International Journal of Economic, Technology and Social Sciences
url: https://jurnal.ceredindonesia.or.id/index.php/injects
Volume 2 Number 2 page 454 – 461 2021

# Effect Of Return On Asset And Debt To Equity Ratio To Tax Avoidance In Company

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***ABSTRACT***
The debt equity ratio shows the t-count statistical test value of 0.405, which is smaller than the t-table of 2.032, while the sig value of 0.688 is greater than 0.050, this indicates that the debt equity ratio has no effect on tax avoidance. The results of the research on return on assets and debt equity ratio together show the calculated F statistic value of 5.143 which is greater than the F table value of 3.280 while the sig value of 0.011 is smaller than 0.05, this indicates a significant influence between return on assets and debt equity ratio to tax avoidance simultaneously. This shows that return on assets has a positive and significant effect on tax avoidance. The debt equity ratio shows the t-count statistical test value of 0.405, which is smaller than the t-table of 2.032, while the sig value of 0.688 is greater than 0.050, this indicates that the debt equity ratio has no effect on tax avoidance. The results of the research on return on assets and debt equity ratio together show the calculated F statistic value of 5.143 which is greater than the F table value of 3.280 while the sig value of 0.011 is smaller than 0.05, this indicates a significant influence between return on assets and debt equity ratio to tax avoidance simultaneously. This shows that return on assets has a positive and significant effect on tax avoidance. The debt equity ratio shows the t-count statistical test value of 0.405, which is smaller than the t-table of 2.032, while the sig value of 0.688 is greater than 0.050, this indicates that the debt equity ratio has no effect on tax avoidance. The results of the research on return on assets and debt equity ratio together show the calculated F statistic value of 5.143 which is greater than the F table value of 3.280 while the sig value of 0.011 is smaller than 0.05, this indicates a significant influence between return on assets and debt equity ratio to tax avoidance simultaneously. 405 is smaller than t table of 2.032 while the sig value of 0.688 is greater than 0.050, this shows that the debt equity ratio has no effect on tax avoidance. The results of the research on return on assets and debt equity ratio together show the calculated F statistic value of 5.143 which is greater than the F table value of 3.280 while the sig value of.

***Keywords : Return On Assets, Debt Equity Ratio, Tax Avoidance***

## INTRODUCTION

Tax is a mandatory contribution to the state that is owed by an individual or entity that is coercive in nature based on the law, with no direct compensation and is used for the needs of the state for the greatest prosperity of the people (Article 1 of the Law of the Republic of

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url: https://jurnal.ceredindonesia.or.id/index.php/injects
Volume 2 Number 2 page 454-461 2021

Indonesia Number 28 of 2007 Regarding the Third Amendment to Law Number 6 of 1983 concerning General Provisions and Procedures
Taxation). In practice, many taxpayers are still fighting tax aggressively. Aggressive tax resistance is tax avoidance. Tax avoidance is an effort to reduce taxes that is carried out legally and safely for taxpayers because it will not conflict with tax provisions where the methods and techniques used are more likely to take advantage of the weaknesses contained in the tax code. the tax laws and regulations themselves are very useful for reducing the amount of tax owed (Pohan, 2013). One of the factors that determine the occurrence of tax avoidance is return on assets (ROA), where return on assets is a form of ratio used to measure company profitability. This ratio is able to provide an overview or idea of how management can manage assets efficiently in order to generate maximum profit. An increased return on assets means that the company is able to streamline its assets so that it is able to generate large profits, thus the tax imposed will be large, so the company strives so that the company seeks actions that can minimize tax payments or there are indications that the company will do tax avoidance (Annisa, 2010). 2015).

This is in line with the research of Rinaldi & Chisviyanny (2015), where the results of his research show that return on assets has a positive and significant effect, where the higher the return on assets of a company, the more the company seeks to reduce the tax burden so that the company tends to avoid tax. Meanwhile, Ajie's research (2015) shows that return on assets has a negative and significant effect on tax avoidance, where the results of this study show that the increasing return on assets, the smaller the company is indicated to do tax avoidance. Another factor that affects tax avoidance is leverage. Leverage is the amount of debt used to finance/purchase company assets. According to Darmadji & Fakhrudin (2012:109), with the existence of a loan in the form of debt, of course, interest will be charged. The interest that arises is a form of utilizing deductible expense, so the company will charge it in order to minimize the tax payable so that it is indicated that the company is doing tax avoidance. Leverage in this study was measured using the debt to equity ratio.

