

***IMPACT OF PROFITABILITY AND LEVERAGE ON TAX REDUCTION  
(RESEARCH ON MINING COMPANIES LISTED ON THE INDONESIA STOCK  
EXCHANGE 2018-2022)***

**PENGARUH PROFITABILITAS DAN LEVERAGE TERHADAP  
PENGURANGAN PAJAK (PENELITIAN PADA PERUSAHAAN  
PERTAMBANGAN YANG TERDAFTAR DI BURSA EFEK INDONESIA  
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**ABSTRACT**

*The Indonesian government is increasingly optimizing tax revenues as a source of income. The implementation of tax collection by the government does not always receive a good response from companies or agencies. The government pays quite a lot of attention to taxes so the government expects tax payments to be as high as possible to finance government programs. However, unlike companies, taxes describe costs or burdens that will reduce a company's net profit, so companies will pay taxes as low as possible. This research aims to know whether profitability and leverage influence tax avoidance in mining sector companies listed on the Indonesia Stock Exchange in 2018-2022. The factors tested in this research are profitability and leverage as the independent variable, while tax avoidance as the dependent variable. The research method used in this research is descriptive and verification. The population in this research is mining sector companies listed on the Indonesia Stock Exchange for the 2018-2022 period. The sampling technique used in this research is non-probability sampling with a purposive sampling method. The data analysis used in this research is multiple regression analysis using Eviews 12. The results show that partially and simultaneously, profitability and leverage do not affect tax avoidance. The research results also show that the value of profitability and leverage influencing tax avoidance is 6.51%, and the remaining 93.49% influenced by other variables outside the research.*

**Keywords:** *profitability, leverage, tax avoidance*

**ABSTRAK**

Pemerintah Indonesia semakin mengoptimalkan penerimaan pajak sebagai sumber pendapatan. Penerapan pemungutan pajak yang dilakukan pemerintah tidak selalu mendapat respon yang baik dari perusahaan atau instansi. Pemerintah memberikan perhatian yang cukup besar terhadap pajak sehingga pemerintah mengharapkan pembayaran pajak setinggi-tingginya untuk membiayai program pemerintah. Namun berbeda dengan perusahaan, pajak menggambarkan biaya atau beban yang akan mengurangi laba bersih suatu perusahaan, sehingga perusahaan akan membayar pajak serendah mungkin. Penelitian ini bertujuan untuk mengetahui apakah profitabilitas dan leverage berpengaruh terhadap penghindaran pajak pada perusahaan sektor pertambangan yang terdaftar di Bursa Efek Indonesia tahun 2018-2022. Faktor-faktor yang diuji dalam penelitian ini adalah profitabilitas dan leverage sebagai variabel independen, sedangkan penghindaran pajak sebagai variabel dependen. Metode penelitian yang digunakan dalam penelitian ini adalah deskriptif dan verifikatif. Populasi dalam penelitian ini adalah perusahaan sektor pertambangan yang terdaftar di Bursa Efek Indonesia periode 2018-2022. Teknik pengambilan sampel yang digunakan dalam penelitian ini adalah non-probability sampling dengan metode purposive sampling. Analisis data yang digunakan dalam penelitian ini adalah analisis regresi berganda dengan menggunakan Eviews 12. Hasil penelitian menunjukkan bahwa secara parsial dan simultan profitabilitas dan leverage tidak berpengaruh terhadap penghindaran pajak. Hasil penelitian juga menunjukkan bahwa besarnya profitabilitas dan leverage mempengaruhi penghindaran pajak sebesar 6,51%, dan sisanya sebesar 93,49% dipengaruhi oleh variabel lain di luar penelitian.

