

The Influence of Profitability and Leverage on Tax Avoidance in Manufacturing Companies Listed on the Indonesian Stock Exchange 2018 - 2020

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ABSTRACT: Tax is one of the largest revenues in the APBN, but when compared to the realization of the tax revenue target, it is still not appropriate. In this thesis the author indicates that this happened because there was resistance made by the taxpayer in the form of tax avoidance. This study aims to determine the magnitude of the influence of Profitability, and Leverage on Tax Avoidance in manufacturing companies listed on the Indonesia Stock Exchange in 2018 - 2020. The data used in this thesis is secondary data, namely financial statements obtained from the official website of the Indonesia Stock Exchange (www.idx.com). Sampling by purposive sampling was obtained as many as 10 companies with a research time of 2018 - 2020. The analysis method used was the regression test method and used SPSS version 24 for data processing. The results of this study indicate that profitability partially has a significant positive effect on tax avoidance, partially leverage has a significant positive effect on tax avoidance. Profitability, and Leverage, simultaneously have an effect on tax avoidance.

Keywords: Profitability, Leverage, Tax Avoidance



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INTRODUCTION

In achieving state goals, funding sources cannot be separated. In Indonesia, this funding source is usually found in the APBN (State Revenue and Expenditure Budget). Before it was ratified, the APBN was called the State Revenue and Expenditure Budget Plan or RAPBN. In the RAPBN, a plan for income and expenditure for the coming year is prepared. One source of state income is taxes. Based on the 2018 RAPBN, tax revenue is projected at IDR 1,618 trillion, while in 2019 it was IDR 1,957 trillion and in 2020 it was IDR 1,633 trillion. From this it can be concluded that taxes are the largest source of state revenue.

Efforts to optimize tax sector revenues are not without obstacles, because there are differences in interests between the government and taxpayers. For the country. Taxes are a source of revenue to finance government administration, but from a company's perspective, taxes are one of the cost components that reduce company profits. The following data is presented by jasa.go.id regarding projected tax revenues and actual tax revenues:

Table 1
Realization of Indonesian state tax revenues in 2018 – 2020
(In Trillions of Rupiah)

Year	2018	2019	2020
Target	1.424,00	1.577,6	1.198,82
Realized	1.315,51	1.332,1	1.069,98

Source: Tax.go.id

It can be seen from the table above that tax revenue as the largest income in the APBN is still below the specified target.

The high tax burden encourages many companies to try to carry out tax management so that they pay less tax. One of the efforts made by companies to avoid paying too much tax is tax avoidance, where companies avoid taxes in a legal way and do not conflict with applicable tax laws or by taking advantage of weaknesses in tax laws. applicable.

Companies in an effort to optimize tax burdens include monitoring all expenses incurred. So that all expenses incurred can be recognized as fiscal expenses, so that no corrections occur and cause fiscal profits to increase. Increased profits will also be accompanied by an increase in taxes on profits earned by the company. The greater the profit received, the greater the tax that must be paid to the state treasury.

This Tax Avoidance problem is very complicated but also unique. Because on the one hand, tax avoidance can help companies optimize net profits obtained by minimizing tax burden payments without violating applicable laws or regulations. It will also maintain the company's image in the eyes of the DGT as a compliant taxpayer and in the eyes of the public as a tax compliant company. However, on the government's side, tax avoidance is undesirable because it will have an impact on reducing state revenues in the state revenue and expenditure budget (APBN).

Research on tax avoidance was conducted by Ni Koming Ayu Praditasari (2020) which proved that leverage and profitability have a significant effect on tax avoidance. This proves that the practice of tax avoidance still occurs today.

Profitability is a ratio or comparison to determine a company's ability to gain profit from the assets it owns. The better the company's efficiency in using the assets it owns, the greater the profit that can be obtained from operating these assets, as well as the greater the tax that will be paid on the profits earned. Muhammad Ridho (2016) conducted research to determine the effect of profitability (ROA) on tax avoidance and obtained the results that profitability had a significant effect on tax avoidance.

