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Tax Planning and Company Values: Investigating the Moderating Effect of Corporate Governance Quality

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ABSTRACT: *This study aims to determine the effect oftax planning affects the value of the company by using the size of the board of directors as a moderating variable as well as the size of the company, and the age of the company, debt to equity ratio as a control variable in manufacturing companies listed on the Indonesia Stock Exchange in 2018-2020. The results of this study indicate that tax planning has no effect on firm value with a significance value, then for the control variables in this study, firm size and debt to equity ratio have no effect on firm value with a significance level of p-value of each.; while the age of the company affects the value of the company. Finally, from the results of this study it was found that the size of the board of directors as a component of corporate governance could not moderate the relationship between tax planning and firm value, where the significance value of the p-value was.*

Keywords :*tax planning, corporate governance, firm value, firm size, firm age, debt to equity ratio*.

I. INTRODUCTION

The main objective of the company is to generate profit in order to increase the value of the company. Company value is a condition that has been achieved by a company as an illustration of public trust in the company after going through a process of activities for several years, namely since the company was founded until now. stocks [1] If the stock price is high, the company value will also be high.

Maximizing the value of the company has an important meaning for the company in achieving its goals. The value of the company which tends to increase becomes an achievement that is highly desired by the owner because with the increase in the value of the company, the welfare of shareholders will also increase. To be able to create shareholder welfare, companies can use various strategies to optimize profits, one of which is by minimizing the tax burden. A minimal tax burden will increase after-tax profit which in turn can increase the value of the company and the welfare of shareholders.

Tax planning can be viewed from two different perspectives. The first perspective is the traditional theoretical perspective. According to this perspective, tax planning is an activity to transfer wealth from the state to shareholders. Through tax planning activities, namely carrying out structured actions so that the tax burden is reduced as low as possible by utilizing existing regulations to obtain an increase in after-tax profits which will have an impact on increasing company value, regardless of the level of company compliance. The second perspective is the agency theory perspective. According to this perspective,

Tax planning is an action taken by taxpayers to minimize tax obligations that will be paid by taking advantage of weaknesses in tax rules that are clearly regulated by law (Suandy, 2016). There are three things that must be considered in tax planning, namely: not violating tax rules, making business sense, and adequate supporting evidence (Suandy, 2016).

Companies that want to do tax planning must meet these three things. The first criterion is that tax planning should not be carried out illegally because in essence it only makes tax savings in a good and right way. The second criterion is that it makes business sense, small companies engaged in trade have many employees and many assets. This does not make sense because in general small companies only have a few employees and not enough assets so that it can be said that it is not ideal for good tax planning. The third criterion is adequate supporting evidence, for example a manufacturing company makes sales to consumers, when goods are sold for cash, include receipts to consumers as proof of purchase.

The name of tax planning does not look like an aberration but it is still detrimental to the state even though the amount is small. The tax that the government absorbs from the community is reduced by this. To promote supervision of taxes, the government together with the Directorate General of Taxes in 2015 named the Year of Taxpayer Guidance. This program aims to provide incentives to eliminate administrative sanctions intended to encourage taxpayers to correct their tax returns and pay off their tax shortfalls. With this program, it is hoped that taxpayers will not neglect their obligations to pay taxes on time and comply with tax rules as they should.

*Agency theory*emphasizes the importance of company owners (shareholders) handing over the management of the company to professionals (agents) who understand better in running their daily business. The purpose of separating management from company ownership is so that company owners get the maximum possible profit at the most efficient cost possible by managing the company by professional staff. Meanwhile the owner of the company is only tasked with supervising and monitoring the running of the company managed by management and developing an incentive system for management managers to ensure that they work for the benefit of the company (Sutedi, 2017).

Basically, in the process of maximizing company value, companies are often faced with agency conflicts, namely conflicts between management and company owners. This agency conflict arises due to the separation of interests between ownership and management of the company. The occurrence of agency conflict is caused by the related parties, namely the principal (shareholder) and agent (principal fund manager), having conflicting interests (Jensen, 2015).

The mechanism that can be done to reduce agency conflict is to apply good corporate governance or what is known as Good Corporate Governance (Rachmawati and Triatmoko, 2007). The Forum for Corporate Governance in Indonesia (2012) formulated that Corporate governance is a set of regulations that regulate the relationship between shareholders, management, creditors, the government, employees and other internal and external stakeholders in relation to their rights and obligations, or with In other words, a system that directs and controls the company. The purpose of corporate governance is to create added value for all interested parties (stakeholders).