This is supported by a number of researchers, namely Marfu'ah (2015) and Kurniasihh & Sari (2013), where the results of their research show that the debt to equity ratio has a significant effect on tax avoidance. Meanwhile, research by Agusti (2014), and Hendy & Sukartha (2014), shows that the debt to equity ratio has no significant effect on tax avoidance. One of the sectors listed on the Indonesia Stock Exchange is the agricultural sector. Indonesia is a region that has abundant natural resources which is located on the equator and is one of the countries in the tropics. Most of the livelihoods of the Indonesian population come from the agricultural sector and also have great potential in the Indonesian economy. The author's reason for using the agricultural sector is due to the decline in agricultural commodity prices so that the contribution of the agricultural sector to tax revenues is very small in 2019 (Kompas.com). There are several phenomena in the financial statements of agricultural companies listed on the Indonesia Stock Exchange where the return on assets of agricultural companies has increased but the tax avoidance obtained has actually decreased and the debt equity ratio of agricultural companies has increased but tax avoidance has decreased. In 2017 - 2019 several agricultural companies showed that an increased return on assets and debt equity ratio did not guarantee high tax avoidance and vice versa.

International Journal of Economic, Technology and Social Sciences
**International Journal of Economic, Technology and Social Sciences**
**url:** https://jurnal.ceredindonesia.or.id/index.php/injects
Volume 2 Number 2 page 454-461 2021

## LITERATURE REVIEW

### Tax evasion

Tax avoidance is an effort to reduce taxes, but still comply with the provisions of tax regulations, such as taking advantage of the exemptions and deductions imposed or postponing taxes that have not been regulated in the applicable tax regulations. According to Ngadiman & Puspitasari (2014: 410), tax evasion is an effort made by taxpayers to reduce or eliminate tax debts that do not violate the provisions of tax laws and regulations. Tax avoidance is deliberately carried out by the company in order to reduce the level of tax payments that must be made in increasing the company's cash flow. According to Suandy (2011), tax avoidance is a legal reduction effort carried out by optimally exploiting gaps in the provisions in the taxation sector, such as exceptions and allowable deductions as well as the benefits of things that have not been regulated and weaknesses. in the applicable tax regulations. According to Suandy (2011), it is stated that how the taxpayer's efforts in doing tax avoidance with the procedures that are possible in the tax law, namely:

1. Transferring tax subjects and/or tax objects to countries that provide special tax treatment or tax relief (tax heaven country) or one type of income.
2. Efforts to avoid tax by maintaining the economic substance of transactions through formal elections that provide the lowest tax burden.
3. Anti-avoidance provisions for transfer pricing, thin capitalization, treaty shopping, and controlled foreign corporation transactions, as well as transactions that have no substance in business.

According to Pohan (2013), the main objectives achieved from tax management or tax avoidance are:

1. Minimizing the tax burden owed
   Actions that must be taken in the context of tax avoidance are in the form of efforts to streamline the tax burden which is still within the scope of taxation and does not violate tax regulations.
2. Maximize after-tax profit.
3. Minimizing the occurrence of tax surprises in the event of a tax audit by the tax authorities.
4. Fulfills tax obligations correctly, efficiently, and effectively in accordance with tax provisions.

*Cash effective tax rate*which is good for describing tax avoidance activities, because the cash effective tax rate is not affected by changes in estimates such as assessment differences or tax protection. In this study, the cash effective tax rate is used to measure tax planning because it can describe all tax avoidance activities that reduce tax payments to tax authorities.