Taxes in companies are not only imposed on profits earned, but also on almost every transaction that occurs in the company. For example, sales, apart from income tax, are also subject to VAT. Then there are salaries, as well as interest payments to non-bank institutions. Apart from that, dividend distribution to shareholders is also subject to tax. Therefore, in financing companies often choose to take loans from banks rather than looking for investors to invest their capital. Leverage as measured by DAR (Debt To Asset ratio) is a ratio that measures the extent to which a company is financed by debt and the company's ability to fulfill its obligations with the assets it owns. Companies often choose leasing as financing for additional assets, rather than choosing to look

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for investors to acquire new assets. Purchasing expenses for asset installments can be charged fiscally. Because the installments for asset purchases are often greater than the depreciation charged to commercial profit and loss. Recognizing this burden can fiscally help companies reduce the profits they receive, as well as reduce the tax burden that must be remitted to the state. Research related to leverage was conducted by Wayan Hesadijaya Utthavi (2018) who proved that purchasing assets using financial lease financing was proven to help companies reduce profits fiscally. Similar research was also carried out by Muhammad Aprianto & Susi Dwimulyani (2019), the results leverage (DAR) has a significant effect on tax avoidance.

The Indonesian Stock Exchange (BEI) or Indonesia Stock Exchange (IDX) is a party that organizes and provides a system and means for bringing together securities buying and selling offers from other parties with the aim of trading securities between them (id.wikipedia.org). There are many companies listed on the Indonesian Stock Exchange. One of them is the manufacturing sector which is one of the largest sectors on the Indonesian Stock Exchange.

Manufacturing companies are part of the sector that contributes greatly to state tax revenues, compared to sectors such as plantations, mining, and finance and others. This can be reflected in the results of its performance achievements and the movement of its share prices so far which has been recorded as consistent and positive, both in terms of increasing productivity, investment, exports and employment. Manufacturing companies are part of the focused taxpayers on the inspection list of the Directorate General of Taxes. So it is necessary to carry out research to prove the determining factors for manufacturing companies in avoiding tax, because for companies tax is a cost or cash outflow so they must be very careful in calculating their taxes.

This research was conducted by taking data from annual financial reports of manufacturing companies registered on the official website of the Indonesia Stock Exchange, namely www.idx.com, for 2018 - 2020.

Based on the description of the background of the problem that the author described above. So the author formulates the problem in this research as follows:

1. How big is the influence of Profitability on Tax Avoidance in manufacturing companies listed on the Indonesia Stock Exchange in 2018 - 2020?
2. How big is the influence of Leverage on Tax Avoidance in manufacturing companies listed on the Indonesia Stock Exchange in 2018 - 2020?
3. How big is the influence of Profitability and Leverage together on Tax Avoidance in manufacturing companies listed on the Indonesia Stock Exchange in 2018 - 2020?

Based on the problem formulation above, the objectives of this research are:

1. To analyze the magnitude of the influence of Profitability on Tax Avoidance in manufacturing companies listed on the IDX.
2. To analyze the magnitude of the influence of Leverage on Tax Avoidance in manufacturing companies listed on the IDX.
3. To analyze the magnitude of the influence of Profitability and Leverage together on Tax Avoidance in manufacturing companies listed on the IDX.

Tax Avoidance

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Tax Avoidance is an effort to reduce the tax burden by not violating the law. Tax avoidance is a legal action, it can be justified because it does not violate the law, in this case there is absolutely no legal violation committed. The aim of tax avoidance is to reduce or minimize the amount of tax that must be paid (Mardiasmo, 2018).

Tax avoidance is an effort to avoid taxes that is carried out legally and safely for taxpayers without conflicting with applicable tax provisions where the methods and techniques used tend to take advantage of the weaknesses contained in the tax laws and regulations themselves to reduce the amount of tax payable (Pohan, 2018).

Several indicators that can measure Tax Avoidance according to Hanlon & Heitzman (2011) are as follows:

1. Effective tax Rate (ETR)

Effective tax rate (ETR) is a company's effective tax rate which can be calculated from the income tax burden (current tax burden) which is then divided by profit before tax. The lower the effective tax rate (ETR) value, the better the effective tax rate (ETR) value in a company and the better the effective tax rate (ETR) value indicates that the company has successfully carried out tax planning. Following is the ETR Formula:

2. Cash Effective Tax Rate (CETR)

Cash ETR is an effective tax rate based on the amount of cash tax paid by the company in the current year. Cash tax paid is the amount of cash tax paid by company i in year t based on the company's financial statements. Pretax income is income before tax for company i in year t based on the company's financial statements. Here's the formula for CETR:

Financial statements

According to Harahap (2015) financial reports describe the financial condition and business results of a company at a certain time or certain period of time. The types of financial reports that are commonly known are balance sheets, profit and loss reports or business results, cash flow reports, reports of changes in financial position.

