The Influence Of Non-Compliance Factors In Tax Avoidance Of Cement Sub – Sector Companies Listed On The Indonesia Stock Exchange Years, 2019-2023

Oktavina Ervianti[1], Rahmat Agus Santoso[2]

vina.okta2010@gmail.com[1], ra_santoso@umg.ac.id[2]

[1,2]Universitas Muhammadiyah Gresik, Gresik Regency, East Java, Indonesia

Corresponding Author: Oktavina Ervianti

Abstract. The present study investigates the impact of audit committee competence, Big 5 auditors, current ratio, debt-to-equity ratio, return on assets, capital intensity, and dividends on tax avoidance in Indonesia's cement sector from 2019 to 2023. A quantitative descriptive analysis was conducted using secondary data from financial reports and academic sources, including the IDX website, as well as journals and books. The data were analysed to identify significant relationships and clarify the research objectives. The focus is on cement sub-sector companies listed on the Indonesia Stock Exchange, a complex sector with comprehensive business processes leading to frequent tax-related decisions. Hypothesis testing used multiple linear regression to predict the effects of independent variables. Data was processed in SPSS version 21, with results presented in tables and descriptive summaries.

Keywords: Tax Avoidance, Audit Committee, Big 5 Auditors, Financial Ratios, Cement Industry

1. Introduction

Taxes are mandatory payments imposed on individuals and business entities without direct compensation in accordance with applicable laws. Taxes are used to meet the needs of the state and maximize the welfare of its people [1]. For institutions or companies, taxes are a financial burden that conflicts with the goal of maximizing profits. Therefore, it is common for companies to engage in tax planning in order to reduce the amount of tax paid to the state treasury.

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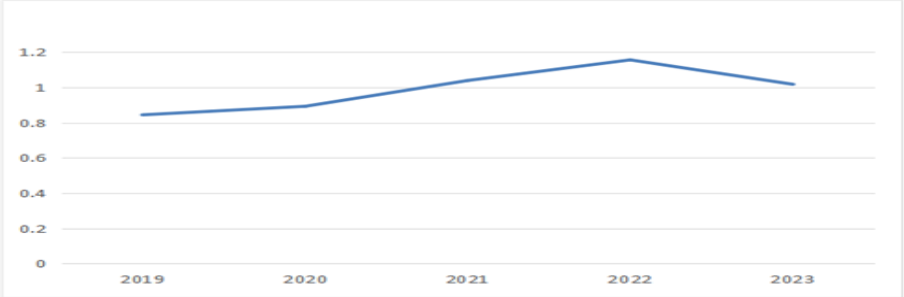

Sources: Directorate General of Tax

Figure 1. Percentage of Realized Tax Revenue 2019 – 2023

Analysis of the graph indicates a consistent increase in the percentage of tax revenue from 2019 to 2023. In 2023, the achievement reached 101.75%. This is lower than the peak of 115.61% recorded in 2022. The percentage in 2021 was 103.90%. In 2020 and 2019, the figures were 89.25% and 84.40%, respectively. In 2021, the Directorate General of Taxes (DGT) aimed to meet the revenue target established in the State Budget. They specifically targeted tax revenue of IDR 1,277.53 trillion, or 103.9% of the 2021 target of IDR 1,229.58 trillion. This accomplishment is particularly notable. The 2019 Coronavirus Disease (COVID-19) pandemic led to a slowdown in Indonesia's economic growth, business development, and investment.

Table 1. Variable average 2019 – 2023 Cement sub-sector company

Y	Audit Competency Committee	Accounting Public Big 5	Return on Assets	Capital Intensity	Debt Equity Ration	Dividend	Tax Avoidance
2019	0,65	0,43	1,66	1,36	0,47	1,80	1,51
2020	0,65	0,43	1,27	2,63	1,40	1,28	1,47
2021	0,65	0,43	1,40	1,06	1,50	1,34	2,17
2022	0,65	0,29	1,40	0,93	1,04	2,49	1,79
2023	0,75	0,29	1,46	2,07	1,19	2,36	1,71

Source: Processed Data

Detecting tax avoidance in Indonesia is challenging due to the combination of corporate confidentiality and self-assessment, which makes oversight difficult. In this system, taxpayers calculate, pay, and report their own taxes. Tax avoidance assessment often uses the Effective Tax Rate (ETR), which shows the percentage of a company's pre-tax income paid to the government [2].

