International Journal of ACCOUNTING AND MANAGEMENT RESEARCH

E-ISSN : 2721-1126, P-ISSN : 2721-1118
Available online at:
https://ejournal.itbwigalumajang.ac.id/index.php/ijamr

The Influence of Corporate Governance, Corporate Risk, and Profitability on Tax Avoidance (Empirical Study of Companies Listed in the CGPI Index 2018-2020)

Fetri Setyo Liyundira[1] , Ananda Ajeng Nur Fidiyyah [2], Deni Juliasari[3]

Departement of Accounting, Institut Teknologi dan Bisnis Widya Gama Lumajang[1,2,3]

Corresponding Author: liyundira90@gmail.com

ARTICLE INFO

Date of entry:
3 January 2023
Revision Date:
14 Februari 2023
Date Received:
2 Maret 2023

ABSTRACT

This study seeks to determine and analyze the effect of corporate governance, corporate risk, and profitability on tax avoidance (empirical study of companies listed in the CGPI index 2018-2020). The research method uses descriptive quantitative. The data used is secondary data using the financial statements of listed companies that are the research sample. The population in this study were 15 companies listed in the CGPI index in SWA magazine. The sampling technique used purposive sampling technique so that the sample obtained was 13 companies that met the criteria during 2018-2020. The results of the analysis in the study indicate that good corporate governance and profitability have no effect on tax avoidance. This shows that the higher good corporate governance and profitability will not affect the increase in tax avoidance. Corporate risk has a significant negative effect on tax avoidance. This shows that the higher the corporate risk will lead to increased tax avoidance.

Keywords: Corporate Governance, Corporate Risk, Profitability, Tax Avoidance.

Cite this as: Liyundira, F. S., Fidiyyah, A. A. N., & Juliasari, D. (2023). The Influence of Corporate Governance, Corporate Risk, and Profitability on Tax Avoidance (Empirical Study of Companies Listed in the CGPI Index 2018-2020). *International Journal of Accounting and Management Research*, *4*(1), 33–40. Retrieved from https://ejournal.itbwigalumajang.ac.id/index.php/ijamr/article/view/995

INTRODUCTION

Taxes are contributions of the people to the State treasury based on laws (which are imposed) without getting reciprocal services (contraprestasi) which can be directly shown and used to pay for public expenses (Mardiasmo, 2011). Tax payment is a form of state obligation and taxpayers participate directly in carrying out tax obligations that are used for national development and state financing. Paying taxes according to tax law is not only an obligation but also the right of every citizen to participate and participate in national development and state financing because the largest contribution of Indonesian State revenue is obtained from taxes (www.pajak.go.id), 2018.

Tax Avoidance is an effort to avoid taxes by fulfilling tax provisions and using various strategies in the field of taxation. Tax avoidance behavior aims to reduce the tax burden on the company while still complying with the provisions of tax regulations, such as utilizing permissible exemptions and tax reductions or delays that have not been regulated in applicable tax regulations and usually through policies taken by company leaders (Dewinta & Setiawan, 2016). Tax avoidance has indeed been commonly practiced by many companies. The ways used by a company to carry out tax avoidance practices include purchasing raw materials made by the parent company to subsidiaries in one group, paying for IPR, and owing or selling bonds.

Good Corporate governance (GCG) is a mechanism that regulates and controls the company through the relationship between shareholders, administrators, company managers, creditors and government employees and other internal and external stakeholders so as to increase company value (Oktofian, 2016). Corporate governance explains the relationship between the company and various interested parties (stakeholders) which in turn can be used to determine the direction of company policy and performance (Haruman, 2008). The implementation of Good Corporate Governance (GCG) can reduce the risk of manipulative actions on decisions that benefit the company in terms of tax avoidance.

Corporate Risk is a condition where the possibilities that cause the performance of a company to be lower than expected are due to uncertainty in the future (Dewi Pradnyanita & Sari Ratna, 2015). In research (Paligorova, 2010) explains that company risk is the volatility of company earnings, which can be measured by the standard deviation formula. Thus it can be interpreted that company risk is a deviation or standard deviation from earnings, whether the deviation is less than planned (down risk) or more than planned (upsite potential). The greater the earnings deviation in the company, the greater the company risk. High company risk will certainly have an impact on tax avoidance. The higher the company risk, the lower the level of tax payment.