The definition of financial reports according to the Indonesian Accountants Association (2015) in Financial Accounting Standards (SAK) No. 1 stated that financial reports are part of the financial reporting process and financial reports are a structured presentation of the financial position and financial performance of an entity. A complete financial report usually includes a balance sheet, profit and loss statement, statement of changes in financial position (which can be presented in various ways for example, as a cash flow statement, or funds flow statement), notes and other reports and explanatory material that are an integral part of the financial report . In addition, it also includes schedules and additional information related to the report, for example financial information on industrial and geographic segments and disclosure of the effect of price changes.

Analysis of financial statements

According to Harjito and Martono (2011), financial statement analysis is an analysis of the financial condition of a company which involves the balance sheet and profit and loss.

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According to Harahap (2011), financial report analysis means breaking down financial report items into smaller units of information and looking at their relationships which are significant or which have meaning between one another, both quantitative and non-quantitative data with the aim of knowing the condition. deeper finance which is very important in the process of producing the right decisions.

Ratio Analysis

According to Kariyoto (2017) ratio analysis is used to show the relationship between elements in financial reports which is needed to examine and compare the relationships that exist in the units of information in financial reports. This analysis technique is very commonly used. Ratio analysis calculations can be done by taking data from the income statement and balance sheet. Ratio analysis is used as evaluation material for various operational aspects and company financial performance, such as efficiency, profitability, solvency and company liquidity.

Financial ratios are a method of calculating a number, this number is obtained from a comparison process from one post to another which has a relevant and significant relationship (Harahap, 2013). Several types of financial ratios that are often used include:

a. Liquidity

A ratio that shows the company's ability to meet its short-term obligations. Types of liquidity ratios include the current ratio, quick ratio, cash to current assets ratio, cash to current liabilities ratio, current assets to total assets ratio, and current assets to total debts.

b. Profitability

According to Kasmir (2014), the profitability ratio is a ratio to assess a company's ability to make a profit. This ratio also provides a measure of the level of effectiveness of a company's management. This is shown by the profits generated from sales and investment income. The point is that the use of this ratio shows the company's efficiency.

According to Hery (2016) the profitability ratio is a ratio used to measure a company's ability to generate profits from normal business activities. The profitability ratio is also known as the profitability ratio (Muhammad Ridho, 2016).

c. Leverage

Leverage is a policy carried out by a company in terms of investing funds or obtaining sources of funds accompanied by fixed burdens/costs that must be borne by the company (Irawati, 2018) (Triyanti, 2020).

Leverage is a company's ability to use assets or funds that have a fixed cost (fixed cost assets or funds) to increase the level of income (return) for company owners (Syamsudin, 2016).

The existing cause and effect relationship is a variable variable that is created in the following statement:

1) Profitability against Tax Avoidance

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Profitability as measured by ROA (Return To Asset Ratio) shows the company's ability to generate profits with the assets it owns. The higher the ROA value means the better the company's efficiency in managing its assets in generating profits. The higher the profit generated means the higher the tax burden that must be transferred to the state treasury. This can encourage taxpayers to take tax avoidance actions. Based on this analysis, the hypothesis formulation is that Profitability influences Tax Avoidance (Oktamawati, 2017).

2) Leverage terhadap Tax Avoidance

Leverage as measured by the Debt to Asset Ratio (DAR) is the company's ability to pay its debts with the assets it owns. Loan financing can be charged on a fiscal basis even though commercial depreciation must be removed. The installments on these loans are often greater than the depreciation, so these installments will increase the company's burden which will reduce profits and reduce the tax burden. This can encourage taxpayers to engage in tax avoidance. Based on this analysis, the hypothesis formulation is that Leverage has an effect on Tax Avoidance (Eckbo & Kisser, 2021).

3) Profitability and Leverage against Tax Avoidance

Taxes imposed on profits earned by companies cause the company's burden to increase. Large profits will also result in large taxes. Installments for loans made by the company will increase the company's fiscal burden and reduce profits and also reduce the income tax that must be paid. These two variables allow taxpayers to take tax avoidance actions. Based on this analysis, the hypothesis formulation is that Profitability and Leverage influence Tax Avoidance.

METHOD

This research uses quantitative research methods, quantitative methods are research methods that use data in the form of numbers as a tool for analyzing the variables you want to research (Kasiram: 2018). Because research activities carry out data collection and theory testing by measuring research variables with numbers (numerical) and carrying out data analysis using statistical procedures, namely using statistical product and services solutions (SPSS) to test hypotheses and determine whether or not there is a significant relationship between variables. Profitability and Leverage against tax avoidance in manufacturing companies listed on the stock exchange in 2018 - 2020.