### Return on Assets

*Return on assets*(ROA) is the profitability ratio, which is the ratio used to measure the company's ability to generate profits. ROA is used to measure the effectiveness of the company in generating profits by utilizing assets. According to Hany (2015), return on assets (ROA) is a ratio used to measure the company's management ability to obtain overall profit (profit). The greater the ROA of a company, the greater the level of profit achieved by the company and the better the position of the company in terms of asset use

International Journal of Economic, Technology and Social Sciences
url: https://jurnal.ceredindonesia.or.id/index.php/injects
Volume 2 Number 2 page 454-461 2021

Meanwhile, according to Jufrizen (2014), return on assets (ROA) is the rate of return or profit generated from asset management and company investment, this ratio is commonly used as an indicator of company profitability by comparing net income with the total assets of the company. ROA can provide an adequate measurement of the overall effectiveness of the company because ROA takes into account the use of assets and profitability in sales. Thus, ROA can be used as an indicator in making investor decisions in choosing companies to invest. So the higher this ratio, the higher the confidence and interest of investors to invest.

According to Kasmir (2014: 220) the advantages and disadvantages of Return On Assets are as follows:

1. The advantages of ROA include the following:
   a. ROA is easy to calculate and understand.
   b. It is a measurement tool for management performance that is sensitive to any influence of the company's financial condition.
   c. Management focuses on maximizing profit.
   d. As a measure of management's achievement in utilizing the assets owned by the company to earn a profit.
   e. Encouraging the achievement of company goals as a means of evaluating the implementation of management policies.
2. Weaknesses of ROA include the following:
   a. Less encouraging management to add assets if the expected ROA value turns out to be too high.
   b. Management tends to focus on short-term goals rather than long-term goals, so they tend to make short-term decisions that are more profitable but have negative consequences in the long run.

According to Kasmir (2015), Mathematically ROA can be calculated using the formula:

$$\text{Return On Assets} = \frac{laba\ bersih\ setelah\ pajak}{Total\ Asset} \text{x } 100\%$$

The greater the ROA of a company, the greater the level of profit achieved by the company and the better the position of the company in terms of asset use.

**Debt Equity Ratio**

According to Basri & Dahrani (2017), the funds obtained from the owners are their own capital, while meeting the needs of funds originating from creditors is a debt for the company. Therefore, the decision regarding the use of debt or equity in financing is fully held by the financial manager. The leverage ratio is a measure of how much the company is financed with debt. The use of debt that is too high will endanger the company because the company will be included in the category of extreme leverage (extreme debt), namely the company is trapped in a high level of debt and it is difficult to release the debt burden. According to Sujarweni (2017: 61), the debt to equity ratio is a comparison between debt and equity in company funding and shows the company's capital ability to meet all its obligations. Therefore, the company should balance some debts that are worth taking and from which sources can be used to pay off debts. According to Hery (2018:164), the objectives and benefits of the solvency ratio (Debt to Equity Ratio) are as follows:

1. measured by the amount of operating profit) to pay off all obligations.

According to Fahmi (2012:128) the formula for finding the debt to equity ratio is as follows:

$$\text{Debt To Equity Ratio} = \frac{Total\ Hutang}{Total\ Modal\ Sendiri}$$

From the above formula, it can be concluded that the debt to equity ratio is a measurement of the part of each own capital that is used as collateral for obligations. The higher the ratio, the greater the risk faced and investors will ask for a higher level of profit.

## RESEARCH METHODS

This type of research is an associative research using a quantitative approach that aims to explain the effect of the independent variable, namely return on assets and debt equity ratio, on the dependent variable, namely tax avoidance. The population used in this study were all agricultural companies listed on the Indonesia Stock Exchange (IDX). The number of agricultural companies listed on the Indonesia Stock Exchange is 22. Meanwhile, 16 samples that meet the criteria of agricultural companies listed on the Indonesia Stock Exchange (IDX) will be used as samples. The documentation method, namely, by collecting secondary data in the form of financial reports (annual reports) of agricultural companies listed on the Indonesia Stock Exchange during the 2017-2019 period. The data source was obtained through the Indonesia Stock Exchange website, namely:www.idx.co.id.