Profitability is the ability of a company to generate profits. So that the greater the profit of a company, the greater the tax burden that must be paid. Several previous studies have tried to link the company's financial condition factors to tax avoidance, including focusing on the level of company profitability. This is what affects the company's ability to generate profits independent of funding. The higher this ratio, the better the company's performance by using assets in obtaining net income. The level of profitability of the company has a negative effect on the effective tax rate because the more efficient the company, the company will pay less tax so that the effective tax rate of the company becomes lower (Derazhid, 2013). Profitability is the company's ability to earn profits, research conducted (Utami, 2013), proving that companies with high profitability will increasingly disclose their tax obligations. The measurement of profitability is by using Return On Asset (ROA). According to Subakti (2012), company profitability with tax avoidance will have a positive relationship if the company wants to do tax avoidance, it must be more efficient so that it does not need to pay a large amount of tax. The purpose of this study is to determine how the influence of good corporate governance, corporate risk, and profitability on tax avoidance in companies listed in the Cgpi Index for the 2018-2020 period.

METHODS

This research uses a quantitative approach method with multiple linear regression analysis. The data source used in this study is secondary data in the form of financial reports of companies listed in the CGPI index in SWA magazine for the 2018-2020 period. The data source used is external data obtained from the official IDX website through idx.co.id. The population in this study are companies listed in the CGPI index in SWA magazine, totaling 15 companies. Sampling using purposive sampling technique with various criteria. So that a sample of 13 companies was obtained. The data analysis steps of this study consist of Descriptive Statistical Test, Classical Assumption Test, Multiple Linear Regression Analysis, F Test, Coefficient of Determination, Hypothesis Test.

E-ISSN : 2721-1126, P-ISSN : 2721-1118
Available online at:
https://ejournal.itbwigalumajang.ac.id/index.php/ijamr

RESULTS AND DISCUSSION

Data Analysis Results
Descriptive Statistics

Descriptive statistical analysis aims to provide an overview of the variables in the study. The following are the results of descriptive statistical processing:

Table 1. Descriptive Statistics

Variabel	*N*	*Minimum*	*Maximum*	*Mean*	*Std. Deviation*
GCG	39	83,80	97,58	88,4028	3,49885
Corporate Risk	39	-0,7192	0,3871	0,000249	0,1606437
Profitabilitas	39	-5,6700	14,1200	5,660769	4,6070669
Tax Avoidance	39	-0,7443	-0,0002	-0,327174	0,1612897

Source: SPSS data processing, 2022.

Good corporate governance
The results of good corporate governance as measured using the IICG score have a maximum value of 97.58 from the company PT Pupuk Indonesia (Persero). In 2019, while the minimum value is 83.80 from the companies PT Pegadaian and PT Petrokimia Gresik. in 2018, and the average value of good corporate governance has a value of 88.4028, while for the standard deviation value, a value of 3.49885 is obtained.

Corporate Risk
The results of corporate risk as measured using the standard deviation of EBITDA (earnings before interest tax, depreciation and amortization) divided by the company's total assets have a maximum value of 0.3871 from the company PT Petrokimia Gresik, in 2019, while the minimum value is -0.7192 from the company PT Bank Tabungan Negara (Persero) Tbk. In 2018, and the average value of Corporate Risk has a value of 0.000249, while for the standard deviation value, a value of 0, 1606437 is obtained.

	Unstandardized Residual
Jumlah Sampel	39
Asymp. Sig. (2-tailed)	0,200[c]

Source: SPSS processing data, 2022.

Based on table 2. the results of the data normality test using the Kolmogorov Smirnov test show that the significant value is 0.200> 0.05 (5%), the data can meet the normality criteria so that the residual model is declared normal.

Multicollinearity Test

Table 3. Multicollinearity Test Results

Variabel	*Tolerance*	*VIF*
(Constant)	-	-
GCG (X_1)	0,983	1,018
Corporate Risk (X_2)	0,976	1,025
Profitabilitas (X_3)	0,981	1,020

Dependent Variable: Tax Avoidance.
Source: SPSS data processing results, 2022.

Based on table 3. The multicollinearity test results show that good corporate governance produces a tolerance value of 0.983> 0.1 and a VIF value of 1.018 < 10 so that the data model is free from multicollinearity or there is no correlation between the independent variables. Corporate risk produces a tolerance value of 0.976> 0.1 and a VIF value of 1.025 < 10 so that the data model is free from multicollinearity or there is no correlation between the independent variables. Profitability produces a tolerance value of 0.981> 0.1 and a VIF value of 1.020 < 10 so that the data model is free from multicollinearity or there is no correlation between the independent variables.

