



The impact of financial performance to effective tax rates in banking companies on the indonesia stock exchange

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ABSTRACT

This research aims to determine the effect of company financial performance as seen from the profitability ratio and fixed asset intensity on effective tax rates in banking companies listed on the IDX for the 2017-2021 period. The type of research used in this research is quantitative research. The population used in this research is all banking companies listed on the Indonesia Stock Exchange in the 2017-2021 period with a research sample of 25 companies. The data analysis technique used in this research is panel data analysis using the E-views version 13 program. The results of the research show that profitability has no effect on the effective tax rate, meanwhile fixed asset intensity has a positive and significant effect on the effective tax rate in banking companies listed on the IDX for the 2017-2021 period.

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1. INTRODUCTION

One of the efforts to realize the independence of a nation or state in financing development is by exploring domestic sources of funds in the form of taxes. The role of taxes is one of the largest state revenues, so the government pays special attention to the tax sector. The government in Indonesia itself makes intensification and extensification efforts in an effort to optimize the taxation sector. Based on this, the size of tax revenue can determine the size of the state budget.

State revenue from taxation can be used to finance national needs, such as infrastructure development or distribution to regions that need funds. However, not a few taxpayers do not comply with tax rules on the grounds that tax rates are too high and choose to avoid taxes (Robby & Angery, 2021).

Law No. 36 of 2008 article 17 paragraph (2b) and Government Regulation No. 81 of 2007 article 2 explain that a domestic taxpayer is in the form of a Public Company if the amount of public share ownership is 40% or more of the total paid-up shares. So the tax rate for Public Company is 20% of taxable income. The company is said to be effective in making tax payments if the company's tax rate is below 20%, and if it is above 20%, it means that the company is less effective in making tax payments. This is usually due to the company not utilizing facilities, regulations and costs that can save income tax.

The effective tax rate is a comparison that is seen between the tax burden that must be paid by the company and the income before tax, so that the effective tax rate is very useful in being used as a basis for measuring the actual tax burden. With the effective tax rate helps to know the part of the income that is taxed that will actually be paid for taxes compared to the marginal tax rate. The lower the effective tax rate, the more effective the effort in tax avoidance in the company will be (Yudawirawan, Yanuar, & Hamdy, 2021).

The effective tax rate is used to measure the tax paid as a proportion of economic income in order to save tax without violating tax regulations and tax objectives, interest expense is not too high to save tax, while the applicable tax rate shows the amount of tax liability relative to taxable income. The company is said to be effective when it makes tax payments according to the due date. This is usually due to the company underutilizing facilities, regulations and costs that can save income tax. The lower the effective tax rate value, the better the effective tax rate value of a company and the better the effective tax rate value indicates that the company has successfully carried out tax planning (Saragih & Halawa, 2022).

The company is said to be effective in making tax payments if the company's tax rate is below 20% and if it is above 20%, it means that the company is less effective in making tax payments (Sjahril et al., 2020). The following is presented the average value of the effective tax rate in banking companies on the IDX that were sampled during the 2017-2021 period, namely as follows, Totaling 25 companies, it is known that the average value of the effective tax rate of all banking companies including conventional and Islamic banking companies is indicated above 20%. This shows that companies are less effective in making tax payments.

Lack of effectiveness in tax payments causes a reduction in State Budget (APBN) revenues or budget deficits so that it can have an impact on increasing state debt and government programs will not run optimally. In addition, the effective tax rate is useful for companies to see the extent of the effectiveness of managers in conducting tax management in the company. The low effective tax rate indicates that the company is getting better at controlling the level of its tax rate and this also indicates that the company has been optimal in carrying out tax management without violating applicable tax regulations in Indonesia (Wulandari and Septiari in Tavarel & Anggraeni, 2021).