## Results and Discussion

### Effect of Return on Assets on Tax Avoidance

The results show that hypothesis 1 is accepted, return on assets has an effect on tax avoidance. Based on the results, it can be stated that return on assets has an effect on tax avoidance. It can be seen from the test results which show that the value of tcount > ttable is 3.033 > 2.022. Then the significance value of the return on assets variable is smaller than 0.05, which is 0.005. So it means that return on assets has an effect on tax avoidance. The results of this test are in accordance with the hypothesis h1 that return on assets has an effect on tax avoidance. The results of the study show that return on assets has an effect on tax avoidance. This means that the higher the return on assets obtained by the company, the higher the tax avoidance that will be carried out by the company. According to Arianandini & Ramantha (2018), return on assets is one of the factors that can influence companies to take tax avoidance actions. Where return on assets is used to measure the company's ability to generate profits which of course has an impact on the higher the tax burden that must be paid by the company, so the company will make efforts to minimize tax payments. Return on Assets (ROA) which has increased means that the company is able to streamline its company assets so that it can generate large profits for the company. Large profits mean the company is also required to pay large amounts of tax as well. But not for the company management, they still want large incomes with minimal expenses so that based on that it can also lead to intentions or indications for tax avoidance by the company. The higher the ROA value owned by a company, the higher the profit value of a company. The high value of profits earned by the company will result in greater tax expenditures so that companies have a tendency to do tax avoidance.

International Journal of Economic, Technology and Social Sciences
**International Journal of Economic, Technology and Social Sciences**
**url:** https://jurnal.ceredindonesia.or.id/index.php/injects
Volume 2 Number 2 page 454-461 2021

**The Effect of Debt Equity Ratio on Tax Avoidance**

The results show that hypothesis 2 is rejected, the debt equity ratio has no effect on tax avoidance. Based on the results of the analysis, it can be stated that the debt equity ratio has no effect on tax avoidance. This can be seen from the test results which show that the value of tcount < ttable is 0.405 < 2.022. Then the significance value of the debt equity ratio variable is greater than 0.05, which is 0.668. So it means that the debt equity ratio has no effect on tax avoidance. The results of the study are not in accordance with hypothesis 2, where the results of this study indicate that the debt equity ratio has no effect on tax avoidance, where increasing the debt equity ratio will not increase the company's ability to avoid tax. According to Sujarweni (2017: 61), the debt to equity ratio is a comparison between debt and equity in company funding and shows the company's capital ability to meet all its obligations. Therefore, the company should balance some debts that are worth taking and from which sources can be used to pay off debts. The lower the debt used in financing the company's assets, the company tends not to try to avoid tax. This can be seen from the high effective tax payment rate (ETR), but the DER obtained by the company did not increase. This is because if the company in financing its operations uses financing that comes from debt, it will result in the company having a high debt ratio and the interest expense that must be paid is getting bigger, so the company will consider not financing with debt on a large scale. A high debt ratio also causes the company to be seen as unhealthy by investors and creditors if it is not able to show a good profit condition so that it will affect the funding that the company will get in the future.

**The Effect of Return on Assets and Debt Equity Ratio on Tax Avoidance**

The results of the study are in accordance with the third hypothesis, that the return on assets and debt equity ratio have an effect on tax avoidance simultaneously. This can be seen from the F test which shows a significance value less than 0.05, which is 0.005. Then Fcount > Ftable (5,045 > 3,280). The results of this study also show that the value of Adjusted R Square in this regression is 0.187. This means that the return on assets and debt equity ratio is 18.7%. While the remaining 81.3% is influenced by other variables that are not used in this study. The results of the research by Wardhani & Adiwijaya (2019), show that simultaneously return on assets and debt to equity ratio have an effect on tax avoidance.

## CONCLUSIONS

Based on the results of research on agricultural sub-sector companies listed on the Indonesia Stock Exchange in 2017 – 2019 it can be concluded as follows: *Return on assets* effect on tax avoidance in agricultural sector companies listed on the Indonesia Stock Exchange in 2017 – 2019. *Debt equity ratio* has no effect on tax avoidance in agricultural sector companies listed on the Indonesia Stock Exchange in 2017 – 2019. Simultaneous test results show that all independent variables, namely return onassets and debt equity ratio have an effect on tax avoidance in agricultural sector companies listed on the Indonesia Stock Exchange in 2017 – 2019.

International Journal of Economic, Technology and Social Sciences
International Journal of Economic, Technology and Social Sciences
url: https://jurnal.ceredindonesia.or.id/index.php/injects
Volume 2 Number 2 page 454-461 2021

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International Journal of Economic, Technology and Social Sciences
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Volume 2 Number 2 page 454-461 2021

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