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| **Determinant Tax Avoindance In Indonesia:** The Role Of Profitability, Liquidity, And Leverage **Novi Khoiriawati\*)**  Faculty of Islamic Economics and Busniness, Universitas Islam Negeri Sayyid Ali Rahmatullah, Tulungagung  Corresponding Author : *novi\_khoiriawati@ymail.com* | | | |
|  | | **Abstract**  *\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_*  The study aims to test the effect of profitability, leverage, and liquidity on tax avoidance on companies listed on the Indonesia Stock Exchange. The sample in this study is companies that are members of the property, industrial, and infrastructure sectors as many as 166 companies. Data collection techniques use financial statement documentation published on the Indonesia Stock Exchange web. Data analysis techniques using multiple linear regression methods. The results showed that profitability variables had an effect on tax avoidance. Meanwhile, leverage has no effect on tax avoidance. Liquidity negatively affects tax avoidance. The magnitude of the influence of independent variables on dependents is 0.660. The results of this study are expected to contribute to the Directorate General of Taxes for policy making that is able to reduce tax avoidance carried out by corporate taxpayers.    Keywords : leverage, liquidity, profitability, tax avoidance | |
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# BACKGROUND

Today, taxes are still one of the sources of state revenue that contributes the most in the State Revenue and Expenditure Budget. As stated in the State Budget from Rp 2,030.7 trillion of state revenue, Rp 1,643 trillion came from tax revenues (BPS, 2020). Tax revenues will be used to finance government administration (Ningrum, 2017). Meanwhile, for taxpayers, taxes are one of the burdens that must be borne and paid. The imposition of this tax contains mandatory and binding expenses. Delays in payment and reporting of taxes will have an impact on the imposition of sanctions and fines, to criminal for taxpayers. It is because of this difference that corporate taxpayers try to maximize their tax payments. Efforts to minimize tax payments can be done illegally or legally, one of which is by doing tax avoidance.

Tax avoidance is a tax avoidance strategy and technique carried out legally and safely for taxpayers because it does not conflict with tax provisions. Tax avoidance that is usually done by companies such as utilizing exemptions and deductions that are allowed or delaying taxes that have not been regulated in applicable tax regulations and usually through policies taken by company leaders (Dewinta and Setiawan, 2016).

The phenomenon of tax avoidance in Indonesia can be seen from the tax ratio (tax ratio) of the Indonesian state. The tax ratio indicates the government's ability to collect tax revenues. The higher the tax ratio of a country, the better the performance of the country's tax collection. Indonesia's state tax ratio in 2018 only reached 10.3 percent. The ratio indicates that Indonesia's state income derived from taxes has not been optimal. Another phenomenon of tax avoidance in Indonesia is believed to reach Rp. 110 trillion per year. Most business entities, about 80 percent, the rest are individual taxpayers.

One of the tax avoidance cases in Indonesia involves PT Bentoel Internasional Investama. PT. Bentoel Internasional Investama is the second largest cigarette company after HM Sampoerna in Indonesia. According to a report from the Tax Justice Network on Wednesday, May 8, 2019, the tobacco company owned by British American Tobacco (BAT) carried out tax evasion through PT Bentoel Internasional Investama by taking a lot of debt between 2013 and 2015 from an affiliated company in the Netherlands, Rothmans Far East BV to refinance bank debt and pay for machinery and equipment. Interest payments paid will reduce taxable income in Indonesia, so that the taxes paid become less as a result of which the country can suffer losses of US $ 14 million per year (kontan.co.id, 2019).

There are several factors that can affect tax avoidance, namely profitability, liquidity, and leverage. Profitability is a ratio that describes a company's ability to make a profit. The higher the profitability value, the higher the company's ability to make a profit. The ability of high profitability will attract potential investors to invest by buying stocks. However, the amount of profit earned by the company resulted in a large tax burden borne by the company. This will make the company consider whether they are really willing to pay high taxes to the state.

