Differences In Tax Avoidance Behavior Before And During Covid 19 In Non Cyclical Customer Companies On The Indonesia Stock Exchange

Ani Kusbandiyah[1], Iwan Fakhruddin[2], Bima Cinintya Pratama[3], Didi Setyono[4]

annykusbandiyah@mail.com[1], iwanfakhruddin@ump.ac.id[2], bimacinintyapratama@ump.ac.id[3],

Universitas Muhammadiyah Purwokerto[1,2,3,4]

Abstract. The purpose of the study is to test and find empirical evidence of differences in tax avoidance behavior before and during the Covid-19 pandemic in Non-Cyclical Consumer companies on the Indonesia Stock Exchange in 2018-2021. The results of the Wilcoxon signed rank test show that the significance value of the comparison of tax avoidance before and during Covid 19 is 0.050, smaller than the significance parameter = 0.10, (0.050 < 0.10), which means that there are differences in tax avoidance before and during Covid 19. The negative ranks value or value during the pandemic < before the pandemic as many as 25 observation samples which show that there is a decrease in the value of tax avoidance during the pandemic when compared to the period before the pandemic. The positive ranks or values during the pandemic > before the pandemic were 18 observation samples which showed that there was an increase in the value of tax evasion during the pandemic when compared to the period before the pandemic. So it can be concluded that the most data is data with the value of tax avoidance before the pandemic is greater than the value during the pandemic, which means there is an increase in tax avoidance during the pandemic.

Keywords: Covid-19 pandemic, tax avoidance, compared to the period before and after

1   Introduction

Essentially, the Indonesian economy cannot be separated from the role of taxes because taxes make a significant contribution to the country of Indonesia, which is located in a fairly strategic geographical location, making Indonesia a world trade traffic, and the Indonesian society is very consumptive. This situation is very appealing to entrepreneurs, both domestic and foreign, who want to set up shop in Indonesia. The existence of the company benefits Indonesia because it can increase state revenues, particularly in the tax sector.

However, during this pandemic, the government issued policies in several sectors, one of which was in the tax sector. The policy is attached to the Minister of Finance Regulation (PMK) regarding the provision of tax incentives for taxpayers affected by Covid-19. Minister of Finance Sri Mulyani Indrawati stated that there were 19 manufacturing industry sectors and 11 sectors outside the manufacturing industry including trade, transportation and hospitality which were also affected by the corona virus and received tax facilities. This is done to provide cash flow space for industrial sector companies [1]

The company will try to find loopholes to pay as little tax as possible. As a result, there are conflicts of interest between the company and the tax authorities, who want to collect as much tax revenue as possible. While the company, as a taxpayer, wants the tax payment to be as low as possible so that the company can do tax planning (tax planning). Tax avoidance refers to tax planning that is done legally and does not violate applicable law, whereas tax evasion refers to tax planning that is done illegally and against the law. [2]

Based on the preceding description, this study will investigate and assess whether there are differences in tax avoidance before and during Covid-19 in Non-Cyclical Consumer companies listed on the Indonesia Stock Exchange (IDX). Given the possibility of tax avoidance during the Covid-19 pandemic, this research is expected to benefit tax authorities, particularly for companies that take advantage of loopholes in new tax regulations and tax incentives.

2   Literature Review

Agency Theory

According to [3] agency theory explains the relationship between the principal and the agent. Due to the information asymmetry shared by both parties, the agent has more information than the principal which leads to differences in interests, so that each party acts according to its own interests to achieve the maximum possible advantage. This situation can lead to moral hazard, namely dishonest behavior, aimed at realizing one's own interests, and harming the interests of other parties based on information that is better owned by the agent. Based on agency theory, the difference in interests between the tax collector and the company causes taxpayer non-compliance, namely

1

the company's management so that it will make efforts to avoid corporate taxes. [4] The company takes advantage of this loophole because it has more information, but of course it does not violate the applicable tax laws. The company wants to change its tax burden in such a way that it reduces the company's profits and does not reduce the company's performance rewards.

Tax Avoidance

Tax Avoidance According to [5,] tax avoidance is an attempt by taxpayers to reduce the tax burden that must be borne by exploiting legislative flaws. Meanwhile, [6] describes a method of avoiding or minimizing taxes that do not exceed the scope of the applicable law. As a result, it is possible to conclude that tax avoidance is one method for managers to reduce corporate taxes. Tax avoidance is a legal method of evading taxes that does not violate tax laws and regulations. In contrast to illegal tax evasion (tax evasion), this type of tax evasion is not considered to violate tax laws, because tax evasion is carried out by exploiting loopholes in the tax law to avoid paying taxes.

