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The Influence of Leverage and Liquidity to Tax Avoidance in Properties & Real Estate Companies Listed on the IDX for the Period 2019-2021

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ABSTRACT

The purpose of this study is to examine the effect of leverage and liquidity on tax avoidance, with thin capitalization as a moderating variable. The research population consists of 53 property and real estate companies listed on the Indonesia Stock Exchange (IDX) during the period 2019-2021. Data collection was conducted using purposive sampling. The analytical method employed in this study is regression analysis with the assistance of SPSS software. Based on the results of the analysis, it can be concluded that leverage has a positive effect on tax avoidance in property and real estate companies listed on the IDX during 2019-2021, while liquidity has a negative effect on tax avoidance in the same sector and period.

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INTRODUCTION

Particularly in Indonesia, taxes are essential to the growth and self-sufficiency of the national economy. One of the primary sources of domestic state income is tax revenue. After gas and oil, taxes are the state's second-largest source of income. Nearly every industry benefits from taxes, including public infrastructure and amenities, healthcare, education, and transportation. To meet the funding needs of government expenditures and national development, the Directorate General of Taxes (DGT) must increase tax revenue. State revenue from the tax sector must be maximized to ensure the country's growth rate and development progress. This is expected to encourage taxpayers to comply with their tax obligations in accordance with applicable tax regulations.

In the current APBN this, tax is source income main (APBN). In 2018, 2019, and 2020, taxes contributes an average of 80% of total state revenue. Unfortunately, the tax target government No Once achieved in ten year before (Victoria, 2022). This Because amount taxes paid to tax authorities tend reduced by mandatory taxes in general, including individuals or body.

As has been known that objective main something company operate is for maximize mark company and produce prosperity for owners and interested parties with company, where company face risk loss or no get expected benefits (Rismala et al., 2022). Naturally contrasting state interests with interest company or body. The differences that emerge between companies and government be one of reason Why must tax avoid tax for the country. Taxes are financing state expenditure with utilise income earned from payment tax. Compared backwards with business entities, taxes counted as the burden that will be will influence decrease business entity profits (Alfaruqi et al., 2019).

Avoidance tax be one of method used by the mandatory corporate tax for lower payment tax they (Falbo & Firmansyah, 2018). In practice tax avoidance is dilemma problem because in one side avoidance tax No violate regulations, will but on the other hand tax avoidance No desired by the government. Taxpayers No in a way clear violate Constitution However No in accordance with purpose and objectives law. A management company only try minimize obligations that are considered legal in

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matter do various method reduce burden tax. Martinus et al. (2021) explain that lack of incentive government and conflict interest business is other contributing factors to avoidance tax.

According to Tax Justice Network, Indonesia is estimated lost up to US$ 4.86 billion every year consequence embezzlement tax. With Rupiah exchange rate of Rp. 14,149 per US dollar in November 2020, the amount the equivalent with Rp. 68.7 trillion. According to study The Status of Tax Justice 2020: Tax Justice in the Time of Covid-19 by Tax Justice Network, reached US$ 4.78 billion or Rp. 67.6 trillion, from amount the is results avoidance tax companies in Indonesia. The remaining US$ 78.83 million or almost Rp. 1.1 trillion originate from must personal tax. This is give proof that avoidance tax Still Lots carried out by companies in Indonesia. The level of compliance of corporate taxpayers is still very relative. less, thing This can seen in the table following.

Table 1. Ratio Compliance Submission of Annual Tax Return 2019-2021 Corporate Income Tax

Description	2021	2020	2019
Registered Taxpayers Obliged to Submit SPT	1,652,573	1,482,500	1,472,217
Annual Income Tax Return (reported)	887,762	891,877	963,814
Compliance Ratio	53.72%	60.16%	65.47%

Source: www.pajak.go.id (Lakin DJP)

From the table on happen increase number of Corporate Taxpayers, will but reporting of SPT experienced decline that causes decline level ratio compliance. There is a decrease level ratio possibility occurrence practice avoidance taxes paid by companies. Of the 12 sub - sectors industries listed on the Indonesia Stock Exchange, found that Properties & Real Estate sector is the highest sector do action tax avoidance on average in 2016-2020. This based on study Awaliah (2022), who found a number of company sufficient property aggressive do action tax avoidance, such as PT Bumi Serpong Damai Tbk, PT Metropolitan Land Tbk. With thus, it can withdrawn conclusion that based on the largest ETR sector value do avoidance tax is sector property and real estate, things This proven with minimum ETR statistical data showing that for five years consecutive sector property and real estate become sector with the lowest ETR value matter That means that burden the smallest tax paid, this This can made into as reject measuring that sector the do action avoidance the biggest tax for five years period study.