Corporate governance contains several important elements, namely: transparency, accountability, responsibility, independence, and fairness. There are four corporate governance mechanisms that aim to reduce agency conflict, namely managerial ownership, institutional ownership, independent commissioners, and audit committees (Rachmawati and Triatmoko, 2007). Signaling theory explains why companies have the urge to provide financial statement information to external parties, namely because there is information asymmetry between the company and outsiders. With this signaling theory, the company's management will provide relevant information to investors so that investors can find out the actual state of the company and its prospects in the future. In addition, for the management The tax planning practice that has been carried out is expected to give a positive signal to investors which will have an impact on increasing the value of the company. Because basically the value of the company can be said to be good, one of which is indicated by the increase in the company's stock price from time to time.

The relationship between tax planning and firm value is still being debated because there are studies that state that tax planning has a positive relationship and there are also other studies which state that tax planning has a negative relationship to firm value. Both positive and negative relationship between tax planning and firm value depends on the behavioral goals of a person doing his tax planning. A positive relationship indicates that the higher tax planning can increase the value of the company. Tax planning is used by companies to improve the welfare of shareholders not for personal management purposes.

On the other hand, if the relationship is negative, it means that the higher the tax planning, the lower the value of the company. This happens because in this negative relationship tax planning is used for management's personal purposes, for example, management will report lower commercial profits than what it should be and take incentives from a decrease in tax liability payments resulting from lower commercial profit reporting. This action causes a lack of transparency by management that is not detected by shareholders. The benefits of tax planning felt by the company are reduced by opportunistic actions (priorizing personal interests over the interests of shareholders). The impact will pose a risk to the company itself and the value of the company can be reduced. This condition is usually influenced by the quality of its corporate governance. Good corporate governance will control every management behavior that acts deviantly and violates the rules, while bad corporate governance still lacks supervisory actions taken to management so that management in carrying out company operations can be influenced by the wishes of themselves and others.

Therefore, this study wants to know "Tax Planning and Firm Value: Testing the Moderating Effect of Corporate Governance Quality."

Hypothesis

The hypothesis is a temporary answer to the research problem formulation, therefore the research problem formulation is usually arranged in the form of questions. It is said to be temporary, because the answers given are only based on relevant theories, not yet based on empirical facts obtained through data collection. So the hypothesis can also be stated as a theoretical answer to the research problem formulation, not yet an empirical answer (Sugiyono, 2017). The hypotheses proposed in this study are as follows:

H1: Tax planning has a significant effect on firm value

H2: Corporate Governance can moderate the relationship between tax planning and firm value

H3: Firm size has a significant effect on firm value

H4 : Company age has a significant effect on firm value

II. RESEARCH METHODS

Research design

This study was designed using quantitative research, with hypothesis testing. Quantitative research is research that emphasizes testing theories through the measurement of research variables. The purpose of this study is to examine the effect of tax planning on firm value by using the size of the board of directors as a moderating variable as well as firm size, and firm age, debt to equity ratio as a control variable in manufacturing companies listed on the Indonesia Stock Exchange in 2018-2020.

Population, Sample, and Research Taking Techniques

The population in this study are all manufacturing companies listed on the Indonesia Stock Exchange (IDX) in 2018-2020, totaling 178 companies. Sampling in this study using purposive sampling method. The criteria for selecting the research sample are as follows:

1. Manufacturing companies that publish annual financial reports in a row in the 2018-2020 period.
2. Manufacturing companies that publish financial statements in a row for 2018-2020.
3. Financial statements of manufacturing companies that present complete data on research data used in this study.
4. The financial statements of manufacturing companies are presented in non-foreign currency.

Based on predetermined criteria, 120 companies were obtained as samples of this study, secondary data derived from the annual reports of manufacturing companies on the Indonesia Stock Exchange in 2018-2020.