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The research approach used is the associative method. Associative research is research that aims to determine the influence or relationship of two or more variables (Sugiyono: 2018). In this research, a theory can be built that can function to explain, predict and control a symptom.

Researchers want to know the influence or relationship between two or more variables regarding how much influence Profitability and Leverage have on tax avoidance in manufacturing companies listed on the stock exchange in 2018 - 2020.

This research aims to analyze how big the relationship between variables X1, and processed and analyzed regarding the influence of Profitability (X1) and Leverage (X2) on tax avoidance (Y) in manufacturing companies listed on the stock exchange in 2018 - 2020, which will then be drawn conclusions according to the theory that has been studied. The population in this research is Go Public Companies, manufacturing companies listed on the Indonesia Stock Exchange in 2018 - 2020, totaling 55 companies.

What is learned from the sample, the conclusions obtained will be applied to the population. For this reason, samples taken from the population must be truly representative. If the population is less than 100 then all of them are sampled (Arikunto, 2014). Based on this statement, the entire population of manufacturing companies that have gone public and are listed on the Indonesia Stock Exchange in 2018 - 2020, totaling 55 companies, were used as samples. The sampling method in research is purposive sampling, namely where sampling is taken not randomly but based on certain characteristics.

This research was conducted on all manufacturing companies listed on the Stock Exchange during 2018-2020. The research was conducted during August 2021 – January 2022.

RESULT AND DISCUSSION

Based on research conducted by researchers using SPSS version 24, the following results were obtained:

1. Descriptive Statistical Analysis

This research aims to determine and analyze the effect of profitability which is interpreted by Return on Assets (ROA), Leverage which is interpreted by Debt to Asset (DAR) and Tax Avoidance which is interpreted by Effective Tax Rate (ETR). The results of the descriptive statistical analysis that the author has carried out can be seen in the following table:

Table 1 Results of descriptive statistical analysis

	Descriptive Statistics				
	N	Minimum	Maximum	Mean	Std. Deviation
Profitabilitas (ROA)	30	,03	,16	,3895	,13562
Leverage (DAR)	30	,09	,48	,0933	,03792
Tax Avoidance (ETR)	30	,03	,27	,2462	,05529
Valid N (listwise)	30				

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Based on Table 1 of descriptive statistics, it can be seen that the number of N (Data) is 30. Meanwhile, the minimum value for Variable X1 Profitability (ROA) is 0.03, the maximum value is 0.16, the mean value is 0.3895 and the standard deviation is 0.13562. The X2 Leverage (DAR) variable has a minimum value of 0.09, a maximum value of 0.48, a mean of 0.0933 and a standard deviation of 0.3792. Variable Y Tax Avoidance (Y) has a minimum value of 0.03, a maximum value of 0.27, a mean of 0.2462 and a standard deviation of 0.5529.

2. Classic assumption test

Before carrying out a multiple regression test, it is first tested whether deviations from classic assumptions (requirements) are registered so that the data obtained is suitable for testing so as to produce a significant and representative regression model. The classical assumption tests carried out in this research include the normality test, multicollinearity test, heteroscedasticity test and linearity test. The results of classical assumption testing are as follows:

a. Normality test

Normality test results in the regression model are used to test whether the values resulting from the regression are normally distributed or not. The normality test results in this study used the Shapiro Wilk test. Which will be displayed in the following table:

Table 2 Normality Test Results

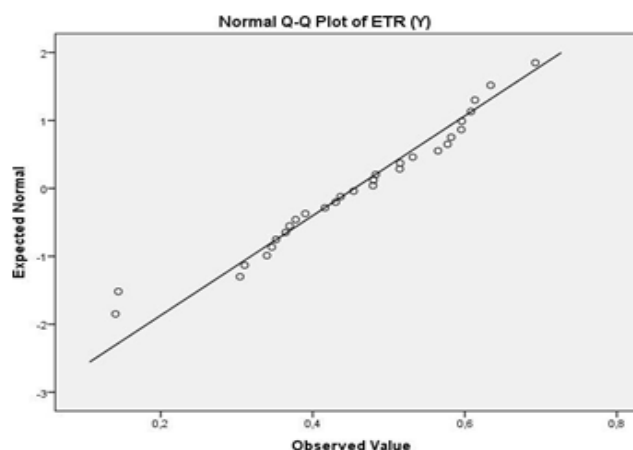
Tests of Normality						
ETR (Y)	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	Df	Sig.	Statistic	df	Sig.
ETR (Y)	,090	30	,200 [*]	,960	30	,310