Heteroscedasticity Test

The heteroscedasticity test uses the Scatter Plot test with the criterion that the residuals in the image do not form a certain pattern either line or gather at a certain point, so all data does not experience heteroscedasticity or it can be said that the data has an equality of residual variants (homoscedasticity). The following are the results of the heteroscedasticity test using the Scatter Plot test: The results of the heteroscedasticity test show that the residual value represented by the dot image does not form a certain pattern or does not form a line so that the model is free from symptoms of heteroscedasticity or the data is said to have the same variant (homoscedasticity).

Autocorrelation Test

This study uses the Durbin Watson test criteria as an autocorrelation test method. The following are the results of the data processing using the Durbin Watson test:

Table 4. Autocorrelation Test Results - Durbin Watson Test

dU	DW	4-dU	Kesimpulan
1,6575	1,857	2,3425	Tidak Terdapat Autokorelasi

Dependent Variable: Tax Avoidance

Based on table 4, the results of the autocorrelation test using the Durbin Watson test obtained a Durbin Watson value of 1.857 using a 5% significance value comparison, the number of samples (n) of 39 and the number of independent variables (k) of 3, then the calculation results are located between the dU value of 1.6575 and the value (4-dU) of 2.3425 which has the conclusion that the model does not experience autocorrelation symptoms or residuals do not have a relationship (correlation) with other observations arranged according to time series.

Hypothesis Testing Results

Multiple Linear Regression Analysis

Multiple linear regression analysis is used with the aim of knowing the formulation of the effect of the independent variable on the dependent variable. The following are the results of data processing:

Table 5. Multiple Linear Regression Analysis Results

Model	*Uns.Coefficients*		*St. Coefficients*
	B	*Std. E.*	*Beta*
(Constant)	0,298	0,639	
GCG (X_1)	-0,007	0,007	-0,149
Corporate Risk (X_2)	-0,396	0,157	-0,395
Profitabilitas (X_3)	-0,003	0,005	-0,090

Dependent Variable: Tax Avoidance
Source: SPSS data processing results, 2022.

Based on table 5. the results of multiple linear regression analysis obtained the formulation of multiple linear regression analysis models in this study as follows:

Model		F	Sig
1	*Regression*	2,294	0,095[b]
	Residual		
	Total		

Source: Results of Questionnaire Processing with SPSS 2021 (Appendix 3)

Based on table 6. the simultaneous F test results show that the F value of 2.294 is smaller than the F table, namely 2.87 and the significant value of 0.095 is greater than the specified significant alpha value of 0.05 so that simultaneously the regression model in this study results in that good corporate governance, corporate risk and profitability have no simultaneous influence on tax avoidance.

Coefficient of Determination (R2)

The coefficient of determination test aims to determine how much the model's ability to explain the independent variation on the dependent variation. The coefficient of determination test uses the R square (R2) value. The following are the results of the coefficient of determination test:

Table 7. Test Results of the Coefficient of Determination

Model	*R Square*
1	0,164

Source: SPSS data processing results, 2022

Based on table 7. the results of the coefficient of determination test on the R square (R2) value of 0.164 or 16.4%. It can be concluded that Good Corporate Governance (GCG), corporate risk, and profitability can explain tax avoidance by 16.4%, while the rest is indicated by the estimated error value or 83.6% which is explained by other variables not examined in this study.

Test t (Partial Test)

To determine the effect of the independent variable on the dependent variable partially or one by one can be done with a partial t test. The partial t test in this study used a significance of 5%. To determine the t table can be done by calculating the degree of freedom (df) using the n-k calculation. With n defined as the number of samples of 39 and as the total number of variables, namely 4, the calculation becomes 39-4, the result is 35. In the t table by looking at the two-way significance of 5% because it uses more than 1 variable so that the t table value is 2.030 and -2.030. The following are the partial t test results:

Table 8. Partial t test results

Model	t hitung	Sig.
(Constant)	0,466	0,644
GCG (X_1)	-0,956	0,346
Corporate Risk (X_2)	-2,523	0,016
Profitabilitas (X_3)	-0,574	0,570

Dependent Variable: Tax Avoidance
SPSS data processing results, 2022.