III. RESULTS AND DISCUSSION

Multiple Linear Regression Analysis Results

The results of data analysis obtained with the SPSS 21 program in this study are intended to determine whether there is an influencetax planning has an effect on firm value by using the size of the board of directors as a moderating variable as well as firm size, and firm age, debt to equity ratio as control variables.The results of the first multiple linear regression analysis can be seen in the following table:

Variable	Regression Coefficient	Tcount	*Sig*
Constant	185781463	0.460	0.646
Tax Planning	-0.092	-0.675	0.500
Company Size	0.016	0.185	0.853
Company Age	16671402.7	2,911	0.004
Debt to Equity Ratio	0.147	0.706	0.480
R2= 0.035		Fcount= 3.045	
Adjusted R2 = 0.024		Sig =0.017	

The model of this research is:

TOB = 185761463 – 0.092 ETR + 0.016 SZF + 16671402.7 AGE + 0.147 DER +

Then, the results of the second model of multiple linear regression analysis can be seen in the following table:

Variable	Regression Coefficient	Tcount	*Sig*
Constant	184250649	0.455	0.649
Tax planning*board of directors size	0.030	0.548	0.584
R2= 0.036		Fcount= 2,491	
Adjusted R2 = 0.022		Sig = 0.031	

The model of this research is:

TOB = 185761463 – 0.092 ETR + 0.016 SZF + 16671402.7 AGE + 0.147 DER + 0.030 ETRBOD+

To interpret the results of the analysis, it can be explained:

1. The constant value of 185761463 indicates that if the variabletax planning, company size, company age, and debt to equity ratioassumed to be constant or equal to zero indicating the firm value of 185761463.
2. The regression coefficient of the tax planning variable has a negative value of-0.092.These results indicate that if the opportunity for tax planning increases by 1%, the value of the company will decrease by0.092; vice versa.
3. The regression coefficient of the firm size variable is positive at0.016.These results indicate that if the size of the company increases by 1% then the value of the company will increase by0.016; vice versa.
4. The regression coefficient of the firm age variable is positive at16671402.7.These results indicate that if the age of the company increases every year, the value of the company will increase by16671402.7; vice versa.
5. Debt to equity ratio variable regression coefficient is positive at 0.147.These results indicate that if the debt to equity ratio increases by 1%, the firm value will increase by0.147;vice versa.

6. The regression coefficient of the tax planning variable*the size of the board of directors is positive at 0.030.These results indicate that if the tax planning opportunity and the size of the board of directors increase by 1 then the firm value will increase by0.030;vice versa.

IV. Discussion of Research Results

The Effect of Tax Planning on Firm Value

Based on the t-test that was carried out, the value of t-count>tax planning table was -0.675< 1.97190and a significant value of 0.500 > 5%, so H1 is rejected, which means that tax planning has no effect on firm value.Companies with good financial value indicate that the company does good tax planning without the need for tax planning actions. Companies in the manufacturing sector in Indonesia have little effort in doing tax planning. Manufacturing companies tend not to do tax planning because they are fully responsible for the survival of the community. Manufacturing companies do not want to take such big risks because manufacturing companies are required to meet the needs of society and are required to achieve high and healthy financial values. This research uses agency theory. According to agency theory, in increasing the value of a company, there must be differences in interests that cause conflicts. Conflicts that occur in the interests of corporate profits between tax collectors (fiskus) and taxpayers (company management). Here the company management in the banking sector wants the tax burden to be paid low so that the profit after tax on the financial statements remains high so that it can increase the company's financial value and can attract investors, therefore the company is trying to reduce the tax burden paid by tax planning. A manager (agent) tends to prioritize his personal goals. If there is no good management, then they can hide or manipulate the report or information, so that the results of poor organizational management often occur. Good management is important, one of the forms is the transparency of information about the company's financial value. Transparency of such information can contribute directly to the value of the company, such as monitoring the value of management so as to be able to resolve agency conflicts.The results of this study are in line with researchKartikaningdyah and Putri (2017) who get the results that tax planning has no effect on firm value.This study is not in line with the research conducted by Zuqni et al., (2018). The statement by Zuqni et al., (2018) shows that tax avoidance has a positive effect, tax avoidance by the company will certainly affect the value of a company itself. The higher the company's tax avoidance, the better the financial value. The company is also considered to be able to manage the costs it incurs properly because it can generate high profitability.