*. This is a lower bound of the true significance.

a. Lilliefors Significance Correction

Based on the table above, the magnitude of the Sig value can be described. of 0.310, this value is greater than 0.05, meaning the data is normally distributed. Apart from the Shapiro Wilk test, the results of the normality test can also be seen in the normal probability plot graph as shown in the following image:

Figure 1 Q-Q Plot Table



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Based on the normal probability plot graph above, it can be seen that the points are spread around the diagonal line and follow the direction of the diagonal line. So it can be concluded that the data has been distributed normally.

b. Multicollinearity Test

The multicollinearity test is needed to determine whether there are independent variables that are similar between the independent variables in a model (Sujarweni, 2016). To detect whether or not there are symptoms of multicollinearity, the tolerance value is > 0.10 and the variance inflation factor (VIF) value is < 10 , this means that there is no multicollinearity between the independent variables. The test results for multicollinearity in this study are as follows:

Table 3 Multicollinearity Test Results

Model	Unstandardized Coefficients		Coefficients ^a Standardized Coefficients		Sig.	Collinearity Statistics	
	B	Std. Error	Beta	t		Tolerance	VIF
(Constant)	,182	,030		6,012	,000		
ROA (X1)	,113	,065	,142	2,723	,006	,948	1,055
DAR (X2)	,401	,038	,866	10,531	,000	,948	1,055

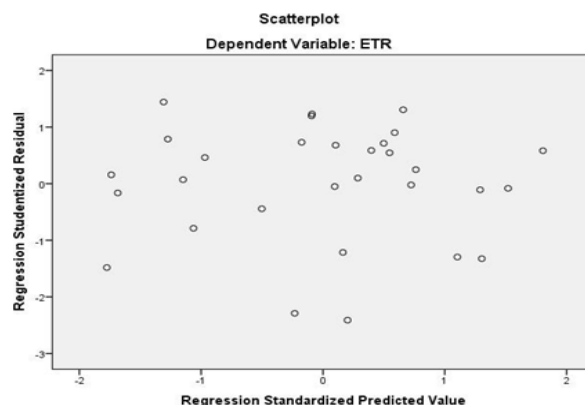
a. Dependent Variable: ETR (Y)

From the table above, it can be seen that the tolerance value for both variables is > 0.10 and the VIF value is < 10 . So it can be concluded that there is no multicollinearity between the independent variables.

c. Heteroscedasticity test

Heteroscedasticity tests the difference in residual variance from one observation period to another observation period. How to predict whether there is heteroscedasticity in a model can be seen with the Scatterplot image pattern (Sujarweni, 2016). The results of the heteroscedasticity test for this research will be displayed in the following figure:

Figure 2 Heteroscedasticity Test Results



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Based on the test results shown in the image above, the data distribution in the scatter plot above does not show a particular pattern (for example, an upward pattern). This shows that the regression model in this study is free from symptoms of heteroscedasticity.

d. .Linearity Test

The linearity test is used to determine whether the relationship between the independent variable and the dependent variable has a significant linear relationship or not. Decision making in the linearity test is by looking at the significance value of the data. Data is said to be linear, if the significance value is more than 0.05, conversely if the data obtained is less than 0.05 then the data is said to be non-linear. The results of the Linearity Test in this research can be seen in the following table:

Table 4 Linearity Test Results X1 against Y

ANOVA Table			Sum of Squares	df	Mean Square	F	Sig.
ETR * ROA	Between Groups	(Combined)	244202550,0	6	40700425,00	3,669	,011
		Linearity	140100428,4	1	140100428,4	12,631	,002
		Deviation from Linearity	104102121,5	5	20820424,31	1,877	,138
Within Groups			255112695,4	23	11091856,32		
Total			499315245,4	29			

Table 5 Linearity Test Results of X2 against Y

ANOVA Table			Sum of Squares	df	Mean Square	F	Sig.
ETR * DAR	Between Groups	(Combined)	32760628,04	4	8190157,009	,439	,779
		Linearity	5967195,571	1	5967195,571	,320	,577
		Deviation from Linearity	26793432,46	3	8931144,155	,479	,700
Within Groups			466554617,3	25	18662184,69		
Total			499315245,4	29			

From the two tables above, it can be seen that the Deviation from Linearity value shows a linearity value of 0.138 for ROA, and 0.700 for DAR. This value is greater than 0.05 for each independent variable, so it can be concluded that the relationship between profitability (ROA) and Leverage (DAR) and Tax Avoidance already has a linear relationship.