Liquidity is a ratio that describes the company's ability to pay its current debt. The higher the value of the liquidity ratio, the higher the company's ability to pay its current debt. Good liquidity conditions, will make it easier for companies to pay debts and installments, one of which is tax installments. Thus, companies with high liquidity, will more easily pay taxes than companies with low liquidity.

Meanwhile, leverage is a ratio that shows a comparison of the use of debt rather than equity or assets owned. The higher the leverage indicates the higher the company's obligation to pay principal and interest on the loan. Nevertheless, the interest on this loan can be deducted in the calculation of profit or loss as deductible expense. The greater the interest expense borne by the company, the lower the profit earned. Thus, the tax burden borne will also be lower.

The study aims to examine the influence of profitability, liquidity, and leverage on tax avoidance on food and baverage sector companies listed on the Indonesia Stock Exchange. Research contributions are theoretically expected to develop research in the field of taxation and become literature for the next researcher. Practically speaking, this study is expected to provide reference material for the directorate general of taxes for decision making that can reduce tax avoidance in companies listed on the stock exchange so as to maximize national tax revenues. The difference in this study compared to other similar studies lies in the object studied and also the indicators of tax avoidance assessment used

# LITERATURE REVIEW

Agency Theory

Jensen & Meckling (1976) state that between management and owners have different interests. Companies that separate management and ownership functions will be vulnerable to lambert agency conflicts. The agency model designs a system involving both parties, so that a contract of employment is required between the principal and the agent. The agreement is expected to maximize the principal's untility and can guarantee agents to receive rewards from the results of the company's management activities. The difference in interest between owner and management lies in maximizing the benefits (utility) of the owner (principal) with constraints (constraints) benefits (utility) and incentives that will be received by management.

Different interests often cause conflicts of interest between shareholders/principals and management. Agency theory is a model used to formulate problems between management and owners. The company's performance has been achieved by the management has been informed to the owner in the form of financial statements. Decentralized system, management has superior information compared to the owner, because management has received delegation for decision making/company policy. Management can determine policies that lead to a potential increase in compensation levels when the owner is unable to perfectly monitor management activities. All Actions have been delegated by the owner to the manager on the principalagent model

Stakeholder Theory

Stakeholders are parties who have interests either directly or indirectly, to the existence or activities of the company. The main focus in this theory is how the company monitors and responds to the needs of its stakeholders. Ghozali&Chariri (2007) stakeholder theory says that a company is not an entity that only operates for its own interests but must provide benefits to its stakeholders. What is meant by stakeholders, such as shareholders, employees, consumers or customers, suppliers, governments, communities, and other parties. Stakeholders can control or have the ability to influence the use of economic resources used by the company.

Therefore, stakeholder power is determined by the small amount of power that stakeholders have over the source. Such power can be the ability to limit the use of limited economic resources (capital and labor), access to influential media, the ability to regulate companies, or the ability to influence consumption of goods and services produced by the company (Hastuti, 2014)

# Hypothesis Development

**The Effect of Profitability on the avoidance**

The company's profitability shows the company's ability to make a profit. Companies that have large total assets tend to be more capable and stable to generate profits when compared to companies with small total assets (Dewinta & Setiawan, 2016). A large and stable profit will tend to encourage companies to practice tax avoidance. Profitability consists of several ratios, one of which is the Return On Assets (ROA) ROA serves to measure the effectiveness of a company in using its resources (Ariawan & Setiawan, 2017). Research conducted by Kurniasih & Sari (2017); Agusti (2013) shows that the level of company profitability has a significant negative effect on tax avoidance. However, research conducted by Darmawan & Sukartha (2014); Luh & Puspita (2017); Wardani & Khoiriyah (2018) shows that profitability has a positive effect on corporate tax avoidance. Therefore, the first hypothesis in the study is:

