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Influence of Company Size, Profitability and Company's Debt Level on Tax Management

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Abstract: *This study aims to determine the effect of firm size, profitability, and the level of corporate debt on tax management. This study is a quantitative study using multiple linear regression analysis with the help of SPSS software version 21. The population in this study is the food and beverage sub-sector industry companies listed on the Indonesia Stock Exchange in 2016-2021. The selection of research samples using purposive sampling and it is known that the sample used is 107 years of food and beverage sub-sector industrial companies listed on the Indonesia Stock Exchange in 2016-2021. The results of the study show that: (1) firm size variable has no effect on tax management; (2) profitability variables affect tax management; (3) the company's debt level variable has no effect on the value of tax management*

Keywords: *Company Size, Profitability, Corporate Debt Level, Tax Management*

I. Introduction

One of the government's abilities to obtain state revenue can come from paying taxes, which can be paid by the public to the state. Revenue from the tax sector is still the largest of Indonesia's state revenues. Tax is a mandatory contribution to the state that is owed by an individual or entity that is coercive in nature based on the applicable law, with no direct compensation and is used for state purposes. Payment of taxes is a manifestation of the state and the participation of taxpayers to directly and jointly carry out tax obligations in order to be able to finance the state and national development. Paying taxes is not only an obligation for citizens, but is also the right of every citizen to be able to participate in the form of participation in state financing andnational development.

Taxes have several functions; the first function is the budget function which is usually used to finance state expenditures, for example, such as carrying out national development, paying civil servant salaries, creating jobs, routine state expenditures. The second function is to regulate, tax policies that can be taken by the government can be used in regulating the economic growth of the Indonesian state. The third function is the stability function, with taxes; the government has funds and can carry out policies related to price stability so that it can control the rate of inflation. And the last function is the income redistribution function. Development that can be carried out in various fields and evenly will be able to create jobs that can provide income for the community so that people can meet their needs.

According to Rahayu (2010), tax compliance is a condition in which the taxpayer will fulfill all tax obligations and exercise taxation rights. Tax compliance is the fulfillment of tax obligations carried out by individuals or entities that act as taxpayers in the context of contributing to development that is expected to

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meet the needs of the state. Awareness and also taxpayer compliance really needs to be done by taxpayers to be grown continuously, in order to realize the will to fulfill the obligation to pay taxes. Every taxpayer is obliged to pay taxes that are required to pay taxes.

Tax management is defined as an effort that managers can do in a company so that all matters relating to taxation from the company can be managed properly so that they can contribute optimally to the company. Tax management is tax management by using a strategy in calculating the amount of taxes (Darmadi, 2013). Tax managementis used to apply tax regulations correctly as an efficient effort to achieve the expected profit.

Tax management is a subsystem of financial management which will focus on managing financial processes from a tax point of view, for tax planning, tax decision making, tax control, tax process organization, in order to optimize the tax burden, and can also maximize profits and thereby increase market value. company. Tax planning is a procedure that allows taxpayers to be able to pay taxes in a reasonable amount according to the nominal and in a time schedule that does not interfere with economic development and does not need to bind financial resources that are free because of the form of legal entity, equipment and assets of business activities, and the amount business turnover.

II. Literature Review and Hypotheses Development

Agency Theory

Jensen and Meckling (1976) provide an explanation of the relationship between angency that will occur in the future when 1 or more people (principals) can take advantage of other people (agents), in which the agent will provide a service in the form of services then the principal will also hand over the power to take decisions to agents.

This study uses agency theory, where the agency reveals that there is a relationship between the principal and the agent. According to Annisa (2018), with tax management, agency problems that can arise are that there are differences in needs between the principal and the agent. In the agent position, namely the company manager, in order to get an increase in the compensation he receives, while on the principal side, namely the shareholders, in order to reduce tax costs.

Signaling Theory

Signal theory can involve 2 parties, including parties within the company as the party that gives the signal such as management and also parties outside the company who act as the party receiving the signal such as investors. The company's management is more aware of the company's opportunities in the future and has a lot of company information. The information is in the form of company financial reports, policy information, and also other information which information is voluntarily carriedout by the company's management.