Factors that affect effective tax rates that are thought to affect effective tax rates are profitability and fixed asset intensity. In companies that have a high level of profitability, the worse the corporate tax will be. The indicator of the worse tax of a company is the increase in the effective tax rate of the company (Saragih & Halawa, 2022). In the relationship between profitability and effective tax rates, researchers refer to the research of several previous researchers who stated that profitability has a positive effect on effective tax rates (Natalia, 2020); (Aditya, Sapitri, Rizki, Adelia, & Wulandari, 2021); (Yunika in Lumbuk & Fitriasi, 2022).

Fixed asset intensity is the proportion where in fixed assets there is a post for the company to add expenses, namely the depreciation expense incurred by fixed assets as a deduction from income, if fixed assets are getting bigger then the profit generated will be smaller, because of the depreciation expense contained in fixed assets which can reduce profits (Irda Dayanti, Nana, Umdiana, 2021). In the relationship between fixed asset intensity and effective tax rates, researchers refer to the research of several previous researchers who state that fixed asset intensity has a negative effect on effective tax rates (Dharma & Ardiana, 2016; Miranti, 2022; Saragih & Halawa, 2022; Sjahril et al., 2020).

Based on the explanation above in order to find out how much influence profitability and fixed asset intensity on effective tax rates. So it is expected that banking companies can improve the quality of the company's finances. So the researcher is interested in doing research again about "The Impact Of Financial Performance To Effective Tax Rates In Banking Companies On The Indonesia Stock Exchange 2017-2021 Period".

2. RESEARCH METHOD

Stakeholder theory states that the company is not an entity that only operates for the benefit of the company, but must also provide benefits to stakeholders. Stakeholders are all parties, both internal and external, who have a relationship that either affects or is affected, directly or indirectly by the company (Wasito, Herwiyanti, & Kusumastati, 2016). The relationship between Stakeholder theory and effective tax rates is related to considering the interests, needs and influence of parties related to the company's policies and operations, especially in making corporate decisions including decisions regarding tax payments. If the company is able to, then the company will gain sustainable support and enjoy growth in market share, sales, and profits. Taxes are mandatory contributions to the state that are compelling in nature, where these contributions are regulated in the tax law, which have been paid and used for utilization both in the form of infrastructure and utilization in other fields that can benefit both the taxpayer himself and others who use it (Fetrisia & Merliyana, 2020). The effective tax rate is the ratio between the real tax we pay and the commercial profit before tax. The effective tax rate is used to measure the impact of changes in tax policy on the company's tax burden (Rahayu, 2018). The effective tax rate is used to measure the impact of changes in tax policy on the company's tax burden (Rachmithasari In Saragih & Halawa, 2022). The company is said to be effective if it makes tax payments according to the due date. This is usually due to the company not utilizing facilities, regulations and costs that can save income tax. The lower the effective tax rate value, the better the effective tax rate value of a company and the better the effective tax rate value indicates that the company has successfully carried out tax planning (Saragih & Halawa, 2022). This study uses ETR as the measurement of the dependent variable effective tax rate. ETR shows all tax burdens that must be borne by the company including final tax and deferred tax liabilities or benefits. ETR is used because tax avoidance is not only sourced from income tax but other tax burdens that are classified as chargeable to the company. The ratio results if it shows below 20% will result in an indication that the object is avoiding (Saragih & Halawa, 2022). Profitability describes the ability of a business entity to generate profits using all of the company's capital. In this study, profitability is measured by return on assets (ROA). ROA describes the company's ability to generate net income from the company's assets. ROA implies that an increase of one monetary unit for asset investment results in a monetary unit of net income. The smaller the earnings management, the higher the profitability, and vice versa (Andriani & Arsjah, 2022). Profitability (ROA) of a company can be assessed in various ways depending on the profit and assets or capital that will be compared with one another. The greater the level of profitability of the company, the worse the corporate tax will be. An indicator of the worse tax of a company is the increase in the company's effective tax rate (Saragih & Halawa, 2022). The intensity of fixed assets owned by a company can illustrate how much fixed asset investment is made by the company. The ownership of fixed assets shows that how much wealth is owned by the company, because if the greater the investment in fixed assets made by the company, the greater the depreciation expense borne by the company (Pratiwi & Oktaviani, 2021). Companies that have high fixed assets bear a high tax burden as well. This is because the company has fixed assets that have exhausted their economic benefits, but are not derecognized as fixed assets and also for mobile assets owned such as vehicles if taken home by the user then not all depreciation or maintenance costs can be charged but only 50%. Fixed asset intensity in this study is calculated using the ETR ratio which

compares the intensity of a company's fixed asset ownership with total assets (Safitri & Rahmawati, 2021).