**H1**: There are positivie effects of the profitability on the tax avoidance

**The Effect of Leverage on tax avoidance**

Leverage is the level of debt that the company uses in making financing. The leverage ratio shows the ratio between the amount of debt and the equity the company has. The greater the value of the leverage ratio indicates that the company prefers to be in debt rather than issue shares to fund the company. This has the consequence that the company will pay interest costs periodically. Companies use the level of debt with the aim that the benefits obtained are greater than the costs of the debt so as to increase shareholder profits. In addition, high leverage in a company will reduce the tax burden borne by the company because it is reduced by deductible expenses. Thus, management prefers debt measures as an effort to avoid a larger tax burden. Previous research on the effect of leverage on tax avoidance was carried out by Ayu et al., (2017) who explained that companies with more debt have a good effective tax rate, this means that with a large amount of debt, the company's efforts to do tax avoidance will tend to be smaller. Other studies from Kurniasih & Sari (2017); armawan & Sukartha (2014) show that leverage has no significant effect on tax avoidance. Therefore, the third hypothesis in the study is:

**H2**: There are positive effects of the leverage on the tax avoidance

**The Effect of Liquidity and on tax avoidance**

Liquidity ratio shows the level of the company's ability to pay its short-term debt. This ratio compares current assets to current liabilities owned by the company. The greater the current ratio, the better the company's ability to pay current liabilities. Several studies have shown that the current ratio has an effect on corporate tax avoidance. Abdullah (2020) proves that Liquidity and Levarage affect Tax Avoidance. Budianti & Curry (2018) also proves that profitability has a negative effect on tax avoidance at a significant level of α1%, liquidity has a positive effect at a significant level of α10% and capital intensity has a negative effect on a significant level of α5%. Therefore, the second hypothesis in the study is:

**H3**: There are negative effects of the liquidity on the tax avoidance

Based on the description, the framework of this research is as follows figure 1:

**Profitability**

**Leverage**

**Liquidity**

**Tax avoidance**

# RESEARCH METHODOLOGY

The data on this study was taken from the 2020 financial statements published on the Indonesian Stock Exchange.

The population in this study is that all companies included in the property, industrial, and infrastructure sectors are listed on the Indonesian Stock Exchange as many as 187 companies. Of these, 21 companies did not publish financial statements. So, it was decided on the number of samples studied as many as 166.

The dependent variable in this study is tax avoidance (Y). Meanwhile, independent variables are profitability ratios (X1), current ratios (X2), and leverage (X3). The operational definition of each variable is described in the following:.

1. **Tax avoidance**

The estimation model of tax avoidance measurement in this study uses the Cash Effective Tax Rate (CETR) model which is expected to be able to identify the aggressiveness of corporate tax planning using fixed differences or temporary differences. The tax avoidance formula according to Ngadiman and Puspitasari (2014) is:

CETR =

1. **Profitability**

Measurement of profitability is using Return on Assets (ROA). ROA is a comparison between net income and total assets at the end of the period, which is used as an indicator of the company’s ability to generate profits. According to Manahan (2013) ROA can be calculated using the following formula

1. **Liquidity**

According to Brigham and Houston (2016) current ratio is the ratio calculated by dividing current asset by current liabilities. It indicates the extent to which current liabilities are covered by those assets expected to be converted to cash in the near future. Subramanyam K.R (2014) said that current ratio is a relevant and useful measure of liquidity and short-term solvency, it is subject to certain limitations we must be aware of:

CR =

1. **Leverage**

Leverage is the effect coming from the use of long-term and short-term financing made by the firm (Puspita & Priyadi, 2017). Leverage gives a picture of a firm’s capital structure, so that the risk of a loan that is uncollectible may be detected (Barli, 2018). A firm’s leverage is proxied by debt to equity ratio.

