

The Influence of Corporate Social Responsibility, Profitability, Liquidity, and Leverage on Tax Aggressivity

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Abstract:

Purpose:

The phenomenon that occurred in 2019, PT. Adaro Energy Tbk. Do something avoidance related to payment tax by implementing transfer pricing through the branch. The Company is located in Singapore and is called Coaltrade Services International. From 2009-2017, information via child company pays tax amounting to 125 million USD or Rp. 1.75 trillion (exchange rate Rp. 14,000) or more small from it should be charged in Indonesia. Study This aims To analyze the influence of corporate social responsibility, Profitability, liquidity and Leverage on aggressiveness tax on IDX30 companies listed on the Indonesian Stock Exchange in 2020-2022.

Methodology:

This study is based on a deep data study, using secondary data from IDX30 companies listed on the Indonesian Stock Exchange from 2020 to 2022. 13 companies were included in the study and selected through a purposive sampling method. The data was analyzed using multiple linear regression, a statistical technique used to analyze the relationship between multiple independent variables and a dependent variable.

Findings:

Research results show that corporate social responsibility positively and significantly impacts aggressiveness tax.

Implication:

On the other hand, Profitability, liquidity, and Leverage are not influential factors in aggressive tax.

INTRODUCTION

Companies are one of the objects of income tax, namely corporate tax. Law no. 36 of 2008 Article 2 Paragraph (1) Letter b explains that The subject of corporate tax is a group of people and capital, which is a unit, either carrying on business or not carrying on business, which includes limited liability companies, limited liability companies, other companies, owned business entities. State or regionally owned business entities of any name and form, firms, cooperatives, pension funds, alliances, foundations, mass organizations, socio-political organizations, other organizations, institutions and other forms of bodies, including collective investment contracts and other permanent business forms.

For companies, taxes are considered a burden that the Company must bear (Arienata et al., 2024). Significant tax costs can reduce the profits obtained by the Company. The tax that must be paid to the state treasury depends on the profit the Company makes. Tax payments by statutory provisions are considered to be contrary to the Company's primary objective, namely maximizing profits. In this way, the Company will minimize the tax it must pay. It makes it possible for companies to carry out tax aggressiveness (Kusumaningarti, 2023).

Tax aggressiveness is an action to minimize the tax burden by exploiting the weaknesses of tax provisions. This action is a public concern because it concerns company ethics and is not to society and the government's

expectations, which could be detrimental to the country. Companies have two types of tax aggressiveness: legal (tax avoidance) and illegal (tax evasion). The higher the savings made by the Company, the more aggressive the Company will be with its taxes (Kamela et al., 2023).

The phenomenon carried out by PT. Adaro Energy Tbk. Related to evasion of tax payments. One of the largest coal companies in Indonesia. In 2017, news emerged in 2019 by Global Witness, PT. Adaro Energy Tbk. Carried out evasion regarding tax payments by implementing transfer pricing through the Company's branch located in Singapore, namely Coaltrade Services International. From information from 2009-2017, they paid taxes of 125 million USD or Rp through subsidiaries. 1.75 trillion (exchange rate Rp. 14,000) or less than Indonesia should charge (Ria, 2023).

Based on this case example, tax aggressiveness is very detrimental to the government and even the state because the taxes paid by companies are funds owned by the state to advance the welfare of the people. This tax aggressiveness directly attracts public attention and can negatively change public perception of the Company. Therefore, several researchers have tried to link the Company's financial condition to tax aggressiveness.

The results of research from previous researchers regarding tax aggressiveness, which is influenced by Corporate Social Responsibility (CSR) factors where (Kurniawati, 2019), (Fung, 2022) stated that CSR has a negative and significant effect on tax aggressiveness. These results show that the higher the level of CSR disclosure of a company, the lower the level of tax aggressiveness. If companies become more aware of the importance of CSR, then they will increasingly realize how significant the company's contribution is in paying taxes. This is because the company's taxes will later be provided as services and facilities to benefit society and the state. So, the company's obligation to pay taxes reflects that it cares about the environment and social conditions where it operates. The more aggressive a company is in taxation, the less concerned the company is about the surrounding environment. Different research results are shown by research conducted by (Ramadani & Hartiyah, 2020) and (Jasman and Mustika, 2023), which state that CSR positively affects tax aggressiveness. This research proves that the higher the CSR, the higher the tax aggressiveness. This is because the company interacts with society through corporate social responsibility (CSR) (Laksmi et al., 2023). This form of corporate social responsibility aims to attract public attention so that the company gets a good impression and is accepted by society (Sanjayani et al., 2024).