3. RESULTS AND DISCUSSIONS

Descriptive analysis in this study aims to describe the minimum value, maximum value, average value and standard deviation on the effective tax rate (ETR), profitability (ROA) and fixed asset intensity (IAT) variables. The results of the descriptive analysis test in this study are presented in the table below.

Table 1. Descriptive Analysis Test Results

	ETR	ROA	IAT
Mean	-0,189252	0,004450	0,018233
Median	-0,238586	0,005421	0,016374
Maximum	0,917551	0,026133	0,049510
Minimum	-0,553293	-0,089189	0,003804
Std. Dev.	0,200165	0,015520	0,009891
Skewness	2,386372	-2,744967	0,733553
Kurtosis	11,00114	14,60909	2,995943
Jarque-Bera	452,0696	858,9075	11,21051
Probability	0,000000	0,000000	0,003678
Sum	-23,65647	0,556283	2,279138
Sum Sq. Dev.	4,968174	0,029869	0,012131
Observations	125	125	125

Based on the test results the table above shows that:

The effective tax rate (ETR) variable obtained a minimum value of -0.553293, a maximum value of 0.917551 and an average value (mean) of -0.189252 with a standard deviation level of 0.200165.

The profitability variable (ROA) obtained a minimum value of -0.89189, a maximum value of 0.026133 and an average value (mean) of 0.004450 with a standard deviation level of 0.015520.

The fixed asset intensity variable (IAT) obtained a minimum value of 0.003804, a maximum value of 0.049510 and an average value (mean) of 0.018233 with a standard deviation level of 0.009891.

Panel Data Regression Analysis

The results of the panel data regression analysis in this study can be presented as follows:

Table 2. Chow-test, Hausman Test and Lagrange Multiplier (LM) Test Results

Hasil Uji Chow			
Redundant Fixed Effects Tests			
Cross-section F	1.272130	(24,98)	0.0000
Hasil Uji Hausman			
Correlated Random Effects - Hausman Test			
Cross-section random	9,222821	2	0.0099
Hasil Uji Langrange			
Lagrange Multiplier Tests for Random Effects			
Breusch-Pagan	(0.0000)	(0.3840)	(0.0000)

Based on the results of the panel data analysis test through three approaches, namely the chow-test, hausman test and lagrange multiplier (LM) test, it is known that the most appropriate estimation model used in this study is the fixed effect model (FEM).

Hypothesis Test

Table 3. Partial Test (t-test), Simultaneous Test (F-test) and Determination Coefficient Test (R2) Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0,365502	0,080499	-4,540455	0.0000
ROA	0,091140	1,508661	0,060411	0.9520
IAT	9,644227	4,237628	2,275855	0.0250
Dependent Variable: ETR				
F-statistic			4,898574	
Prob(F-statistic)			0.000000	
Dependent Variable: ETR				
R-squared			0.565146	
Adjusted R-squared			0,449776	

The table above shows that:

The profitability variable (ROA) obtained a tcount value of -0.060411 smaller than 1.97960 (tcount 0.060411 < t table 1.97960) with a significance level of 0.9520 greater than 0.05 (0.9520 > 0.05). So it can be concluded that profitability has no effect on the effective tax rate in Banking companies listed on the IDX for the 2017-2021 period. The fixed asset intensity variable (IAT) obtained a tcount value of 2.275855 greater than 1.97960 (tcount 2.275855 > ttable 1.97960) with a significance level of 0.0250 smaller than 0.05 (0.0250 < 0.05). So it can be concluded that fixed asset intensity has a positive effect on the effective tax rate in Banking companies listed on the IDX for the 2017-2021 period.