Mythi and Hartono (2012) state that signal theory explains the company's reasons for providing financial statement information to external parties related to the existence of information asymmetry between the company's management and outside parties. According to Annisa (2018), financial statements are the information that can be used as a consideration tool for making decisions by users of information users or external parties of the company. It is expected that external parties will be able to see the company's ability in tax management related to the intensity of fixed assets and debt levels.

Company Size

Large companies have abundant resources to run their company operations. Large companies can pay less taxes than small companies. This can happen because larger companies can optimize their tax management and are able to utilize experts to get tax incentives. Company size can be used to represent the company's financial characteristics. Large companies that are well stabilized will find it easier to obtain capital in the capital market than small companies. Because of the ease of access, large companies have great flexibility. The hypotheses that can be drawn up based onthe theory and previous research above are:

H1: Firm size has an effect on tax management.

Profitability

An increase in profit will lead to an increase in taxes owed. Managers will optimize so that the compensation obtained for their performance is not reduced (Imelia, 2015). Companies with higher profits/profitability will pay more taxes than companies with lower levels of profit. When the profit earned increases, the amount of income tax will automatically increase and in accordance with the increase in companyprofits.

This is in line with the progressive tax rate adopted by the Indonesian state, where the higher the level of profit, the higher the tax imposed. The reduced corporate tax burden because companies with high incomes manage to take advantage of the benefits of tax incentives and other tax deductions can cause the company's effective tax rate to be lower than it should be. The hypotheses that can be drawn up based on the theory and previous research above are:

H2: Profitability has an effect on tax management.

Company Payables

The level of debt or leverage is the use of a number of funds that can be obtained from the external part of the company in the form of debt that can be used to cover the company's assets and investments. In doing financing with debt, especially with long-term debt and will generate interest costs, where for companies the interest costs on debt can reduce the tax costs that must be paid (Ngadiman and Puspitasari 2014; Sadewo and Hartiyah 2017).

The company's debt will cause interest expense to be paid regardless of the company's profit. Managers of companies can usually take advantage of interest costs as a tax deduction to increase profits in the future. Because this condition makes interest costs act as a tax shield to reduce the company's tax burden.

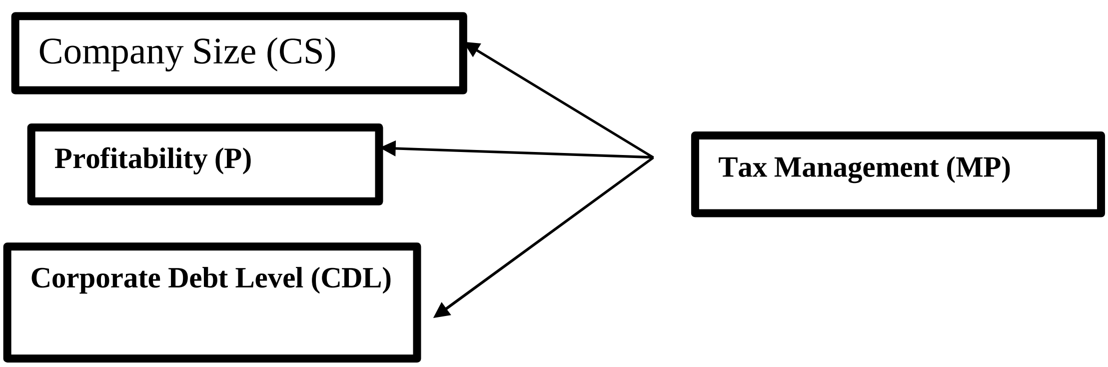
Large debt can make companies get tax incentives in the form of tax breaks on loan interest. When a company uses debt in its funding, there will be debt interest costs that will arise. Interest costs incurred on debt can be used as a tax deduction so that it can increase company profits. In research by Ardyansyah (2012) shows that corporate debt can reduce the tax burden paid by utilizing debt interest as a tax deduction. The hypotheses that can be drawn up based on the theory and previous research above are:

H3: The level of debt has an effect on tax management.

III. Conceptual Framework

In accordance with the literature review that has been stated above and by looking at the results of research related to the effect of firm size, profitability, and corporate debt levels on tax management then the author develops a theoretical framework related to the research as a basis for determining the hypothesis, in the form of a systematic diagram through the chart described below.