The decline in tax revenue is caused by tax avoidance by taxpayers, especially corporate taxpayers. Companies operating in the business sector naturally want large profits at relatively low costs, and one of those costs is the tax burden. It is common knowledge that many companies engage in tax planning, tax avoidance, and even tax evasion. If this did not happen,

the realization of tax revenue would likely be greater. In a corporate environment, the determination of taxes payable to the state treasury is influenced by various factors, particularly corporate governance, which functions as a mechanism to regulate and supervise companies through relationships between internal and external stakeholders, which ultimately can increase company value [3]. Good Corporate Governance (GCG) has a close relationship with the formulation of corporate tax policy. Therefore, in the context of corporate governance, supervision is emphasized as a key aspect, ensuring that company operations run efficiently. Establishing an audit committee strengthens supervisory functions by enhancing effectiveness and efficiency. Its main responsibility is to assist the board of commissioners in fulfilling their duties and obligations. The committee consists of at least three independent commissioners who are external to the company.

2. Literature Review

Theoretical Basis

Tax planning is part of tax management, which is a method of fulfilling tax obligations by reducing tax payments to the minimum amount necessary to achieve the specified level of profitability and liquidity [4]. Tax management includes three main functions: tax planning, tax implementation, and tax control. In the tax planning phase, organizations evaluate applicable tax regulations to find opportunities to reduce their tax obligations. Such reductions can be achieved through legal or illegal means, with legal strategies generally referred to as tax avoidance and illegal ones as tax evasion.

The audit committee plays an important role in corporate governance. This committee assists the board of commissioners in overseeing the company's performance by providing professional and impartial assessments of submitted reports and related matters. This committee also carries out other duties as directed by the board.

Audit quality can be evaluated based on the scale of the public accounting firm involved, with firms included in the Big 5 considered to have a superior reputation and quality, thanks to the intensive training provided to their staff. Auditors affiliated with Big 5 public accounting firms demonstrate higher competence and professionalism compared to non-Big 5 firms, thereby reducing the likelihood of companies engaging in fraudulent activities [5]. The higher competence of Big 5 firms strengthens their capacity to detect cases of fraud or data manipulation.

Return on Assets (ROA) is a profitability ratio that shows how efficiently a company generates profits from its operations. This metric assesses how effectively a company utilizes its assets to generate net income [6].

Capital intensity is defined as the ratio of fixed assets, including equipment, machinery, and various properties, to total assets [7]. By investing in fixed assets, firms benefit from tax reductions associated with depreciation. Because depreciation costs are treated as deductible expenses, this treatment ultimately reduces the company's total tax liability.

Leverage refers to the use of external funding through debt to finance a company's investments and assets [8], and is commonly measured as the ratio of total debt to total assets. Organizations utilize debt to address operational and investment requirements [9]. However, debt also entails fixed obligations—specifically, interest payments—which represent a predetermined rate of return [10], [11].

The current ratio is a financial indicator that assesses a company's cash and cash equivalents (such as readily convertible securities) in relation to its current liabilities, which consist of short-term obligations. This metric focuses exclusively on short-term liabilities, which include trade payables and recognized employee compensation. Meanwhile, long-term debt is generally intended to be repaid over a longer period of time, spanning several years.

Companies must consider several factors when implementing a dividend policy, including liquidity considerations, shareholder expectations, the company's growth rate, regulatory restrictions, and the need for funds to meet obligations [12].

Conceptual Research

A framework that functions as a problem-solving strategy. This framework typically applies a scientific perspective, showing the relationship between variables during the analysis process.