The simultaneous test results (f-test) in the table above show that the fcount value of 4.898574 is greater than 3.07 (fcount 4.898574 > ftable 3.07) and the significance value of 0.000000 is smaller than 0.05 (0.000000 < 3.07). So it can be concluded that profitability (ROA) and fixed asset intensity (IAT) simultaneously affect the effective tax rate in Banking companies listed on the IDX for the 2017-2021 period.

The results of the determination coefficient test show that the R-squared value is 0.449776, it can be explained that profitability (ROA) and fixed asset intensity (IAT) have an influence of 44,98% on the effective tax rate, this shows that profitability (ROA) and fixed asset intensity (IAT) provide almost all the information needed to explain the effective tax rate variable while the remaining 55,02% is influenced by other variables not examined in this study.

Effect of Profitability on Effective Tax Rate

The results showed that profitability had no effect on the effective tax rate in Banking companies listed on the IDX for the 2017-2021 period. High profitability results in the amount of tax to be paid also increasing because the company is considered successful in managing the company's assets in generating profits (Sjahril et al., 2020). A high level of ROA indicates that management is able to manage the company well so that it can generate large profits. However, the size of the company's profit will affect the taxes that must be borne by the company. Therefore, the company will carry out tax management with the aim of controlling tax payments (Natalia, 2020).

The results of this study show different things, namely profitability has no effect on effective tax rates, this shows that the level of profitability is not directly proportional to

the tax burden, so that a low level of profit can result in a high tax burden, this is due to the low level of management effectiveness carried out by the company. The results of this study are supported by the results of research conducted by Lumbuk & Fitriasuri (2022) and Kurniasari & Listiawati (2019) which state that profitability has no effect on effective tax rate.

The Effect of Fixed Asset Intensity on Effective Tax Rates

The results showed that fixed asset intensity has a positive effect on the effective tax rate in Banking companies listed on the IDX for the 2017-2021 period. Every company usually has fixed assets in its operations, which are large-scale or small-scale companies. This type of asset is usually purchased by the company to be used in operations and not resold which is long-term and has a useful life of more than one year (Mahdiah et al., 2021).

Companies that decide to invest in fixed assets can realize depreciation costs that can be deducted from income or deducted from expenses. The allocation of deductible costs can reduce the taxable profit of the business, which will reduce the corporate income tax payable (Prakoso in Afrida et al., 2019). The higher the fixed asset ratio, the higher the depreciation expense attached to the fixed assets. In agency theory, depreciation can be utilized by managers to reduce the company's net profit, so that the company can reduce the amount of tax expense that the company will pay (Nur'avisia et al., 2022).

The results of this study indicate that the intensity of fixed assets has a positive effect on the effective tax rate which indicates that the higher the value of fixed asset intensity, the higher the tax rate the company will bear a high tax burden. This is because the fixed assets owned by the company can be utilized as a tax deduction as a result of depreciation of fixed assets that occur each year. The greater the fixed asset intensity of the company, the worse the tax management will be, the implication of the worse the company's tax management will be the higher the effective tax rate (Maulamin & Avi, 2021). This research is supported by the results of research conducted by Nur'avisia et al., (2022) which states that fixed asset intensity affects the effective tax rate, but this study does not support research conducted by Simanjuntak & Destriana (2023) which states that fixed asset intensity has no influence and is significant to the effective tax rate.

4. CONCLUSION

Based on the results of the research and discussion that has been described, it can be concluded that profitability has no significant effect on effective tax rates, while fixed asset intensity has a positive and significant effect on effective tax rates in Banking companies listed on the IDX for the 2017-2021 period. In addition, profitability (ROA) and fixed asset intensity (IAT) only provide a joint influence of 44.98%% on the effective tax rate, while the remaining 55.02% is influenced by other variables not examined in this study.

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