There is a number of factor affecting company do avoidance tax, namely leverage and liquidity. Leverage used For measure to what extent assets company financed by debt. Debt can cause decline tax due to There is interest expense incurred from debts owned by the company. The size of the debts leverage in the company can influence big small taxes paid company. This is due to interest costs from debt can reduced in count burden tax so that burden tax become more small. Although No all interest expense can charged related rules set by the tax authorities, but here the Taxpayer still can " play" for reduce the tax.

Then it is said Febrilyantri (2022) liquidity is factors that can influence avoidance tax, because liquidity is ability company in fulfil obligation term in short. Liquidity tall reflect that company can fulfil obligation term in short, on the contrary If liquidity low, reflecting that company difficulty fulfil obligation term short. Difficulty liquidity This potential company do effort tax avoidance due to company want to pressing expenditure burden tax as one of the effort savings and ways maintain cash flow.

Research conducted by Josafat & Febrianti (2023) shows that leverage influences tax avoidance. Leverage increases corporate debt, thereby reducing taxable profit due to the increased tax incentives on debt interest. Interest expense from corporate debt is a deductible expense, thus reducing the tax burden and reducing tax avoidance. Furthermore, research conducted by Abdullah (2020) shows that liquidity influences tax avoidance.

LITERATURE REVIEW

Tax Avoidance

Mardiasmo (2019:13) states that tax avoidance is an effort to reduce the tax burden without violating the law. Tax avoidance is often associated with tax planning because it uses legal means to reduce tax obligations. Tax avoidance is generally carried out through complex, systematically designed transaction schemes. Tax avoidance involves exploiting loopholes or ambiguities in tax law that allow

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taxpayers to reduce their tax burden. This may involve selecting certain business structures, investments, or financial transactions that are legitimate from a tax perspective. Although the goal is to reduce taxes payable, tax avoidance must also be transparent and honest. According to Jumailah (2020), tax avoidance is a scheme created by companies that aims to minimize the tax burden without violating tax regulations. The proxy used to measure tax avoidance in this study is the Cash Effective Tax Rate (CETR). A lower CETR value indicates that a company is engaging in tax avoidance practices. The formula used in calculating CETR according to Subagiastra, et al (2019), namely:

$$\text{CETR} = \frac{\text{Tax Payment}}{\text{Profit before Tax}}$$

Leverage

Scarborough & Cornwell (2016) say that ratio Leverage measure financing provided by the owner company against that provided by the creditor, namely size depth of company debt. Ratio This show in financing business, how much Lots businessman use debt funding rather than capital. Leverage ratio describe proportion of debt to asset or equity (Murhadi, 2013). Known ratios as leverage used For evaluate how much big debt used For funding asset company (Manik & Darmamsyah, 2022). Ratio This show ability company For pay all commitment term short and long term length, but in reality, the company own a number of source financing that can be chosen For cover difference funding. For count leverage, in study This use it formula like following (Wahyuni, et al., 2019):

$$\text{DAR} = \frac{\text{Total Utang}}{\text{Total Asset}}$$

Liquidity

Liquidity, as defined by Brigham and Houston (2020), is the ability to swiftly transform assets into cash at the present market price. A company's strong capacity to satisfy its short-term commitments is reflected in a high liquidity number. Gultom (2021) defines liquidity as the ratio of current assets to current liabilities, which indicates a company's short-term liquidity potential. Low-liquidity businesses will postpone or evade paying taxes in order to preserve operating cash flow. The Current Asset (CR) ratio is used in this study to determine liquidity. The current ratio formula according to Brigham and Houston (2010) is as follows:

$$\text{CR} = \frac{\text{Current assets}}{\text{Current Debt}}$$

From the description above, it can be described that the framework of thought used in this research is as follows:

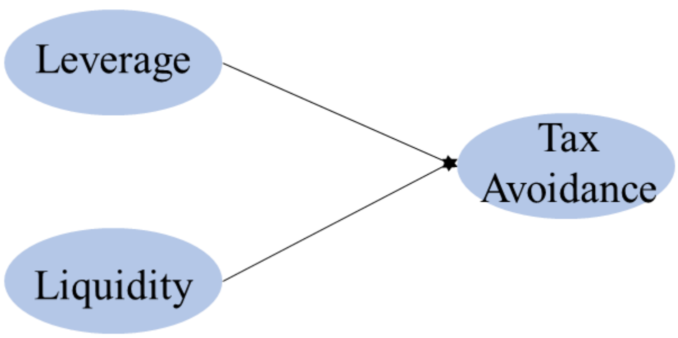

Figure 1 Research Framework

Referring to the framework of thought above, the hypothesis proposed in this study is:

H1: Leverage has a positive effect on tax avoidance
H2: Liquidity has a negative effect on tax avoidance

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RESEARCH METHODS

The objective of this study was to analyze a sample of the population in order to statistically explain its attitudinal tendencies. There are two independent variables and one dependent variable in this study. Leverage and liquidity are the study's independent variables, whereas tax evasion is the dependent variable. A property and real estate corporation makes up the study's population. Between 2019 and 2021, 53 firms were listed on the IDX. Purposive sampling was used in the data gathering process. Consumer products firms that satisfied the following criteria comprised the study's sample:

1. Properties & real estate companies listed on the Indonesia Stock Exchange (IDX) for the period 2019-2021.
2. Consistent properties & real estate company display report finance annual period 31 December 2019-2021.

Financial and annual reports covering the years 2019–2021 make up the secondary data used in the study. Information was taken from the websites of each business. Regression analysis using SPSS was the data analysis technique employed in this investigation. However, traditional assumption tests, such as those for autocorrelation, heteroscedasticity, multicollinearity, and normality, were performed before the study.

RESULTS AND DISCUSSION

Normality Test

Data will be normally distributed if the probability value (p-value) is greater than the 5% significance level. The results of the normality test in this study can be seen in the following figure:

Table 2. Normality Test Results

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		60
Normal Parameters[a,b]	Mean	,0000000
	Std. Deviation	,39966764
Most Extreme Differences	Absolute	,274
	Positive	,274
	Negative	-,210
Test Statistic		,274
Asymp. Sig. (2-tailed)		,200[c]

a. Test distribution is Normal.
b. Calculated from data.
c. Lilliefors Significance Correction.

Source: Results of Data Processing with SPSS

Based on the image above, it shows that the probability value is 0.200 which is greater than the significance level of 0.05, so it can be concluded that the data in this study is normally distributed.

Multicollinearity Test

The outcomes of the multicollinearity test in this research are presented in the table below.

Table 3. Multicollinearity Test Results

Coefficients [a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-,099	,180		-,549	,585		
	LEV	,873	,326	,358	2,675	,010	,831	1,203
	CR	-,014	,030	-,064	-,481	,633	,831	1,203

a. Dependent Variable: ETR

Source: Results of Data Processing with SPSS

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Based on the results of the multicollinearity test in the table above, it shows that the VIF value of the variable is less than 10. Thus, it can be concluded that all variables are free from multicollinearity problems because the VIF value is < 10.

Heteroscedasticity Test

A heteroscedasticity test is conducted to assess whether a regression model demonstrates unequal variance among the residuals across observations. Cross-sectional data are generally prone to heteroscedasticity, as they often include units of varying scales small, medium, and large (Ghozali, 2016). The outcomes of the heteroscedasticity test in this study are presented in the table below:

Table 4. Results of Heteroscedasticity Test

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-,102	,140		-,726	,471
	LEV	,810	,254	,421	,894	,062
	CR	,001	,023	,007	,050	,961

a. Dependent Variable: ABS_RES
Source: Results of Data Processing with SPSS

The heteroscedasticity test indicates that the significance value exceeds 0.05, suggesting that the variable is free from heteroscedasticity, as the threshold of significance is greater than 0.05.

Autocorrelation Test

According to Santos (2015), the decision criterion in the Durbin-Watson test is as follows: a value less than –2 suggests the presence of positive autocorrelation, a value between –2 and +2 indicates the absence of autocorrelation, and a value greater than +2 reflects negative autocorrelation. The outcomes of the autocorrelation analysis are summarized in the subsequent table:

Table 5. Autocorrelation Test Results

Model Summary [b]

Model	R	R Square	Adjusted R Square	Standard Error of the Estimate	Durbin-Watson
1	,889 [a]	,751	,121	,40662	1,252

a. Predictors: (Constant), CR, LEV
b. Dependent Variable: ETR
Source: Results of Data Processing with SPSS

The autocorrelation test yielded a Durbin-Watson score of 1.427, which ranges from -2 to + 2. This leads to the conclusion that autocorrelation is not present in the data in the model for the study variables.