3. Regression Analysis

a. Use the T-Statistic (t-test)

The t statistical test basically shows how much influence an explanatory or independent variable individually has in explaining variations in the dependent variable. The basis for making decisions from the t-test is to look at the significance value and by comparing the calculated t with the t table. If the significance value of each independent variable is below 5% (0.05) or the calculated t value > t table value then the independent variable has a significant influence on the dependent variable. On the other hand, if the significance value is above 5% (0.05) or the calculated t value < t table then there is no significant influence between the independent variable and the dependent variable. The results of the partial test (t test) in this study can be seen in the following table:

Table 6 T Statistical Test Results

Model		Coefficients ^a		t	Sig.
		Unstandardized Coefficients	Standardized Coefficients		
	B	Std. Error	Beta		
1	(Constant)	,182	,030	6,012	,000
	ROA (X1)	,113	,065	,342	,006
	DAR (X2)	,401	,038	,756	,000

a. Dependent Variable: ETR (Y)

Based on the t test results seen in table 6 with the t table for $n = 30$ ($df = 30 - (3-1) = 26$) the t table obtained is 2.055 and can be concluded as follows:

- 1) ROA as an independent variable (X1) has a t count of $2.723 > 2.055$ with a significance level of $0.006 < 0.05$. So it can be concluded that ROA (X1) has an effect on ETR (Y), thus H1 which states that Profitability as measured by ROA has an effect on Tax Avoidance as measured by ETR is accepted.
- 2) DAR as an independent variable (X2) has a t count of $10.531 < 2.055$ with a significance level of $0.000 < 0.05$. So it can be concluded that DAR (X2) has an influence on ETR (Y), H2 which states that leverage as measured by DAR has an influence on Tax Avoidance as measured by ETR is accepted.

b. Uji Statistics F (f-test)

This test aims to find out how much the independent variables together (simultaneously) influence the dependent variable. This research uses a significance level of 5% or 0.05. With the criteria for a significance value of < 0.05 or a calculated F value $>$ table, the independent variable has a significant effect on the dependent variable.

The following are the results of the F test:

Table 7 F Statistical Test Results

Model		ANOVA ^a		F	Sig.
		Sum of Squares	df		
1	Regression	,281	2	,141	64,395
	Residual	,059	27	,002	,000 ^b
	Total	,340	29		

a. Dependent Variable: ETR (Y)

b. Predictors: (Constant), DAR (X2), ROA (X1)

Based on table 7, it can be seen that the calculated F value is 64.395, while for table F it is 3.37. So, calculated $F >$ Table F or $64.395 > 3.37$. The significance level is $0.000 < 0.05$, so it can be concluded that the ROA (X1) and DAR (X2) variables simultaneously (together) have a significant effect on ETR.

c. Multiple Linear Regression Test

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From the tests that have been carried out using SPSS version 24, the following equation can be obtained:

Table 8 Multiple Linear Regression Test Results

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	,182	,030		6,012	,000
	ROA (X1)	,113	,065	,342	2,723	,006
	DAR (X2)	,401	,038	,756	10,531	,000

a. Dependent Variable: ETR (Y)

$$Y = 0.182 + 0.113 \text{ ROA} + 0.401 \text{ DAR} + e$$

Information :

Y= Tindakan Tax Avoidance

X1 = Profitability (ROA)

X2 = Leverage

(DAR) e = Error

The regression equation above can be analyzed as follows: A constant value of 0.182 can be interpreted as if profitability and leverage are 0, then tax avoidance has a positive value of 0.182. The Profitability regression coefficient as measured by ROA is positive at 0.113. This shows that if there is an increase in profitability it will be followed by an increase in tax avoidance. Every 1 rupiah increase in profitability will be followed by 0.113 rupiah increase in tax avoidance. The leverage regression coefficient measured by DAR is positive at 0.401. This shows that if there is an increase in leverage it will be followed by an increase in tax avoidance. Every 1 rupiah increase in leverage will be followed by 0.401 rupiah increase in tax avoidance.