**Kata Kunci:** *profitabilitas, leverage, penghindaran pajak*

## INTRODUCTION

The Indonesian government is increasingly optimizing tax revenue to fully exploit the country's potential as a revenue source. The government's tax collection is not always well received by businesses and agencies. The government is very concerned about taxes, so they expect the amount of taxes paid to be as high as possible to fund government programs. However, unlike a business, taxes describe costs or expenses that will reduce a company's net profit. Therefore, companies will try to pay taxes at the lowest possible rate. Tax is a source of state revenue. But on the other hand, tax is a cost that a company must bear in order to reduce its net profit. Tax evasion is done by companies because they want big profits. Companies try to pay as little tax as possible, because paying taxes means reducing their economic capacity (Suandy, 2008).

### Identification Problem

1. In what ways, from 2018 to 2022, will profitability effect tax evasion in mining industry companies listed on the Indonesia Stock Exchange?
2. The impact of leverage on tax evasion for companies in the mining industry listed on the Indonesia Stock Exchange between 2018 and 2022.
3. How tax avoidance is impacted by profitability and leverage in mining industry businesses listed on the Indonesia Stock Exchange between 2018 and 2022

### Profitability

Definition of profitability according to Sutrisno (2012:222) is:

"Profitability is a metric to measure the level of profit a company earns. The higher the profit level, the

better it proves that the board of directors is running the company." Definition of profitability according to Riyanto (2008), specifically:

"Profitability is a company's ability to generate profits over a certain period of time. Companies that are able to generate good profits show that the company is performing well, because profitability is often used as a measure to evaluate the company's performance."

### Leverage

Calculating a firm's leverage ratio is important to assess its capacity to meet all of its commitments, both immediate and long-term, in the event that the company is dissolved (liquidated). Kasmir (2016:151) defines leverage as a ratio used to gauge how much debt is being used to finance a company's assets.

### Tax Avoidanc

The meaning of tax avoidance according to Black's Law Dictionary is: "Tax avoidance is an attempt to decrease tax obligations by exploiting tax avoidance opportunities (loopholes) without violating tax law." The meaning of tax avoidance according to Suandy (2011), specifically: "Tax planning that remains within the boundaries of tax regulations. Tax avoidance can occur within the literal interpretation of the regulations or within the intention of the regulations, or it can also occur within the literal interpretation of the regulations but against the intention of the regulations." The meaning of tax avoidance according to Pohan (2013), specifically: "Legally and securely carried out efforts by taxpayers to avoid taxes because they do not contradict tax regulations, where the methods and techniques used tend to exploit weaknesses (grey area) present in the tax laws and regulations themselves, in order to minimize the amount of tax to be paid."

## METODOLOGY RESEARCH

### Research Methods

This study serves as an explanation. Explanatory research seeks to understand the causes and mechanisms of phenomena. The purpose of this study is to clarify or establish the causality of the relationship between research variables. This connection is characterized by causality (cause and effect).

Indonesian Stock Exchange for the years 2018–2022, research location and time. The study will begin in January 2023 and last until June 2023.

### Data and Sources of Data

Panel data analysis is the type of analysis used in this study. The information is presented in the form of annual and financial reports for mining sector companies that are listed on the IDX for the years 2018 through 2022. The following data sources provide the information required for this study:

- a. Service of Money
- b. Indonesia stock trade
- c. Site of each mining area organization
- d. Different sites that help research.

### Information Techniques

The examining utilized in this examination is non-likelihood testing. The non-likelihood testing method utilized in this examination is purposive inspecting, in particular examining is restricted to specific sorts of individuals who can give the ideal data. Tests are taken in light of the reason for judgment examining and certain contemplations, which include choosing subjects who are in the most beneficial spot or in the best situation to give data

## RESULTS AND CONVERSATIONS

Relapse Model Determination  
Experimental outcomes This

examination utilizes board information displaying. Board information is information that comprises of a few factors like cross-segment information, yet additionally has a period component like time series information (Winarno, 2011: 102). In assessing model boundaries with board information, there are three strategies in the assessment approach, to be specific the Pool Least Square-OLS (Normal) model, the Decent Impact model and the Irregular Impact model.

