Research Article

Literature Review of Antecedents of Corporate Tax Avoidance in Indonesia

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Abstract: Taxes are critical for the country's development because they generate revenue used to expand the Indonesian economy. The Corona Virus outbreak has shocked the public during the government's campaign to raise public awareness about the importance of paying taxes. Despite the Covid-19 pandemic, the company continues to pay taxes and thus avoids spending taxes. The purpose of this study is to examine the factors that may influence tax evasion by Indonesian manufacturing firms. This study employs qualitative research in conjunction with a literature review or a method of literature review. The researchers identified and analyzed 18 peer-reviewed journal articles over three years (2019-2021). According to the research findings, firm size, leverage, committee composition, and audit quality all have a significant positive effect on tax avoidance. Because researchers consider businesses to be taxpayers, it's natural that if the objective is to maximize profits, this tax avoidance action will become more aggressive during the pandemic.

Keywords: Tax Avoidance, Manufacturing Companies, Indonesia.

A. INTRODUCTION

Taxes are very important for the country's development because they generate income used to expand the Indonesian economy. By taking responsibility for paying and reporting income, citizens contribute to the financing of the state and its development. In 2020, during the government's campaign to increase public awareness of the importance of paying taxes, the emergence of the Corona Virus outbreak shocked the public. As a result, Indonesia is infected or infected with this virus (Marfiana, 2020). Indonesia officially declared a recession in the third quarter of 2020, when the country's Gross Domestic Product (GDP) was minus 3.49 per cent (Aprilianti, 2021; Kesumaningrum, 2020).

Manufacturing is a significant source of revenue for the government. Manufacturing accounted for 29.4% of tax revenue, or around Rp. 365.39 trillion in 2019. Indonesia's manufacturing sector also contributed to the country's GDP, which accounted for 20.21 per cent of total GDP in 2019. However, the manufacturing industry's contribution to GDP has declined by 21% since 2015, 20.5 per cent in 2016, 20.16 per cent in 2017, and 19.86 per cent in 2018. Through an economic impact analysis, the Ministry of Industry supports improving the performance of five manufacturing sectors in 2019. (Ministry of Industry, 2020). It is hoped that with the help of industrial technology 4.0, it can reduce operational costs efficiently while increasing productivity. Therefore, research on the manufacturing sector is needed because it is expected to significantly contribute to GDP and boost individual company profits, thus enabling tax authorities to maximize potential tax revenues (Hoffman, 2021). The increase in profitability can be seen in the company's sales growth and the intensity of capital used to run the business.
According to research (Marfiana & Putra, 2021), the company continues to pay taxes even though it is plagued with problems and deficits during the COVID-19 pandemic, and as a result, the company avoids tax spending. Therefore, managers can encourage managers to reduce the tax burden with tax management to achieve the predetermined profit target. This tax avoidance is carried out by being influenced by several factors. Research in analyzing the factors that can influence this tax avoidance, which companies in Indonesia carried out within three years (2019-2021).

B. METHOD

The method used in this study uses qualitative research, namely the literature review or literature review. Researchers found 18 peer-reviewed journal articles within three years (2019-2021) that followed the research topic and were reviewed by researchers using tables to obtain holistic findings. This study is then described in an analytical descriptive manner by providing a comprehensive description of the analysis of the factors that influence tax avoidance in companies in Indonesia (Mayanggara & Wardhni, 2017).

C. RESULT AND DISCUSSION

1. Result

Table 1. Literature Review of Antecedents of Corporate Tax Avoidance in Indonesia

| No | Name of Researcher and Year of Publication | Method Study | Findings: Corporate Tax Avoidance |
|----|---------------------------------------------|--------------|-----------------------------------|
| 1  | (Maretta et al., 2019)                       | Quantitative | Institutional Ownership, Audit Committee, Audit Quality, and Independent Commissioner |
| 2  | (Budiasih & Amani, 2019)                     | Quantitative | Company size |
| 3  | (Krisdiantoro et al., 2019)                  | Quantitative | Leverage and corporate governance |
| 4  | (Anggraeni & Febrianti, 2019)                | Quantitative | Profitability |
| 5  | (Andriyani, 2019)                            | Qualitative  | Company size and ownership structure |
| 6  | (Hapsari, 2020)                             | Quantitative | Profitability and Company Size |
| 7  | (Fitriani & Sulistyawati, 2020)              | Qualitative  | Leverage and Audit Committee |
| 8  | (Wirawan et al., 2020)                      | Quantitative | Company size |
| 9  | (Hernadianto et al., 2020)                  | Qualitative  | Leverage |
| 10 | (D. Purba et al., 2020)                     | Quantitative | Leverage, Firm Size, Institutional Ownership and Managerial Ownership |
| 11 | (Harlan & Trisnawati, 2020)                 | Quantitative | Top managerial compensation and corporate governance disclosure |
| 12 | (Pratiwi et al., 2020)                      | Quantitative | Leverage and sales growth |
| 13 | (Mailia, 2020)                              | Quantitative | Company size and capital intensity |
| 14 | (Sulhendri & Nita Wulandari, 2020)          | Quantitative | Audit Quality, Leverage and Company Size |
| 15 | (Hutapea & Herawaty, 2020)                  | Quantitative | Company size and Leverage |
| 16 | (Yuliandana, 2021)                          | Quantitative | The value of the company |
| 17 | (Maulana & Mujiyati, 2021)                  | Quantitative | Independent commissioner |
2. Discussion

Based on the literature review shown in table 1 shows that the most influential factor on tax avoidance is company size, as indicated by the results of 9 of 18 studies (50%), the second factor is leverage with the results of 7 of 18 studies, and the third factor is the committee and audit quality as indicated by the results of each of 2 of 18 studies.