Based on table 8. partial t test results show:

Hypothesis Testing Good Corporate Governance on Tax Avoidance

Based on the t test (partial) good corporate governance has a t value of -0.956 smaller than the t table (2.030) which means that Good Corporate Governance (GCG) has no effect on tax avoidance. The significance value of Good Corporate Governance (GCG) of 0.346 is greater than the predetermined significance value of 0.05, so Good Corporate Governance (GCG) has no influence and is not significant on tax avoidance. So it can be concluded that Good Corporate Governance (GCG) has no effect and is not significant to tax avoidance. In this study the first hypothesis (H1) is rejected.

Hypothesis Testing Coporate Risk on Tax Avoidance
Based on the t test (partial) corporate risk has a t value of -2.523 smaller than the t table (-2.030) which means that corporate risk has a negative effect on tax avoidance. The significance value of coporate risk of 0.016 is smaller than the predetermined significance value of 0.05, so coporate risk has a negative and significant effect on tax avoidance. So it can be concluded that corporate risk has a negative and significant effect on tax avoidance. In this study the second hypothesis (H2) is accepted.

Hypothesis Testing Profitability on Tax Avoidance
Based on the t test (partial) profitability has a t value of -0.574 smaller than the t table (2.030) which means that profitability has no effect on tax avoidance. The profitability significance value of 0.570 is greater than the predetermined significance value of 0.05, so profitability has no influence and is not significant to tax avoidance. So it can be concluded that profitability has no effect and is not significant to tax avoidance. In this study the third hypothesis (H3) is rejected.

DISCUSSION

The results of the analysis of the first hypothesis (H1) that has been carried out show that Good Corporate Governnace has no significant effect on Tax Avoidance. This means that if Good Corporate Governance is getting better, effective tax rates (ETR) will increase so that it can be concluded that tax avoidance or tax avoidance is low. Research has the result that good corporate governance has no effect on tax avoidance. These results indicate that good corporate governance plays an important role in supervising every policy that management will take. If the supervision system is well structured, management will work in accordance with the desired objectives without any attitude of prioritizing the agent's personal interests so as not to take tax avoidance actions.

The results of this study are in accordance with (Darmawan & Sukartha, 2014) and (Ardiansyah, 2021), which state that corporate governance has a negative effect or has no effect on corporate tax aggressiveness. The negative relationship found is because corporate governance implemented by the company will control agents so as not to be aggressive in tax management so as to improve company performance. Good corporate governance can force agents to always act in accordance with existing regulations so that actions can have a negative impact on the company can be avoided. However, this research is different from research from ((Lestari & Putri, 2017) which concluded that good corporate governance or corporate governance of companies affects tax avoidance. The results of the analysis of the second hypothesis (H2) that has been carried out show that Corporate Risk has a significant effect on Tax Avoidance or Tax Avoidance. This shows that if the executive is more risk taker, the greater the tax avoidance action. The size of the company's risk indicates the tendency of the executive's character. A large level of risk indicates that company leaders are more risk takers who are more willing to take big risks.

Corporate risk or company risk is a condition where the possibilities that cause the performance of a company to be lower than expected and caused by uncertainty in the future. Corporate risk is a deviation or standard deviation from earnings, either a deviation that is less than planned (down risk) or more than planned (upsite potential). Research has the result that corporate risk affects tax avoidance. These results indicate that an increase in corporate risk in a company will affect tax avoidance. In this case it can happen because the higher the company's risk or corporate risk, the higher the tax aggressiveness of the company will be. And it can be seen that companies that have a high level of risk will always disobey tax payments. Meanwhile, companies that have a low level of corporate risk will comply with tax payments.

The results of this study are in accordance with research (Dewi & Jati, 2014) which concluded that corporate risk or company risk has a positive effect on tax avoidance. However, this research is different from research from (Dewi Pradnyanita & Sari Ratna, 2015) which concluded that corporate risk or company risk has no effect on tax avoidance.

The results of the analysis of the third hypothesis (H3) that has been carried out show that Profitability has no significant effect on Tax Avoidance or Tax Avoidance. This means that if Profitability increases or decreases, it will not affect Tax Avoidance. Profitability is the company's ability to generate profits from its business activities. Profitability is a measure of management performance in managing company assets as seen from company profits. Profit is used as an indicator for stakeholders to assess the extent of management performance in managing a company. The level of the company's ability to make a profit can be seen and measured by analyzing financial statements through profitability ratios.