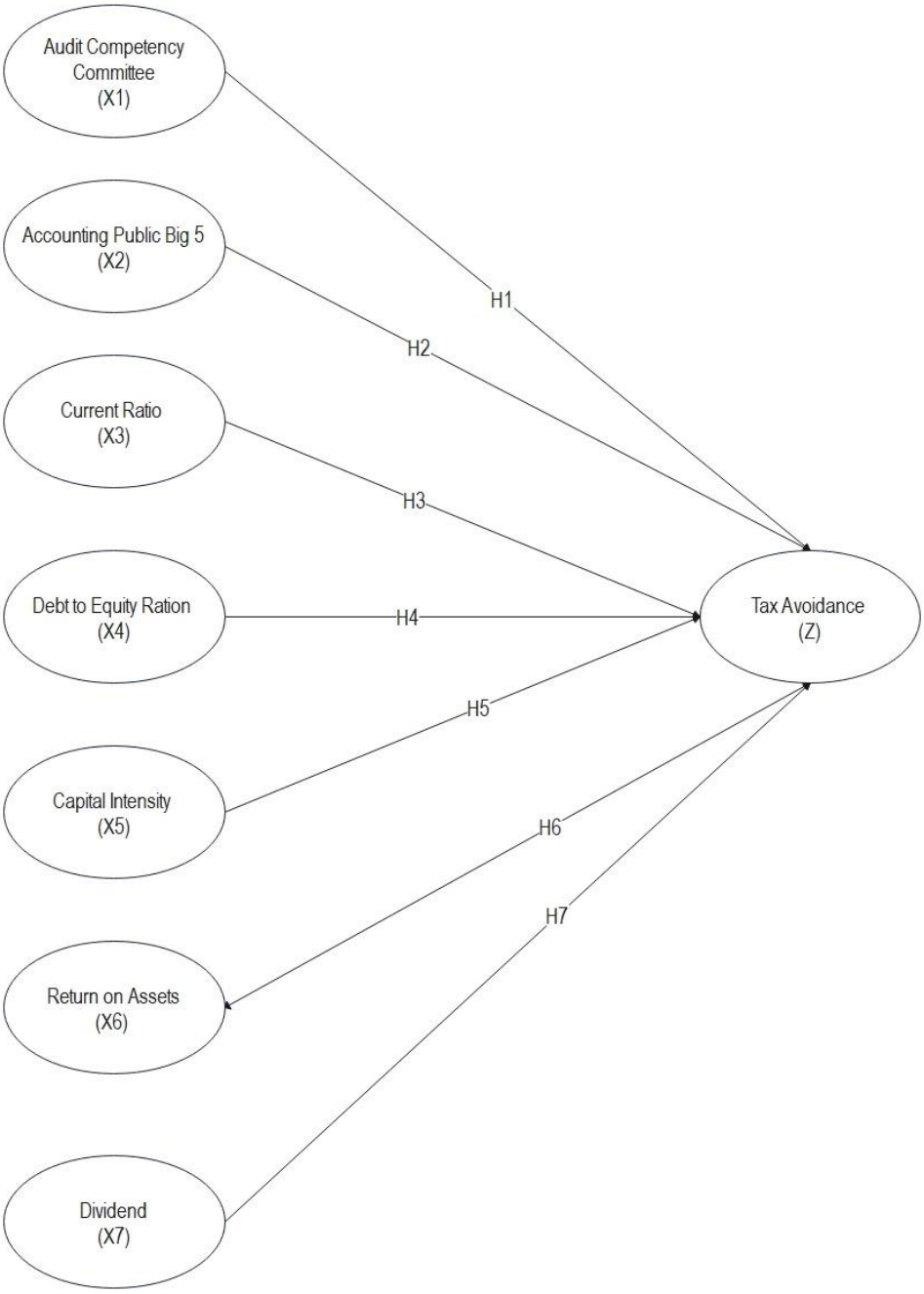

Figure 1. Research Framework

Based on the description in the research framework, it appears that seven independent variables have an influence on corporate tax avoidance (Y). This study examines the effects of audit committee competence (X1), Big Five external auditors (X2), current ratio (CR) (X3), debt-to-equity ratio (DER) (X4), capital intensity (X5), return on assets (ROA) (X6), and dividends (X7) within the context of the selected firms' financial performance.