3. Company Size

Company size is a proxy that provides convenience in increasing capital market capital. The size of the business is determined in a study conducted by (Budiasih & Amani, 2019) using total business assets. Total assets were chosen as a proxy in the size of a company because they tend to be stable compared to market capitalization and sales.

According to Andriyani et al. (2019), the size of a business is classified as small or large depending on its scale. Public demand for information about a company's CSR efforts will increase proportionally to its size. Corporate Social Responsibility (CSR) is a strategy widely used by business people to improve their image in the eyes of the public and shareholders. Disclosure of significant information by large companies is a form of social responsibility because companies will face greater political risk due to such disclosure (Andriyani, 2019; Zona, 2013).

The factors shown by Hapsari's research (2020) found that the variable firm size (SIZE) had a significant positive effect on tax avoidance, as indicated by the value of tcount \( > t_{table} (-2.321 > 1.98157) \) and sig. 0.022 > 0.05. This has shown that the company size factor is accepted (Hapsari, 2020). In addition, research conducted by (D. Purba et al., 2020) stated that the regression equation for this factor was formulated as 0.000148. This means that for every 1 (unit) increase in company size, tax avoidance will increase by 0.000148. This shows that the size of a business increases in proportion to its total assets and will show how companies do tax avoidance (Fredy et al., 2021; Kitromilides & Gonzales, 2013).

4. Leverage

Leverage is a term that refers to the amount of debt financed by a business. The use of large debt can have a detrimental impact on the business because it can fall into the category of extreme leverage (extreme debt), i.e. businesses will be entangled in large amounts of debt that are difficult to pay off. Therefore, the company must adjust the amount of debt that can be used and obtained and the source of debt repayment. The Leverage Ratio (Debt Ratio) can be used to find out how much of a company's assets are financed through debt or by third parties outside the scope of its business. Leverage analysis can be calculated using the balance sheet and income statement.

In a study conducted by Fitriani et al. (2020) and Alleyne & Harris (2017), Leverage, according to the results of the hypothesis, affects tax avoidance. Based on the results of statistical tests, tcount shows that leverage has a significance of 0.035 0.05, which indicates that the hypothesis is accepted and leverage has an effect on tax avoidance (Fitriani & Sulistyawati, 2020; Chiu & Sahrfman, 2011). In line with research conducted by (Hutapea & Herawaty, 2020), which shows in the regression analysis of his research that the leverage variable has a tcount value of -1.710, a significance value of 0.045, with a beta value of -0.661. The significance value is significantly smaller than the 5% alpha value (0.045 0.05). This means that the hypothesis is accepted, and leverage affects tax avoidance (Sulhendri & Nita Wulandari, 2020).
5. Audit Committee

According to (Maulana & Mujiyati, 2021 and Ariftiara et al., 2019), the audit committee encourages management to pursue various business development initiatives. Several things need to be understood regarding the composition of the audit committee, one of which is the competence of the audit committee. Audit committee members who have educational backgrounds and expertise in financial accounting can apply accountability standards to achieve high levels of achievement.

Based on this study, the audit committee in a company is measured by the organization's total number of audit committees. Research has been conducted by (Maretta et al., 2019), which shows that the audit committee variable has a coefficient of 0.037 which means that for every 1% increase in the audit committee, there will be an increase in tax avoidance of 0.037 units, assuming all other variable coefficients remain constant. Meanwhile, the significance value for the Audit Committee is greater than 0.05, which is 0.005. This means the results of this hypothesis are true. Thus, it can be concluded that the Audit Committee has a significant impact on tax avoidance.

6. Audit Quality

Audit quality is also inseparable from the audit committee factor. Because audit quality is part of the auditors' ability, this factor also affects tax avoidance. This is evidenced from the test on the t-test conducted by (Sulhendri & Nita Wulandari, 2020), which shows that the audit quality variable also has a positive and significant effect on tax avoidance, where the value of the quality of the audit results is 0.0093 smaller than = 0.05 and rejected H0. While the partial coefficient value for the audit quality variable of 0.295393 means that audit quality which increases by 1%, brings an increase in tax avoidance of 0.295393% with the assumption that other variables remain. His research has determined that audit quality factors and several other factors significantly contribute as high as 39.68% to tax avoidance.

D. CONCLUSION

This study uses 18 journal studies published in 2019-2021. Based on the findings of the literature review shown in the results above, shows that the most influential factor on tax avoidance is company size, as indicated by the results of 9 of 18 studies (50%), the second factor is leverage with the results of 7 of 18 studies, and the third factor is the committee. And audit quality as indicated by the results of 2 of 18 studies. Based on the research test results, it was found that the factors; firm size, leverage, committee and audit quality have a significant positive effect on tax avoidance. Researchers view the implications for companies, namely companies, as taxpayers, so, naturally, the goal is to maximize profits so that tax avoidance actions during this pandemic increase and tend to be aggressive. This is done for the sake of a company's going concern in facing a crisis due to a pandemic that does not know when it will end. It is hoped that this pandemic will end as soon as possible, and the problem of tax evasion will decrease because, after all, taxes are one of the largest contributors to a country's income used to finance state expenditures that are beneficial to its people. The limitations of this research are that the research time is only three years, and the sample of journals is limited to 18 journals. Suggestions for further research are to develop recommendations made in this study by increasing the number of journal samples studied for the following years.
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