Based on previous research regarding tax aggressiveness conducted by (Ayem & Setyadi, 2019), (Asah & Adji, 2019) and (Tabrani et al., 2020), it is stated that profitability has a significant positive effect where it is assumed that profitability can indicate the company's ability to earn profits concerning sales, own capital or fixed assets. The greater the profitability, the greater the tax that must be paid, so the aggressiveness will be higher by minimizing ETR. The greater the profitability obtained by the company, the more the company will take tax aggressiveness because companies with enormous profitability will try to minimize the burden. Taxes that the company must pay. It differs from research conducted by (Dinar et al., 2020), which states that profitability negatively affects tax aggressiveness. It is assumed that the higher the profits obtained by a company, the lower the indication of the company taking tax aggressiveness.

Corporate Social Responsibility. According to The World Business Council for Sustainable Development (WBCSD) or what is currently called Business Action For Sustainable Development, Corporate Social Responsibility (CSR) is a form of action that departs from company ethical considerations that are directed at improving the economy, which is accompanied by improving the quality of life (Saputra, 2021). For employees and their families, it is essential to improve the quality of life of the surrounding community and broader society (Oktris et al., 2021).

Profitability. Agency theory states that the greater the Profitability, the greater the tax that must be paid, so aggressiveness will be higher by minimizing ETR; it can be concluded that the greater the Profitability obtained by the Company, the Company will take tax aggressiveness because the Company has higher Profitability. Large companies will try to minimize their tax burden (Zenuari & Mranani, 2019).

Liquidity. According to (Ramadani & Hartiyah, 2020), liquidity is defined as having adequate sources of funds to meet maturing needs and obligations and the ability to buy and sell assets quickly. A company has a greater level of liquidity if its current assets are much greater than its current liabilities, which must be met immediately. Companies with high liquidity indicate the Company's ability to meet short-term debt.

Leverage. The higher the Leverage, the higher the risk the Company must bear because the Company has to pay high debt interest using the results of its operations, thereby reducing the Company's net profit. The reduction in company profits by interest costs results in a smaller tax burden borne by the Company. Companies are considered to have deliberately taken on high debt to profit from charging Interest on the debt, which will reduce the Company's profits (Dinar et al., 2020).

Tax Aggressiveness. Tax aggressiveness is an action that aims to reduce a company's tax obligations by manipulating profits through tax planning using both legal (tax avoidance) and illegal (tax evasion) methods. Tax aggressiveness is in the gray area, namely avoiding taxes by exploiting legal weaknesses (Mustofa et al., 2021). Tax planning, in general, emphasizes minimizing tax liabilities (Vitaloka et al., 2023).

METHODS

The research location used is the Indonesian Stock Exchange (BEI), which can also be accessed on the BEI website, namely www.idx.co.id, where you can obtain financial reports. The population of this research is all annual financial reports of IDX30 companies with the year of research used, namely 2020-2022. The number of samples that meet the criteria with 3 (three) years of observation is 39 financial reports and sustainability reports for IDX30 companies. The type of data in this study is quantitative data. According to the source, this study's data is secondary. The data analysis technique used to solve the problem in this study is multiple linear regression analysis.

RESULTS AND DISCUSSION

The results of the normality test show that the Kolmogorov-Smirnov value is $0.414 > 0.05$, indicating that the data used in this study is usually distributed. The multicollinearity test results are if there are no independent variables whose tolerance value is less than 0.10 and no independent variables whose VIF value is greater than 10. The heteroscedasticity test results are if each model has a significance value greater than 0.05.

The results of multiple linear regression analysis with the SPSS program are presented in the table below.

Table 1. Results of Multiple Linear Regression Analysis

		Coefficients ^a			t	Sig.
Model		Unstandardized	Standardized			
		Coefficients	Coefficients			
		B	Std. Error	Beta		
1	(Constant)	3.091	1.367		2.261	.000
	CSR	0,153	0,071	0,368	2,137	0,040
	ROA	0,055	0,110	0,083	0,503	0,618
	CR	-0,021	0,013	-0,484	-1,553	0,130
	DAR	-0,173	0,091	-0,587	-1,889	0,067

a. Dependent Variable: ETR

Source: Processed data (2024)

From the multiple linear regression analysis results in Table 1 above, the regression equation can be prepared as follows: $Y = 0.265 + 0.153 X_1 + 0.055 X_2 - 0.021 X_3 - 0.173 X_4$.

If the values of the variables X_1 (CSR), X_2 (ROA), X_3 (CR) and X_4 (DAR) are constant or equal to zero, the size of the variable Y (ETR) is 0.265.

The coefficient value of the variable X_1 (CSR) is 0.153. The positive sign indicates a change in variable X_1 (CSR) direction towards variable Y (ETR). It means that if the Corporate Social Responsibility (CSR) variable increases by 1 (100%), the tax aggressiveness variable will also increase by 0.153 (15.3%) and vice versa.

The coefficient value of the variable X_2 (ROA) is 0.055. The positive sign indicates a change in variable X_2 (ROA) direction towards variable Y (ETR). If the profitability variable increases by 1 (100%), the tax aggressiveness variable will also increase by 0.055 (5.5%) and vice versa.