Audit committee competency here is influenced or measured by two indicators, namely accounting educational background, and experience of audit committee members in the financial sector. Then the Big 5 external auditors use indicators by looking at the KAPs that audit the company's financial reports, including the five best KAPs that have cash ratio, debt equity ratio, capital intensity, and dividends.

In the meantime, prior research has employed a variety of measures to prevent corporate tax avoidance. claimed that there are twelve ways to calculate tax avoidance [13]. Measuring tax avoidance using Cash ETR refers to calculations made [14]. Meanwhile, measuring tax avoidance using the Book-Tax Difference method refers to the calculation used [15]. Then marginal tax rate measurements were made [16], [17], [18]. The comparison of tax expense, and profit before tax is more important when measuring tax avoidance using GAAP ETR, even if it can highlight the effects of transient discrepancies, but is still unable to identify tax avoidance. Additionally, only short-term tax evasion is reflected in current ETR, and cash ETR. Lon-run cash ETR, the results will be favourable if the study is conducted over an extended period of time—roughly ten years—, but it's possible that the number of businesses may gradually decline. If the same tax rate is applied to differential ETR, all results will be the same [13].

3. Research Methodology

This study examines the effect of audit committee competence, Big Five external auditors, current ratio, debt to equity ratio, return on assets, capital intensity, and dividends on corporate tax avoidance in the cement sub-sector industry from 2019 to 2023. The research methodology uses quantitative methods with descriptive analysis techniques, followed by systematic processing and interpretation of the results. This analysis emphasizes numerical data, enabling the identification of key correlations between variables and supporting evidence-based conclusions. This research was conducted at the national level in Indonesia, focusing on cement sub-sector companies listed on the Indonesia Stock Exchange during the specified period.

The research sample comprises cement sub-sector companies listed on the Indonesia Stock Exchange from 2019 to 2023. These companies were selected due to their complex and comprehensive operational scope, encompassing all stages from raw material procurement and processing into semi-finished goods to the manufacturing of finished products and distribution. Therefore, most of the company's decisions are related to taxation. In addition, industrial companies in the cement sector are known to be major contributors to tax revenue compared to other business sectors [19].

The period 2019-2023 was chosen because in 2019, tax revenue reached 92.24%. Starting in 2020, there was a decline due to the conditions at the beginning of the COVID-19 pandemic, but then it increased again from 2020 to 2023. This study uses panel data, namely the number of observations from 2019 to 2023, multiplied by the number of issuers.

Data Analysis Method

Hypothesis testing used multiple linear regression to assess the impact of independent variables on dependent variables [20]. Data were analyzed using SPSS (Statistical Package for the Social Sciences) version 21, and the results are presented in both tables and descriptive text.
The regression equation is as follows.

The regression equation is:

$$Y = b0 + b1\ x1 + b2\ x2 + b3\ x3 + b4\ x4 + b5\ x5 + b6\ x6 + b7\ x7 + e$$

Information:
Y = Tax avoidance
X1 = Audit Committee Competency
X2 = Big 5 External Auditor
X3 = Current Cash Ratio
X4 = Debt Equity Ratio
X5 = Capital Intensity
X6 = Return On Assets
X7 = Dividends

Classical Assumption Test: A multiple linear regression model is considered valid if it meets a series of predetermined criteria, known as classical assumptions. The process of evaluating these assumptions includes testing for normality, multicollinearity, and heteroscedasticity.

Normality Test: This test assesses whether the residuals from the regression model follow a normal distribution. Both graphical analysis and statistical tests are used to evaluate this. Importantly, the focus is on the normality of the residuals, not the independent or dependent variables themselves. The following equation models this relationship and serves as the basis for conducting the normality test.