The Effect of Firm Size on Firm Value

Based on the results of the second hypothesis testing, the t-test results obtained a value of t count> ttable for the variable company size of 0.185< 1.97190and a significant value of 0.853 > 5%, so H2 is rejected, which means that the size of the company has no effect on the value of the company. This is because the size of the company as measured by the natural logarithm of total assets does not reflect the value of the assets that should be. The size of the company in this study shows that the value of the company is not good, this has a bad impact on the company and makes the company less stable and has not been able to generate sufficient profits. Good company value is able to affect the profit generated because the amount of profit generated is the goal to be achieved by the company. So it can be concluded that firm size cannot be a guarantee of good firm value.

The Effect of Firm Age on Firm Value

Based on the results of the second hypothesis testing, the t-test results obtained a value of t count> ttable for the variable age of the company of 2,911> 1.97190and a significant value of 0.004 < 5%, so H3 is rejected, which means that the age of the company affects the firm value.The age of the company is used to measure the effect of the length of time the company operates on the value of the company. The age of the company shows the company still exists, is able to compete and take advantage of business opportunities in an economy. In theory, the age of the company will increase the financial value of the company. The age of the company shows the company's ability to take advantage of the previous company's experience. These companies usually have a good reputation, so it is possible to have high profit margins when selling their goods. The results of this study are in line with research conducted by Cahyarifida (2017) which states that company age has an influence on the company's financial value as proxied by ROA. This is inversely proportional to the regression results which state that the age of the company has no effect on the financial value seen from the ROE*(Return on Equity)*. This is because companies that are still young or have just started their operations are more likely to use debt for funding because they do not have enough internal funding from the company. So that the greater the amount of debt of a company will affect the level of net income available to shareholders.

Effect of Debt to Equity Ratio on Firm Value

Based on the results of the second hypothesis testing, the results of the t-test obtained a value of t count> ttable debt to equity ratio of 0.706< 1.97190and a significant value of 0.480 > 5%, so H4 is rejected, which means that the debt to equity ratio has no effect on firm value. Companies with high debt levels have an effect on increasing interest on debt which results in the company getting tax savings. The absence of influence between DER on firm value in the manufacturing sector can be caused because most companies in this sector have short-term debt that is greater than their long-term debt. The results of this study indicate that the level of debt in the company will not affect the high and low financial value of the company. Because debt has a definite maturity and cost. Companies can use this as a material consideration in making decisions in accordance with the company's conditions that are clearly known so that the level of debt does not affect the company's financial value. The results of this study are in line with researchDana, Kusumawa, and Ardianti (2018) who get the result that DER has no effect on firm value.

The Effect of Tax Planning on Firm Value with Board of Directors Size as Moderating Variable

Based on the results of testing the fifth hypothesis, the results of the t-test obtained the value of t count> ttable of the tax planning variable * the size of the board of directors of 0.548< 1.97190and a significant value of 0.584 > 5%, so H5 is rejected, which means that the size of the board of directors does not strengthen the effect of tax planning opportunities on firm value. The role of the board of directors is to formulate policies on the company's operations. With a relatively larger number, the decisions taken by the board of directors are not focused on one party only. The large number of directors is generally realized in the placement of each director in certain areas controlled by each manager so that each director has more focused duties and authorities so that the value of the company will be able to increase. In line with this, the opportunities for company managers to carry out tax planning will be increasingly weak.

V. CONCLUSION

This study aims to analyze the effect ofthe effect of tax planning on the value of the company by using the size of the board of directors as a moderating variable as well as the size of the company, and the age of the company, debt to equity ratio as a control variable in manufacturing companies listed on the Indonesia Stock Exchange in 2018-2020,conclusions can be drawn:

1. The t value for the tax planning variable is -0.675< 1.97190and a significant value of 0.500 > 5%, so H1 is rejected, which means that tax planning has no effect on firm value.
2. The t value for the firm size variable is 0.185< 1.97190and a significant value of 0.853 > 5%, so H2 is rejected, which means that the size of the company has no effect on the value of the company.
3. The t value for the variable age of the company is 2,911> 1.97190and a significant value of 0.004 < 5%, so H3 is rejected, which means that the age of the company affects the firm value.
4. The calculated t value for the debt to equity ratio variable is 0.706< 1.97190and a significant value of 0.480 > 5%, so H4 is rejected, which means that the debt to equity ratio has no effect on firm value.
5. The t-value for the tax planning variable*size of the board of directors is 0.548< 1.97190and a significant value of 0.584 > 5%, so H5 is rejected, which means that the size of the board of directors does not strengthen the effect of tax planning opportunities on firm value.

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