based on the table above shows data that profitability has a value of t count of -3.967 and the significant value is located at 0.000, which means it is smaller than the normal level of significance, which is equal to 0.05.

## CONCLUSSION AND RECOMMENDATION

### The Effect of Size on Tax Avoidance

Company size displays information about the size of the assets owned by the company. In testing the first hypothesis provide evidence that company size does not affect tax avoidance, which is indicated by a significant value in the study at  $0.418 > 0.05$ . Based on this sentence, it can be interpreted that the size of the company in a company does not influence the size of the tax avoidance activities carried out by the company (Annisa, 2017).

In this study, the results obtained are inversely proportional to agency theory which states that an agent can maximize the agent's performance compensation through the resources owned by a company. This can be done with the aim that the performance of a company can be maximized by emphasizing the tax burden paid by the company. This is in line when the company has a large company size, it will also have an impact on large tax payments (Suwardika & Mustanda, 2017). The results of this study are in line with research from Ganiswari (2019) and Windayani (2018) which state that company size does not affect tax avoidance.

### The Effects of Age on Tax Avoidance

The age of the company shows that the company will certainly become inefficient due to aging or the increasing age of a company. In testing the second hypothesis, it shows that company age does not affect tax avoidance because the significance value is greater than 0.05, which is 0.259. Based on this explanation, it can be concluded that the high and low age of the company in a company does not influence the level of tax avoidance carried out by the company (Wardani et al., 2020).

This study is contrary to agency theory which explains that companies in managing their tax can be maximized if the tax burden of a company is done by competent human resources. This is evidenced in the financial report data that has been collected, companies that have a longer operational period cannot be used as a benchmark in tax avoidance activities (Agsari, 2020).

The results of this observation are in line with the observations carried out by Permata et al., (2018) and Wardani et al., (2020) which reveal that company age does not affect tax avoidance. So that it can produce information that the second hypothesis which states that company age influences tax avoidance is rejected.

### **The Effect of Profitability on Tax Avoidance**

Profitability can be used to measure a company's ability to earn operating profits by utilizing assets effectively and efficiently (Sanjaya & Rizky, 2018). In testing the third hypothesis provide evidence that profitability has a significant effect on tax avoidance, with a significance value of less than 0.05, namely 0.000. This means that the higher level of profitability influences tax avoidance carried out by companies (Kadek Ari Adnyani & Bagus Putra Astika, 2019).

The results of this study support and are following agency theory which explains that the tax burden managed by the agent is managed by the agent so that later it can be assessed well by the principal. This will affect the agent's performance compensation which is not reduced because the profits of a company are reduced due to tax payment activities. The higher the profitability of the company, the higher the tax costs charged to the company (Noviyani & Muid, 2019). If the company does not have an effective and efficient way to manage tax payments, this will erode the profits that have been collected by the company in a period that will have an impact on the decreasing level of employee welfare. For this reason, the company strives to maintain its operating profit by maximally reducing the tax burden paid by the tax authorities (Suardana & Maharani, 2014).

The results of this study are following the results of research from Suardana & Maharani (2014) and Saputra et al., (2015) which states that profitability influences tax avoidance. So the third hypothesis which states that profitability affects tax avoidance is accepted.

### **The Effect of Leverage on Tax Avoidance**

Leverage serves to provide an overview of the comparison between the number of funds provided by external parties with the number of funds that come from the owner of the company. In testing the fourth hypothesis proves that leverage does not affect tax avoidance, with a significance level greater than 0.05, namely 0.326. This means that the level of leverage in a company does not affect the level of tax avoidance carried out by the company.

The results of this study do not support the agency theory which states that company leaders have their policies in carrying out tax avoidance activities, whereas decision-makers that company leaders have a character who is brave to take risks on the influence of tax avoidance activities. Regarding the level of tax avoidance of a company, a significant role is played by company management in making policies, for example, debt determined by corporate financing (Agsari, 2020).

Companies in managing debt are not only intended to create corporate profits, but there are various possibilities referred to by the company. The debt obtained by the company may be used as an investment for the long term, this will make the interest expense incurred not calculated per period in the financial statements. Thus, this cannot be used as a trick to reduce the tax burden that the company must pay to the tax authorities (Susanti, 2018).

This study is in line with the results of research from Agsari (2020) and Dewinta & Setiawan, (2016) which state that leverage does not affect the level of tax avoidance. So the fourth hypothesis which states that leverage affects tax avoidance is rejected.

### **The Effect of Sales Growth on Tax Avoidance**

Changes in sales represent an increase or decrease in the company's sales from year to year. In testing the fifth hypothesis, it shows that changes in sales do not have a significant effect on tax avoidance, namely the significance value is greater than 0.05, namely 0.698. Therefore, it can be interpreted that the rate of change in sales does not affect the size of tax avoidance carried out by the company.

This study is not in line with agency theory which states that agents try to increase company profits. If the change in sales of a company has increased, then the company has to pay higher taxes. This triggers a difference in interests between management and company owners, so there will be a problem of interest that raises the desire of management to meet the demands of the principal (Agsari, 2020). Because of that, tax avoidance activities tend to be carried out by companies because there is a large tax burden due to large profits (Kurniasih & Ratna Sari, 2013). This is what causes sales growth to not affect tax avoidance.

The results of this study support the research results of Dewinta & Setiawan (2016) and Mahanani & Titisari (2016) showing that sales growth does not affect tax avoidance. So that the fifth hypothesis which states that sales growth affects tax avoidance is rejected.

## Conclusions

From the five independent variables that have been proposed, 4 variables indicate that the data is homogeneous because the average or mean value is greater than the standard deviation value. On this basis, the data for the 4 variables have low data deviations. These variables are size, age, leverage, and profitability. Meanwhile, the sales growth variable shows a high deviation because the average value is smaller than the standard deviation value.

In this study, empirical evidence can be seen regarding the effect of the five variables, namely size, age, profitability, leverage, and sales growth on tax avoidance in the study period with a range of years from 2014 to 2019 and the research object used is the mining sector company with coal subsector which has been listed on the Indonesia Stock Exchange. Based on the results of the tests that have been carried out in this study, it can be seen that only one of the five variables affects tax avoidance, namely the profitability variable.

## Recommendation

From the conclusions that have been explained, suggestions that can be given for further research are to add or research other sectors with issues of companies that are suspected of experiencing tax avoidance scandals, such as the Chemical Industry sector experienced by PT Coca Cola and other sectors. It is hoped that the data collected will have a wider amount so that research results will be more varied and accurate.

In this study, tax avoidance, seen from the grand theory side, used agency theory. It is hoped that further research can innovate using other theories to obtain more varied research results so that they can be used as comparisons for further research. Besides, in this study, tax avoidance is calculated using the Effective Tax Rate (ETR). The ETR calculation is used to reflect the difference between the calculation of book profit and taxable profit with the net tax liability formula / financial profit before tax. However, in its implementation, the use of this calculation has a problem, namely the resulting data generates a lot of negative numbers, this is not following the provisions of the criteria that have been made, namely 0-1. Therefore, some data must be deleted so that the data becomes normal and not too extreme.

It is hoped that further research can use other measurements such as the Cash Effective Tax Rate (CETR) which is used to identify the aggressiveness of tax planning carried out by companies and the measured Book Tax Difference (BTD) to determine the difference between accounting and tax, both fixed and time differences.

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