Variable Independen (X) **Variable Dependen (Y)**



IV. Research Method

The population is the entire object of research determined by the researcher. According to Sugiyono (2012) population is a generalization area consisting of objects and subjects that have certain qualities and characteristics that are applied by researchers. The population in this study was all food and beverage sub-sector industrial companies listed on the Indonesia Stock Exchange in 2016-2021 which were obtained through the www.idx.co.id website and related company websites.

The criteria for determining the sample used by researchers in this study are as follows:

Food and beverage sub-sector consumption companies listed on the IndonesiaStock Exchange in 2016-2021.

a. Have complete financial data needed every year from 2016-2021.
b. Annual financial reports use Rupiah (Rp).
c. Companies that do not experience losses in 2016-2021.
d. Companies that do not undergo an IPO after the population year
e. Companies that will be selected to conduct research are companies that have complete data on financial statements relating to the measurement of the variables used in this study.

Data Analysis

The magnitude of the regression coefficient is obtained from the following equation:

TM = a + b1CS + b2 P + b3 CDL + e

Moderating Variable

Company size

Company size is the wealth owned by the company. Company size is used to determine the size of the company. The way to determine the size of the company can be seen from the total assets that are still owned by the company. The formula that can be used in this study uses the formula used in Darmadi's research (2013):

Company Size = Natural Logarithm of Total Assets

Profitability

Profitability describes the company's ability to generate profits in a period derived from the use of assets or capital. Profitability consists of several ratios, one of which is return on assets. Return on Assets (ROA) is an indicator that reflects the company's financial performance, the higher the ROA value that can be achieved by the company, the company's financial performance can be categorized as good (Maharani and Suardana, 2014).

$$\text{ROA} = \frac{Net\ profit}{Total\ Æssets}$$

Corporate Debt Level

Debt is one source of funding from outside parties that can arise to finance the company's main activities. The more sources of funding that come from debt, the higher the level of company debt. To calculate the level of company debt in this studyusing the formula used in Imelda's research (2015), namely:

$$\text{Company's Debt Level} = \frac{Total\ Debt}{Total\ Æssets}$$

V. Result and Discussion

1. Descriptive statistic

Variable	N	Mean	Min.	Max.	SD
CS	93	25,56	32,82	28,7216	1,70879
P	93	,01	,23	,0888	,05698
CDL	93	,06	,75	,3688	,16329
TM	93	,12	,40	,2454	,05098
Valid(listwise	N	93			

From the table above, it can be seen that the number of samples is 93 company years. The dependent variable of tax management has the lowest value of 0.12 which is found in the Wilmar Cahaya Indonesia Tbk Company. in 2016 and the highest value of 0.40 found in the company Sentra Food Indonesia Tbk,. in 2018. The mean value of tax management is 0.245 and the standard deviation is 0.5098.

The independent variable company size has the lowest value of 25.56 which is found in the company Sentra Food Indonesia Tbk. in 2018, and the highest score of 32,820 was found in the company Indofood Sukses Makmur Tbk. The mean value of the company size is 28.7216 and the standard deviation is 1.70879.

Profitability has the lowest value of 0.01 which is found in the Sentra Food Indonesia Tbk Company. in 2018 and the highest value of 0.23 was found in the company Delta Djakarta Tbk. in 2016. The mean value of profitability is 0.0888 and thestandard deviation is 0.05698.

The Company's Debt Level has the lowest value of 0.06 which is found in the Multi Bintang Indonesia Tbk Company. In 2018 and has the highest value of 0.75 found in the Wahana Interfood Nusanatara Tbk company, in 2018. The mean value of the company's debt level is 0.3688 and the standard deviation value is 0.16329.