Hypothesis Testing

Determination Analysis (R2)

The percentage contribution of the independent variables' combined impact on the dependent variable is ascertained by determinant analysis. The following table displays the findings of this study's determination coefficient test.

Table 6. Results of Determination Analysis

Model Summary [b]

Model	R	R Square	Adjusted R Square	Standard Error of the Estimate
1	,889 [a]	,751	,121	,40662

a. Predictors: (Constant), CR, LEV
b. Dependent Variable: ETR
Source: Results of Data Processing with SPSS

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The Adjusted R-Square value, as determined by the coefficient of determination test, was 75.1%, or 0.751. This indicates that the combined impact of the liquidity and leverage factors on tax evasion is 75.1%. Other factors not included in the research model that were not included in this study have an impact on the remaining 14.9%.

t-test

Partial hypothesis testing (t-test) is used in research to test hypotheses. In essence, the t-statistic test shows how much each independent or explanatory variable affects the variance of the dependent variable (Ghozali, 2018:143). The sig. (p-value) in the coefficient table is the criterion used to evaluate the variable's effect. It is possible to conclude that there is a partial impact between the independent and dependent variables if the sig. value is smaller than the alpha value (5%).

Table 7. Partial Test Results (t-Test)

Coefficients [a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	-,099	,180		-,549	,585
	LEV	,873	,326	,358	2,675	,010
	CR	-,614	,030	-,064	-1,481	,033

a. Dependent Variable: ETR

Source: Results of Data Processing with SPSS

H1: Leverage and Tax Avoidance

The coefficient value is known Beta has a positive correlation of 0.873 with a significance value of 0.010 < 0.05. Thus, the first hypothesis is accepted. This means that leverage has a positive effect on tax avoidance.

H2: Liquidity and Tax Avoidance

The coefficient value is known Beta has a negative correlation of -0.614 with a sig value of 0.033 < 0.05. Thus, the second hypothesis is accepted. This means that liquidity has a negative effect on tax avoidance.

Discussion

The results of the first hypothesis test indicate that leverage has a positive effect on tax avoidance in properties and real estate companies listed on the IDX in 2019-2021. show that leverage can become indicator in do avoidance tax. One of the effort company in avoidance tax is with method enlarge his debt. With high debt levels so interest expense will be high, so that will reduce burden taxes, which will later will impact on the load tax will reduce profits, so that with reduced profits will reduce burden tax in One period (Feprilyantri, 2022). The height company debt level, can seen through the ratio called leverage.

The results of the second hypothesis test indicate that liquidity negatively impacts tax avoidance in properties and real estate listed on the IDX in 2019-2021. This finding suggests that higher liquidity means lower tax avoidance. In this context, a high liquidity ratio indicates a company's strong cash flow. Furthermore, the company faces no obstacles in fulfilling its tax obligations. These results align with research by Norisa et al. (2022), which found that liquidity negatively impacts tax avoidance. Similar results indicate that liquidity impacts tax avoidance.

CONCLUSION AND SUGGESTIONS

Based on the test results above, it can be concluded that leverage has a positive effect on tax avoidance in properties and real estate companies listed on the Indonesia Stock Exchange (IDX) in 2019-2021. Liquidity has a negative effect on tax avoidance in consumer goods companies listed on the IDX in 2019-2021. The coefficient of determination test results obtained a significant value of 0.751, or 75.1%. This means that the leverage and liquidity variables together have a 75.1% effect on tax avoidance. The remaining 14.9% is influenced by other variables outside the research model that were not used in this study.

Based on the conclusions of this study, companies in the Properties & Real Estate sector are expected to be more transparent in managing their financing structures. Although the use of debt can lower the tax burden by reducing taxable profits, companies still need to consider the long-term financial risks that can arise from high interest expenses. Therefore, decisions regarding financing should not be solely oriented towards tax avoidance efforts, but should also consider long-term financial health and compliance with tax regulations. Furthermore, companies with high liquidity tend to be more compliant with tax obligations. Therefore, companies are expected to continue to improve the efficiency of their cash and current asset management so that they are not only able to meet operational obligations but also become entities that comply with tax regulations, thereby supporting a positive image and long-term business sustainability.

For further research, we should add other variables that could potentially influence tax avoidance. We should expand the observation period to observe long-term trends and obtain more stable and accurate results. We should also compare industry sectors, not only the Property & Real Estate sector, but also other sectors such as manufacturing, mining, or technology, to determine whether the relationship between leverage, liquidity, and tax avoidance is general or sector-specific.

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