To figure out which model is reasonable for this examination, model testing will then, at that point, be done, specifically the Chow (Probability Proportion) Test to decide the model utilized, the Normal Impact Model or Fixed Impact Model and the Hausman Test to decide the Proper Impact Model or Irregular Impact Model utilized.

### 1. Chow Test (Probability Proportion)

The Chow test was completed to figure out which Normal Impact Model (CEM) or Fixed Impact Model (FEM) was reasonable for this examination. In case the probability estimate is  $< 0.05$ , the model picked is the Proper Impact Model (FEM). In the mean time, In case the probability estimate is  $> 0.05$ , the model picked is the Normal Impact Model (CEM). The aftereffects of the Chow test in choosing the relapse model in this review are as per the following:

Chow Experimental Outcomes			
Effects Test	Statistic	d.f.	Prob.
Cross-section F	1.586049	(5,22)	0.2054
Cross-section Chi-square	9.234813	5	<b>0.1001</b>

You can see the consequences of the Chow test with a likelihood worth of 0.1001. In this manner, with a worth more prominent than 0.05, the model picked is the Normal Impact Model (CEM).

### 2. Hausman Test

The Hausman test is a measurable test to decide if the Decent Impact or Irregular Impact model is generally suitable to utilize. In case the probability estimate is  $< 0.05$ , the model picked is the Proper Impact Model (FEM). In the interim, In case the probability estimate is  $> 0.05$ , the model picked is the Normal Arbitrary Model (CEM). By choosing the Normal Impact Model (CEM) in the Chow Test, the Hausman Test was not done, in light of the fact that the Hausman Test doesn't test the Normal Impact Model (CEM).

3. Lagrange Multiplier Test

The Lagrange Multiplier Test is a test to see if the Irregular Impact Model (REM) is superior to the Normal Impact Model (CEM). In the event that the likelihood esteem is  $< 0.05$ , the model picked is the Irregular Impact Model (REM). In the mean time, In case the probability estimate is  $> 0.05$ , the model picked is the Normal Impact Model (CEM). The aftereffects of the Lagrange Multiplier Test in choosing the relapse model in this exploration are as per the following:

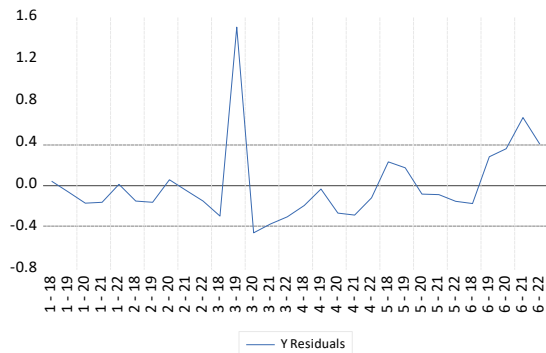
a. Multicollinearity Test

The aftereffects of the multicollinearity test are introduced in the accompanying table:

Multicollinearity Outcomes	Experimental
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The relationship coefficient X1 (ROA) and X2 (DER) is  $- 0.369269 < 0.85$ . So it very well may be inferred that it is liberated from multicollinearity or breezes through the multicollinearity assessment.

b. Heteroskedastisitas Experiment



From the leftover diagram (blue) it tends to be seen that it doesn't surpass the cutoff points (500 and - 500), it is something very similar to imply that the lingering difference.

c. Different Direct Relapse Examination

Different straight relapse investigation is an insightful method used to foresee the condition or impact of the free factor on the reliant variable, showing the bearing of the connection between the reliant variable and the autonomous variable (Ghazali, 2013: 96). The aftereffects of numerous direct relapse estimations are tried in the accompanying table:

Various Liner Relapse

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.510547	0.152096	3.356736	0.0024
X <sub>1</sub>	-0.757845	1.037981	<b>-0.730115</b>	<b>0.4716</b>
X <sub>2</sub>	-0.119194	0.059448	<b>-2.004995</b>	<b>0.0551</b>