Hypothesis Development

Differences in tax avoidance before and during Covid-19

In this study, we will discuss tax avoidance before and during Covid-19, one of the implementations of the regular-end tax function during the Covid-19 pandemic is through the application of tax relaxation in the form of tax incentives. The implementation of tax incentives and new tax regulations is also considered to be able to improve tax avoidance practices. In addition, the differences in economic conditions before and during Covid-19 also influenced the company's decision to avoid tax. Therefore, this study was conducted to determine whether there are differences in tax avoidance practices before and during the Covid-19 pandemic through the following hypothesis:

Ha: There is a difference in tax avoidance before and during the covid-19 pandemic.

The following is an overview of the framework of thought in this research:
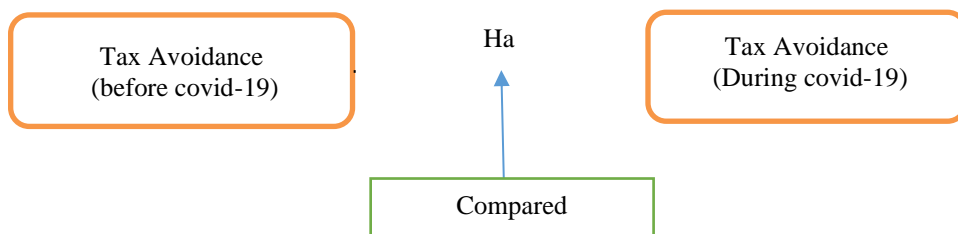
Image 1: Framwork conceptual

3   Research Methodology

Types of research

Penelitian ini menggunakan penelitian kuantitatif dengan pendekatan deskriptif dan komparatif, dimana penelitian tersebut akan diolah dan dianalisis untuk pengujian teori dengan mengukur variabel penelitian dengan angka-angka untuk menguji suatu hipotesis.

Population

According to [8,] a population is a generalization area consisting of objects or subjects with specific qualities and characteristics determined by researchers to be studied and then drawn conclusions from. This study's population consists of non-cyclical consumer companies listed on the Indonesia Stock Exchange between 2018 and 2021.

Sample

According to [8,] the sample is a subset of the population in terms of size and characteristics. The sample taken can be representative of the population or not. Purposive sampling was used to select a non-cyclical consumer company for this study.

The criteria used in the selection of the sample as the sample size are as follows:

1. Non-cyclical consumer companies listed on the Indonesia Stock Exchange in two periods during the period 2018-2021.
2. Companies that do not experience losses or gain profits during the 2018-2021 research year.
3. Non-cyclical consumer companies that provide data related to the research sample.

Operational Definition and Measurement of Variables

Tax Avoidance

Tax avoidance is a method of reducing taxes that are still within the provisions of tax laws and can be justified, particularly through tax planning. Tax evasion is a process of controlling actions in order to avoid the consequences of imposing the desired tax [9]. Tax evasion aims to reduce the tax burden by exploiting flaws in a country's tax provisions, so that tax experts declare it legal because it does not violate tax regulations. The formula for calculating CETR is as follows:

$$CETR : \frac{tax\ expense}{earnings\ before\ tax}$$

Data analysis method

The Wilcoxon signed test is a nonparametric test used to compare two groups of paired data on an ordinal or interval scale when the data is not normally distributed. This test is also referred to as the match pair test. The following is the basis for decision making in the Wilcoxon signed test: [10]

Probability the value of Asym.sig 2 failed < 0.05 : There is an average difference
Probability the value of Asym.sig 2 failed > 0.05 : There is no an average difference

Hypothesis testing

The following is the basis for decision making in the Wilcoxon signed test:
If the value of Asymp.Sig. (2-tailed) less than < 0,05, Reject Ha.
If the value of Asymp.Sig. (2-tailed) more than > 0,05, Failed to reject Ha.

4   Finding and Discussions

a. Finding

Wilcoxon Signed Rank Result

	During and Before Pandemic	Information
Asymp. Sig. (2-tailed)	0,056	Failed to reject Ha

Source: Data processed

Wilcoxon Signed Rank Result

		N	Mean Rank	Sum of Ranks
During Pandemic	Negative Ranks	25[a]	25,42	635,50
Before Pandemic	Positive Ranks	18[b]	17,25	310,50
	Ties	0[c]		
	Total	43		

Source: Data processed

b. Discussion

The Wilcoxon signed rank test results show that the significance value of comparing tax avoidance before Covid-19 to tax avoidance during Covid-19 is 0.050. The significance parameter =0.10 (0.050 < 0.10) is less than the significance value. As a result, either the fifth alternative hypothesis (Ha) is accepted, or there are differences in tax avoidance before and after Covid-19.