2. Hypothesis Testing

a. Multiple Linear Regression Test

In this study, hypothesis testing was carried out using a multiple linear regression analysis model, which was tested using the SPSS version 21 statistical tool. The following is a multiple linear regression analysis table:

Coefficients[a]

Model		UnstandardizedCoefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
	(Constant)	,185	,087		2,120	,037
1	CS	,003	,003	,094	,925	,358
	P	-,258	,102	-,288	-2,528	,013
	CDL	,008	,035	,024	,215	,830

a. Dependent Variable: MP

Based on the predetermined regression formula, the regression model is obtainedas follows:

MP = 0.185 + 0.003 UP – 0.258 PROF + 0.008 THP + e

From the regression equation above, it can be interpreted as follows:

a. Constant of 0.185, meaning that Tax Management will be worth 0.185 if each independent variable in the study, namely company size, profitability, and company debt level has a value of zero.

b. Firm size variable has a regression coefficient value of 0.003. If the percent increase in the firm size variable with the value of the other independent variables remains constant, then the firm value will increase by 0.003.

c. The profitability variable has a regression coefficient of 0.258. If the percentage increase in the profitability variable with the value of the other independent variables remains constant, then the profitability will increase by 0.258.

d. The variable level of corporate debt has a regression coefficient of 0.008. If the percentage increase in the profitability variable with the value of the other independent variables remains constant, then the company's debt level willincrease by 0.008.

b. Statistical test (t test)

The test will basically show the effect of the independent variable individually on the dependent variable. The results of the t-test that have been carried out byresearchers can be seen in the table below, as follows:

Hasil Uji Statistik t			
Variabel	**Thitung**	**Sig**	**Keterangan**
Corporation Size	0,95	0,358	H1 rejected
Profitabily	-2,528	0,013	H2 received
Corporate Debt Level	0,215	0,830	H3 rejected

Based on the table above, it can be seen that the profitability variable has an effect on tax management. This can be proven by the results of the profitability sig value of 0.000 < 0.05. While the variable size of the company and the level of corporate debt have no effect on tax management. This is evidenced by the sig result of the tax payable level of 0.000 > 0.05.

c. F test

The F test is used to determine whether the independent variables simultaneously have a significant effect on the dependent variable. Here is theF test table that has been tested:

ANOVA[a]

Model		**Sum of Squares**	**df**	**Mean Square**	**F**	**Sig.**
1	**Regression**	,022	3	,007	3,038	,033[b]
	Residual	,217	89	,002		
	Total	,239	92			

a. Dependent Variable: TM

b. Predictors: (Constant), CS, P, CDL

Based on the table above, the results of the F test show a significant value of 0.033. The significance value produced by the F test < 0.05. So it can be concluded that the regression model is feasible to be used as a model in this study.

d. Coefficient of Determination ()

The coefficient of determination () test is used to measure the size of the model's ability to explain the dependent variable. A value with 0 < 1 indicates the ability of the independent variable in explaining the variation of the dependent variable is very limited, the higher the value of the coefficient of determination, the better. Thetable below will show the results of the coefficient of determination test.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,305[a]	,093	,062	,04937

a. Predictors: (Constant), CS,P, CDL

Based on the table above, it can be seen that the coefficient of determination can be seen from the Adjusted R Square value of 0.062. Which means that independent variables such as company size, profitability, company debt level are able to explain the related variables, namely tax management by 6.2% while 93.8% is explained by other variables outside the variables.

VI. Conclusion

The population is the entire object of research determined by the researcher. According to Sugiyono (2012) population is a generalization area consisting of objects and subjects that have certain qualities and characteristics that are applied by researchers. The population in this study were all food and beverage sub-sector industrial companies listed on the Indonesia Stock Exchange in 2016-2021 which were obtained through the www.idx.co.id website and related company websites.

The purpose of this study was to determine whether the size of the company, profitability, level of corporate debt affect tax management. The result is that profitability has an effect on tax management, while the variables of firm size andcorporate debt have no effect on tax management.

The larger the size of the company, the easier it will be for the company to obtain sources of funding or capital, both internal and external. Large-scale companies will tend to attract interest from investors because it will have an impacton the value of the company.

Companies can minimize the effective tax rate by spending the profits earned on things that are beneficial to the company. It can also be through non-taxable and final income which becomes a deduction in the calculation of taxable income. According to agency theory, the higher the profitability of the company, the manager will carry out tax management as much as possible so that the tax burden paid is small and the manager gets compensation as part of the agency cost.

If the company's debt level is high, then the value of the company will decrease and cause investors to lose confidence and not dare to take big risks.

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