Significance > 5% = Normal
Significance < 5% = Abnormal

Multicollinearity testing checks for correlations among independent variables in a regression model. An effective model should show no significant correlation between these variables. This is assessed using the variance inflation factor (VIF) and tolerance values from the regression equation. If the tolerance value is >0.1, and VIF <10, then the regression model is free from multicollinearity.

A heteroscedasticity test checks if a regression model's residuals have unequal variance. This concept can be described with an equation. When the residual variance is constant across observations, the condition is referred to as homoscedasticity. In contrast, if the residual variance differs between observations, this phenomenon is called heteroscedasticity. The absence of heteroscedasticity is a characteristic of robust regression models.

4. Result and Discussion

Descriptive Analysis

Descriptive statistics utilize measures such as the mean, standard deviation, variance, maximum, minimum, sum, range, kurtosis, and skewness of the distribution [20]. However, descriptive statistics are limited to describing the data and are not intended for drawing general conclusions or making generalizations. The following equation illustrates one way in which these metrics are calculated:

Table 2 Regression Coefficient Results

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	233,157	118,355		1,970	0,000
	X1	0,254	1,903	0,048	0,134	0,895
	X2	-50,170	41,583	-0,274	-1,207	0,024
	X3	0,030	0,414	0,024	0,072	0,943
	X4	-0,108	0,093	-0,291	-1,159	0,026
	X5	0,084	0,138	0,159	0,605	0,552
	X6	0,280	0,224	0,267	1,249	0,022
	X7	0,042	0,077	0,121	0,538	0,049

The intercept value is 233.157, indicating that when all independent variables (Big Five external auditors' current ratio, debt-to-equity ratio, capital intensity, return on assets, and dividends) are set to zero, the predicted tax avoidance is $233.157.

The audit committee competence coefficient is 0.254. This means that, holding other variables constant, each additional unit of audit committee competence raises tax avoidance in cement companies by 0.254. Thus, audit committee competence is positively linked to corporate tax avoidance.

A positive regression coefficient of 0.030 was observed for the Current Ratio (CR), suggesting that a one-unit increase in CR is associated with a 0.030-unit rise in tax avoidance. This indicates a positive correlation: higher liquidity is associated with increased tax avoidance.

The regression coefficient for the Debt-to-Equity Ratio (DER) is -0.108, indicating a negative relationship. Each one-unit increase in DER aligns with a 0.108-unit decrease in tax avoidance, so higher DER is linked to reduced tax avoidance.

The t-test for capital intensity gave a significance value of 0.552, showing no significant partial effect on tax avoidance. Although the regression coefficient was positive, this lack of significance indicates that capital intensity does not significantly affect tax avoidance. Hypothesis 5 is therefore rejected.

The t-test for Return on Assets (ROA) showed a significance value of 0.022, indicating a significant effect on tax avoidance in acquisitions. With a positive regression coefficient, higher ROA is linked to increased tax avoidance, supporting Hypothesis 6.

The t-test for the dividend variable yielded a significance value of 0.049, indicating a significant partial effect on tax avoidance. Regression analysis also reveals a positive correlation, supporting Hypothesis 7, which posits that dividends serve as a tax avoidance mechanism.

5. Conclusions

Conclusions

This study investigates the effects of audit committee competence, Big Five external auditors, current ratio, debt-to-equity ratio, capital intensity, return on assets, and dividends on tax avoidance among cement sector companies listed on the Indonesia Stock Exchange from 2019 to 2023. The findings indicate that audit committee competence, current ratio, return on assets, and dividends are positively associated with tax avoidance. In contrast, the presence of Big Five external auditors and a higher debt-to-equity ratio are negatively associated with tax avoidance. Capital intensity does not have a significant effect on tax avoidance.

This study confirms that internal factors within a company, especially the ability of supervisors and the company's financial situation, have a Significant effect on the amount of tax avoidance. Companies can stay in compliance with their taxes and make their financial reports more straightforward by establishing more professional audit committees, selecting trustworthy auditors, and effectively managing profitability and dividend policies.

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