According to the table above, the negative ranks or values during the pandemic are 25 observation samples that show a decrease in the value of tax avoidance (CETR) during the pandemic when compared to the period before the pandemic. The positive ranks or values during the pandemic > before the pandemic are 18 observation samples that show that the value of tax avoidance (CETR) increases during the pandemic when compared to the period before the pandemic. According to the test results, the most data is data with a CETR value prior to the Pandemic that is greater than the CETR value during the Pandemic. This implies that there has been an increase.

5   Conclusions

The Wilcoxon signed rank test results show a difference between tax avoidance prior to the Covid-19 pandemic and tax avoidance during the Covid-19 pandemic. The limitation of this research is that this research is only limited to non-cyclical consumer companies listed on the Indonesia Stock Exchange, the research sample is only 27 companies. Recommendations that can be given to further researchers are that further researchers conduct research in

different sectors with a larger number of samples. The next researcher can use different tax avoidance measures such as BTD, so that it will describe the tax avoidance behavior that can be observed from the differences in the accounting and fiscal financial statements.

References

[1]   Albert Lodewyk, Sentosa Siahaan. 2020, Jurnal Kajian Lembaga Ketahanan Nasional republic Indonesia, Volume9 (2)

[2]   Nur Agustina, T., Studi Akuntansi, P., Ekonomi dan Bisnis, F., Muhammadiyah Surakarta, U., & Abdul Aris, M. (2017). Dalam Penanggulangan Korupsi 295 Seminar Nasional dan The 4 th Call for Syariah Paper Tax Avoidance : Faktor-Faktor Yang Mempengaruhinya (Studi Empiris Perusahaan Manufaktur yang Terdaftar di Bursa Efek Indonesia Periode 2012-2015).

[3]   Jensen, M. C.&Meckling, W. H. (1976). Theory of the Firm: Managerial Behaviour, Agency Cost, and Ownership Structure. Journalof Financial Economics. Vol. 3, 305-360.

[4]   Dewinta, Ida Ayu Rosa, dan Putu Ery Setiawan. 2016. " Pengaruh Ukuran Perusahaan, Profitabilitas, Umur Perusahaan, Leverage dan Pertumbuhan Penjualan terhadap Tax Avoidance". E-Jurnal Akuntansi Universitas Udayana Vol. 14.

[5]   Adhivinna, V. V. (2017). Pengaruh Roa, Leverage, Kepemilikan Institusional Dan Ukuran Perusahaan Terhadap Tax Avoidance. Jurnal Akuntansi, 5(2), 136–145. https://doi.org/10.24964/ja.v5i2.288

[6]   Fadila, M., Rasuli, M., & Rusli, R. (2016). Pengaruh Return on Asset, Leverage, Ukuan perusahaan, kompensasi rugi fiksal, kepemilikan institusional, Dan Koneksi Politik Tehadap Penghindaran Pajak (Studi Empiris pada Perusahaan Manufaktur yang Terdaftar di BEI Tahun 2011-2015). Jurnal Online Mahasiswa Fakultas Ekonomi Universitas Riau, 4(1), 1671–1684.

[7]   Cahya Dewanti, I. G. A. D., & Sujana, I. K. (2019). Pengaruh Ukuran Perusahaan, Corporate Social Responsibility, Profitabilitas   dan   Leverage   pada   Tax   Avoidance.   E-Jurnal   Akuntansi,   28,   377. https://doi.org/10.24843/eja.2019.v28.i01.p15

[8]   Sugiyono. 2014. Metode Penelitian Kuantitatif, Kualitatif dan R$D. Bandung: Alfabeta.

[9]   Zain, Mohammad. 2008. Manajemen Perpajakan. Edisi Ketiga. Jakarta: Salemba Empat

[10] Aplikasi analisis multivariate dengan program IBM SPSS 25 edisi ke-9 ; Universitas Diponegoro , 2018 · Statistics · Mathematical Statistics · http://slims.umn.ac.

[11] Marlinah, L. (2021). memanfaatkan insentif pajak UMKM dalam upyamendorong pemulihan ekonomi nasional. *Jurnal IKRA-ITH Ekonomika*, 4(2), 73-78.

[12] Dhaliwal, D. S., Li, O. Z., Tsang, A., & Yang, Y. G. (2011). Voluntary Nonfinancial Disclosure and the Cost of Equity Capital: The Initiation of Corporate Social Responsibility Reporting. The Accounting Review, 86(1), 59–100.