The coefficient value of the variable X_3 (CR) is -0.021. The negative sign indicates a change in the opposite direction of variable X_3 (CR) to variable Y (ETR). If the liquidity variable increases by 1 (100%), the tax aggressiveness variable will decrease by 0.021 (2.1%) and vice versa.

The coefficient value of the variable X_4 (DAR) is -0.173. The negative sign indicates a change in the opposite direction of variable X_4 (DAR) to variable Y (ETR). If the leverage variable increases by 1 (100%), the tax aggressiveness variable will decrease by 0.173 (17.3%) and vice versa.

Based on the results of the determination test, it is known that the Adjusted R Square value is 0.056 or 5%. These results show that the ability of the independent variables, namely Corporate Social Responsibility (CSR), Profitability (ROA), Liquidity (CR) and Leverage (DAR), to explain the dependent variable, namely Tax Aggressiveness (ETR) is 5%. Meanwhile, the remaining 95% is influenced or explained by other variables. The variables referred to in 95% are assumed to be variables in previous research that influence Tax Aggressiveness.

The research results using the t-test state that the Corporate Social Responsibility (CSR) variable has a positive and significant influence on the tax aggressiveness variable. From these results, the higher the level of CSR disclosure in a company, the higher the level of tax aggressiveness. This research indicates that the costs used for CSR activities are intended as a deliberate action to implement tax aggressiveness through costs allocated for CSR activities. Companies with a high level of tax aggressiveness tend to make good CSR disclosures because these companies try to cover up their tax aggressiveness. These results are from previous research conducted by (Jasman & Mustika, 2023) and (Zulia and Faradila, 2023). A company with a high level of tax aggressiveness will disclose more excellent corporate social responsibility information to cover its tax aggressiveness from the government. Tax aggressiveness is an action that is not in line with the government's expectations and disrupts the relationship between management (agent) and government (principals). The government's negative assessment of the Company has the potential for loss of company access, which will threaten the Company's survival. It encourages companies to reveal their social responsibilities more widely to reduce the negative impacts of tax-aggressive activities.

The research results using the t-test state that the profitability variable (ROA) does not affect the tax aggressiveness variable. From these results, a company's high or low Profitability does not influence tax aggressiveness. The results of this research indicate that companies can manage their income and tax payments, and the greater the Company's Profitability, the better the Company's performance, so companies are reluctant to carry out tax aggressiveness, which will have an impact if investors find out that the Company is tax aggressive. This research results are from previous research (Zenuari & Mranani, 2019). The Profitability of a company is an important indicator of its financial health.

The research results using the t-test state that the liquidity variable (CR) has no effect on the tax aggressiveness variable. From these results, the higher or lower the Company's liquidity level, the less it affects the Company's tax aggressiveness. The lack of influence of liquidity on tax aggressiveness could be due to the sample companies' pretty good average liquidity value. In this case, if the Company can fulfill its financial obligations on time, then the Company is in a liquid state, which is indicated by a good level of liquidity. The Company can pay

its tax obligations by tax provisions so that the Company does not carry out tax aggressiveness (Endin Alfin, 2022). The results of this research are from previous research conducted (Kurniawati, 2019), (Hidayat & Muliarsi, 2020), and (Kamela et al., 2023).

The research results using the t-test state that the leverage variable (DAR) has no effect on the tax aggressiveness variable. From these results, the higher or lower the leverage level of a company, the less it will influence the Company in carrying out tax aggressiveness. The results of this research are research conducted by (Goh et al., 2019) that the higher or lower Leverage of a company will not affect the Company's dependence on asset financing through debt or loans to companies that have fixed burdens in the form of interest expenses due to Interest is included in expenses that can reduce taxable income.

CONCLUSION

Based on the results of the analysis and discussion described above, the following are the conclusions of the results of this research:

1. The analysis results show that Corporate Social Responsibility (CSR) positively affects Tax Aggressiveness in IDX30 index companies listed on the Indonesian Stock Exchange, so the first hypothesis is rejected.
2. The analysis results show that Profitability does not affect tax aggressiveness in IDX30 index companies listed on the Indonesian Stock Exchange, so the second hypothesis is rejected.
3. The analysis shows that liquidity does not affect Tax Aggressiveness in IDX30 index companies listed on the Indonesian Stock Exchange, so the third hypothesis is rejected.
4. The analysis shows that Leverage has no effect on Tax Aggressiveness in IDX30 index companies listed on the Indonesia Stock Exchange, so the fourth hypothesis is rejected.

Suggestion. For further research, it is recommended to add companies in indexes other than the IDX30 index or other company sectors as research objects. In this way, the influence of corporate social responsibility, Profitability, liquidity, and Leverage on corporate tax aggressiveness can be seen. In addition, it is recommended to use a research period of more than three years, for example, 5 to 10 years, so that the long-term influence on the Company can be known. Future research is expected to add research variables that influence tax aggressiveness, such as company size, capital intensity, independent commissioners, and corporate governance.

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