Profitability variables as measured by ROA proxies owned by companies where ROA has a positive effect on ETR. Profitability is an indicator of management performance in managing company assets as indicated by the profit generated. Increased profits result in increased company profitability. The increase in profit results in the amount of tax that must be paid also getting higher or it can be said that there is a possibility of efforts to take tax avoidance actions. Research has the result that profitability has no effect on tax avoidance. These results indicate that an increase in profitability in a company will not affect tax avoidance. In this case it can happen because the higher the profitability, the lower the tax aggressiveness of the company will be. And it can be seen that companies that have a high level of profitability will always comply with tax payments. Meanwhile, companies that have a low level of profitability will disobey tax payments in order to maintain company assets rather than having to pay taxes. The results of this study are in accordance with research (Siregar & Dini, 2016) which concluded that Profitability has no effect on Tax Avoidance. However, this research is different from research (Heryuliani, 2015) which concludes that profitability affects Tax Avoidance or tax avoidance.

CONCLUSION

Based on the results of the first hypothesis submission, it shows that good corporate governance has no effect on tax avoidance in companies listed in the CGPI index for the 2018-2020 period. The results of proposing the second hypothesis show that corporate risk affects tax avoidance in companies listed in the CGPI index for the 2018-2020 period. The results of proposing the third hypothesis show that profitability has no effect on tax avoidance in companies listed in the CGPI index for the 2018-2020 period.

REFERENCES

Ardiansyah, E. A. (2021). *Pengaruh Indeks Good Corporate Governance Terhadap Tax Avoidance (Studi pada perusahaan yang terdaftar pada Bursa Efek Indonesia Periode 2011-2017*. University Brawijaya.

Darmawan, I. G. H., & Sukartha, I. M. (2014). *Pengaruh Penerapan Corporate Governance, Leverage, Return On Assets, dan Ukuran Perusahaan Pada Penghindaran Pajak*. *9*(1), 143–161.

Dewi, N. N. K., & Jati, I. K. (2014). *Pengaruh Karakter Eksekutif, Karakteristik Perusahaan, Dan Dimensi Tata Kelola Perusahaan Yang Baik Pada Tax Avoidance Di Bursa Efek Indonesia*. *2*(6), 249–260.

Dewi Pradnyanita, A. G., & Sari Ratna, M. M. (2015). *Pengaruh Insentif Eksekutif, Corporate Risk Dan Corporate Governance Pada Tax Avoidance*. *13*(1), 50–67. www.bppk.depkeu.go.id

Dewinta, I. A. R., & Setiawan, P. E. (2016). Pengaruh Ukuran Perusahaan, Profitabilitas, Leverage, dan Pertumbuhan Penjualan terhadap Tax Avoidance. *E-Jurnal Akuntansi Universitas Udayana*, *14*(3), 1584–1613.

Heryuliani, N. (2015). *Pengaruh Karakteristik Perusahaan dan Kepemilikan Keluarga Terhadap Penghindaran Pajak*. 1–116.

Lestari, W. A. G., & Putri, I. G. A. M. A. D. (2017). Pengaruh Corporate Governance, Koneksi Politik, Dan Leverage Terhadap Penghindaran Pajak. *E-Jurnal Akuntansi*, *18*(3), 2028–2054.

Mardiasmo. (2011). *Perpajakan* (Edisi Revisi 2011). Andi.

Septian, D. E., Liyundira, F. S., & Supartini, S. (2020). Measurement of financial performance in adoption of the rogotrunning village budget year 2015-2018. *Assets: Jurnal Ilmiah Ilmu Akuntansi, Keuangan dan Pajak*, *4*(2), 50-56.

Paligorova, T. (2010). *Corporate Risk Taking and Ownership Structure*.

Siregar, R., & Dini, W. (2016). *Pengaruh Karakteristik Perusahaan Terhadap Penghindaran Pajak Pada Perusahaan Manufaktur Di Bei*. *5*, 1–17.

Utami, W. N. (2013). *Pengaruh Corporate Governance, Size, Profitabilitas Perusahaan terhadap Tax Avoidance (studi pada perusahaan pertambangan dan manufaktur yang terdaftar di BEI tahun 2009-2011)*.