d. Correlation Coefficient Test

The correlation coefficient (R) has a value between -1.00 to +1.00. The closer R approaches 1.00, it means that the relationship between the independent variable and the dependent variable is stronger and negative and vice versa. The results of the correlation coefficient test in this research will be shown in the following table:

Table 9 Correlation Coefficient Test Results

		Correlations		
		ROA (X1)	DAR (X2)	ETR (Y)
ROA (X1)	Pearson Correlation	1	,228	,639
	Sig. (2-tailed)		,226	,006
	N	30	30	30
DAR (X2)	Pearson Correlation	,228	1	,805**
	Sig. (2-tailed)	,226		,000
	N	30	30	30
ETR (Y)	Pearson Correlation	,339	,899**	1
	Sig. (2-tailed)	,067	,000	
	N	30	30	30

**. Correlation is significant at the 0.01 level (2-tailed).

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It can be seen in table 9 that the coefficient value for Profitability which is interpreted by ROA (X1) is 0.639. So it can be concluded that the correlation between Profitability (X1) and Tax Avoidance (Y) has a strong relationship.

It can be seen in table 9 that the coefficient value for Leverage interpreted with DAR (X2) is 0.805. So it can be concluded that the correlation between Leverage (X1) and Tax Avoidance (Y) has a strong relationship.

e. Test the coefficient of determination and effective contribution

The coefficient of determination test is used to find out how much the independent variables explain the dependent variable. The R² value lies between 0 and 1 (0 < R² < 1). The coefficient of determination value in this research can be seen in the following table:

Table 10 Adjusted R² Test Results

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,909 ^a	,827	,814	,04674
a. Predictors: (Constant), DAR (X2), ROA (X1)				

Simultaneously, the adjusted R-Square is 0.827, this means that 82.7% of the Tax Avoidance variable can be explained by the Profitability and Leverage variables, while the remaining 17.3% is explained by other causes outside the model or variables of this research.

Table 11 Effective Contributions

Variable	Beta	Pearson Correlation	SE (%)
Profitability (X1)	0,342	0,639	21,9%
Leverage (X2)	0,756	0,805	60,9%
Total			82,7%

Effective contribution of the Profitability variable (X1) to Tax Avoidance (Y) :

$$SE (X1) \% = \text{beta } X1 \times r_{xy} \times 100\%$$

$$SE (X1) \% = 0.342 \times 0.639 \times 100\%$$

$$SE (X1) \% = 21.9\%$$

Effective contribution of the Leverage variable (X2) to Tax Avoidance (Y):

$$SE (X1) \% = \text{beta } X2 \times r_{xy} \times 100\%$$

$$SE (X1) \% = 0.756 \times 0.805 \times 100\%$$

$$SE (X1) \% = 60.9\%$$

The total effective contribution can be calculated as follows:

$$SE \text{ Total} = SE (X1)\% + SE (X2)\%$$

$$\text{Total SE} = 21.9\% + 60.9\%$$

$$\text{Total SE} = 82.7\%$$

Based on the calculation results above, the effective contribution (SE) of the Profitability variable (X1) to Tax Avoidance (Y) is 21.9%, while the effective contribution (SE) of the Leverage variable

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(X2) to Tax Avoidance (Y) is 60.9%. Thus it can be concluded that the Leverage variable (X2) has a more dominant influence on Tax Avoidance (Y) when compared to Profitability (X1). Total Effective Contribution (SE) is 82.7% or the same as the coefficient of determination (R Square) for regression analysis of 82.7%.

After carrying out descriptive statistical tests, four classical assumption tests and hypothesis testing. It can be concluded that the regression model is normally distributed and the data can be said to be linear. The testing analysis of each hypothesis can be described as follows:

1. The influence of profitability on tax avoidance

The results of data processing in the t test show that the calculated t value of the profitability variable is greater than the t table value ($2.723 > 2.055$) with a significance level below 0.05, namely ($0.006 < 0.05$), so H_0 is rejected and H_a is accepted. This means that profitability has a significant effect on Tax Avoidance in manufacturing companies listed on the IDX in 2018 - 2020.

From the results of research using the correlation coefficient between the Profitability and Tax Avoidance variables, a coefficient value of 0.639 was obtained. Based on the correlation coefficient interpretation guidelines, the coefficient value lies between 0.60 – 0.799, it can be concluded that profitability and tax avoidance have a strong relationship.