In light of table, the numerous

	X <sub>1</sub>	X <sub>2</sub>
X <sub>1</sub>	1.000000	-0.369269
X <sub>2</sub>	-0.369269	1.000000

straight relapse condition which makes sense of the impact of Benefit, Influence and Duty Evasion is:

$$Y = 0.510547 - 0.757845 * X_1 - 0.119194 * X_2$$

1. The consistent worth acquired is 0.510547, so it tends to be deciphered that without the factors X1 and X2, variable Y will increment by 51.0547%.
2. The beta coefficient worth of variable X1 is  $- 0.757845$ , so it tends to be deciphered that, assuming that

different factors are consistent and variable. The other way around, assuming that different factors are steady and variable, X1 encounters a decline of 1%, then, at that point, factor Y will encounter an increment of 75.7845%.

3. The beta coefficient worth of variable X2 is - 0.119194, so it tends to be deciphered that, in the event that different factors are steady and variable. The other way around, assuming different factors are consistent and variable, X2 encounters a reduction of 1%, then factor Y will encounter an increment of 11.9194%.

In view of the relapse condition above, it is known that Productivity (X1) and Influence (X2) have a relationship with Expense Evasion (Y). This shows that the relapse model is possible and can be gone on in speculation testing.

## CONCLUSION

Following the findings of the study and discussion on the impact of profitability and leverage on tax evasion in mining sector companies listed on the Indonesia Stock Exchange for the 2018–2022 period, the following conclusions can be drawn:

1. Return on Assets (ROA), a measure of profitability, only partially affects tax evasion in mining sector companies listed on the Indonesia Stock Exchange in 2018–2022. Thus, the degree of tax avoidance is unaffected by the Return on Assets (ROA) value.
2. Leverage, as measured by the debt-to-equity ratio (DER), is largely ineffective in preventing tax evasion in mining sector companies listed on the Indonesia Stock Exchange in the years 2018 through 2022. The degree of tax avoidance is therefore unaffected by the Debt To Equity Ratio (DER) value.

3. In mining sector companies listed on the Indonesia Stock Exchange in the years 2018 through 2022, profitability and leverage have no impact on tax evasion. This indicates that the degree of tax avoidance is unaffected by the Return on Assets (ROA) and Debt to Equity Ratio (DER) values.

## Suggestion

The following suggestions, which are based on the aforementioned conclusions, are offered in the hopes that they will be helpful. On the basis of the foregoing conclusions, the following recommendations are made with the hope that they will be useful.

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### 1. Solving issues

- a. For Businesses.

In order to maximize profits, management should focus on how well it manages the company's assets, according to researchers. Leverage that is relatively high suggests that the business is still reliant on debt financing. Companies need to be more careful when deciding whether to use debt as a funding source because doing so effectively can boost profits, but doing so improperly will only cause the debt of the company to grow. Without being accompanied by the company's ability to make money growing larger.

- b. For potential investors.

The company's profile or other details

ought to be known to investors and potential investors. It is advised to analyze the financial statements of a company and calculate its effective tax rate prior to making a capital investment. Investors or potential investors would do better to put their money into businesses with high effective tax rates because these businesses are less likely to engage in tax avoidance.

c. In support of the government.

In particular for businesses that do not make payments but are still in operation, tax audits need to carry out supervision on company financial reports to ensure that businesses pay taxes in accordance with Income Tax Law Article 18 regarding regulations on company tax payments. Additionally, it affirms the Law No. 9 pertaining to the right to access financial data for tax purposes and Karti 1 (Indonesian Card 1) to raise the tax ratio in the future.

## 2. In order to advance knowledge

Researchers are aware of the numerous limitations in their work and the numerous factors from other variables that can affect the value of a company. For additional research, it is advised that:

- a. Adding extra timeframes and independent variables to the study to broaden its scope.
- b. Look into other industries that are traded on the Indonesian Stock Exchange

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