The results of research using multiple regression obtained a regression coefficient of 0.113 which had a positive influence on tax avoidance (Y). This means that if profitability gets better assuming other variables are constant, then this can increase the level of tax avoidance by taxpayers by 0.113.

The higher the profitability value as measured by ROA, the higher the encouragement for company management to take Tax Avoidance actions. The greater the ROA, it means that the company's ability to generate profits from the assets it acquires is better and it can generate maximum profits from the assets it owns. The greater the profit earned, the greater the possibility of income tax that will be paid at the end of the period. This encourages company management to carry out Tax Avoidance or tax burden efficiency, so that the tax on profits obtained is not too large.

The results of this research support the results of previous research by Indah Sekar Palupi (2018) which stated that profitability has a positive effect on tax avoidance.

2. Leverage terhadap Tax Avoidance

The results of data processing in the t test show that the calculated t value of the Leverage variable is greater than the t table value ($10.531 > 2.055$) with a significance level below 0.05, namely ($0.000 < 0.05$), so H_0 is rejected and H_a is accepted. This means that Leverage has a significant effect on Tax Avoidance in manufacturing companies listed on the IDX in 2018 - 2020.

From the results of research using the correlation coefficient between the Profitability and Tax Avoidance variables, a coefficient value of 0.805 was obtained. Based on the correlation coefficient interpretation guidelines, the coefficient value lies between 0.80 – 1.000, it can be concluded that leverage and tax avoidance have a very strong relationship.

The results of research using multiple regression showed that the regression coefficient was 0.401, which had a positive influence on tax avoidance (Y). This means that if leverage gets better

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assuming other variables are constant, then this can increase the level of tax avoidance by taxpayers by 0.401.

Management's decision to take long-term loans to increase asset value is one of the tax avoidance efforts undertaken. Funding assets with leasing financing will cause the company's burden to increase because the installments for the financing will be corrected negatively and depreciation on the asset will be corrected positively, which causes the company's burden to increase. Because the leasing installments will definitely be larger compared to the depreciation costs on the asset. This research is in line with research conducted by Novita Wahyu Triyanti (2020) which states that leverage has an effect on tax avoidance. The higher the value of the leverage ratio, it means that the higher the amount of funding from third party debt used by the company, this can help taxpayers increase their fiscal burden. and making efficiencies in the tax burden.

3. Profitability and Leverage on Tax Avoidance.

The results of data processing in the F test show that the calculated f value of the variables profitability (X1) and leverage (X2) is greater than the f table value ($64.395 > 3.37$) with a significance level below 0.05, namely ($0.000 < 0.05$), so H_0 is rejected and H_a is accepted. This means that profitability and leverage simultaneously have a significant effect on Tax Avoidance in manufacturing companies listed on the IDX in 2018 - 2020.

From the results of research using the coefficient of determination between the variables Profitability (X1) and leverage (X2) with Tax Avoidance, the coefficient value is 0.827. This means that 82.7% of the dependent variable tax avoidance (Y) can be explained by the independent variables, namely profitability (X1) and leverage (X2).

The results of this research support the research results of Mayarisa Oktamawati (2017) and Novita Wahyu Triyanti (2020) who said that Profitability and Leverage have a significant effect on Tax Avoidance.

CONCLUSION

Based on research on profitability and leverage on tax avoidance in manufacturing companies listed on the IDX in 2018 - 2020 which has been carried out. the following conclusions can be drawn:

1. Based on the research results, it is known that the effective contribution (SE) calculation value for the Profitability variable (X1) against Tax Avoidance (Y) is 21.9%. It can be interpreted that Profitability which is represented by Return on Assets (ROA) has a significant influence on Tax Avoidance.
2. Based on the research results, it is known that the effective contribution (SE) calculation value for the Leverage (X2) variable on Tax Avoidance (Y) is 60.9%. It can be interpreted that Leverage which is represented by Debt to Asset (DAR) has a significant influence on Tax Avoidance.

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3. Based on the coefficient of determination test, a coefficient value of 82.7% was obtained. This means that both profitability (X1) and leverage (X2) are sufficient to explain the Tax Avoidance variable (Y).

Based on these conclusions the author provides the following suggestions:

1. The government should periodically review existing tax regulations so that it can narrow the loopholes for tax avoidance by taxpayers, both legally and illegally.
2. Companies going public should be more careful in making decisions related to tax management used within the company in order to avoid tax administration sanctions, or even criminal sanctions.
3. It is hoped that future research can carry out research with other variables that might have a greater influence on tax avoidance actions.

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