Data on this studi analysis by Multiple linear regression analysis. Multiple regression analysis is an analysis of the relationship between one dependent variable with two or more independent variables (Arikunto, 2010: 25). So when associated with this research, multiple regression analysis is to identify variables that affect tax avoidance. Multiple Regression Analysis Formulas according to Widarjono (2010: 15) are as follows:

𝑌 = 𝛽0 + 𝛽1𝑋1 + 𝛽2𝑋2 + 𝛽3𝑋3

Information:

Y: Tax avoidance (CETR)

X1: Return on Assets (ROA)

X2: Current Ratio (CR)

X3: Leverage

β0: Constants

β1, β2, β2: The regression coefficient of each independent variable

# 4, RESEARCH RESULTS AND DISCUSSION

# Descriptive Statistical Analysis

The following is a summary of descriptive statistics of research data.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Table 1**  **Descriptive Statistics** | | | | | |
|  | N | Min | Max | Mean | Std. Deviation |
| ETR | 166 | -6.3521 | 2.7817 | -.039569 | .6771822 |
| ROA | 166 | -.9377 | .1997 | -.024391 | .1350154 |
| CR | 166 | .0024 | 10.5263 | 2.092743 | 1.8665217 |
| LEV | 166 | -10.2555 | 8.6850 | 1.044250 | 1.8736402 |
| Valid N | 166 |  |  |  |  |

Based on descriptive statistics in table 1 above, it is known that the distribution of data for tax avoidance variables with a minimum value of -6.3521 and a maximum value of 2.7817. The average variable value of tax avoidance is -.039569. This value is negative because the average sample company suffered a loss in the last year. Similarly, the distribution of data on profitability variables with a minimum value of -.9377 and a maximum value of 0.1997. Average negative profitability variable value of -0.024391.

The average of liquidity has a value of 2.092743. This means that the ability to pay the company's short-term debt is very double its current debt. The minimum value on the leverage variable is -10.2555. This happens because the company suffers a fairly sharp loss which results in the value of equity to be negative. The average leverage value of the company is 1.044250, meaning that the leverage generated with DER shows that the company uses more debt than equity to finance its operations.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Descriptive Statistics** | | | | | |
| Variabel | N | Min | Max | Mean | Std. Dev. |
| Etika\_Profesi\_Auditor | 38 | 36 | 50 | 42.26 | 3.782 |
| Tindakan\_Supervisi | 38 | 32 | 46 | 38.92 | 2.999 |
| Pelatihan | 38 | 30 | 48 | 38.66 | 3.968 |
| Kinerja\_Auditor\_Junior | 38 | 33 | 50 | 40.21 | 4.154 |

The results of descriptive statistical analysis of each variable are as follows:

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|  |  |  |  |  |  |
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**Classic Assumption Test**

**Table 2** Normality test Result

|  |  |
| --- | --- |
| **One-Sample Kolmogorov-Smirnov Test** | |
| N | 166 |
| Kolmogorov-Smirnov Z | .246 |
| Asymp. Sig. (2-tailed) | .065c |
| a. Test distribution is Normal. | |
| b. Calculated from data. | |

The results of the Kolmogorov-Smirnov test in table 2 above show a significance figure above 0.05. Thus, it can be concluded that all data has been distributed normally.

**Table 3** Heteroscedasticity Test Result

|  |  |  |  |
| --- | --- | --- | --- |
| Model | | t | Sig. |
|
| 1 | (Constant) | 1.974 | .059 |
| ROA | -.944 | .354 |
| Current Ratio | -.673 | .507 |
| Leverage | .675 | .506 |

The heteroscedasticity test results in table 3 above on each variable show significance values of 0.354 for ROA, 0.507 for current ratio, and 0.506 for leverage. The test results of each variable showed a number above 0.05. This means that there is no problem of heteroscedasticity in each variable.

**Table 4.** The Result Multicollinearity Test

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Model | | Collinearity Statistics | | |
| Tolerance | VIF |
| 1 | (Constant) |  |  |
| ROA | .981 | 1.019 |
| Current Ratio | .865 | 1.156 |
| Leverage | .863 | 1.159 |

In table 4 above, the tolerance numbers of each independent variable are 0.981 for ROA variables, 0.886 for current ratio variables, and 0.863 for leverage variables. Meanwhile, the VIF figure for the ROA variable is 019, the current ratio is 1,156, and the leverage is 1,159. Since the tolerance of each variable is more than 0.1 and VIF is less than 10, it can be concluded that in the regression model there is no multicollinearity problem.

**Hyphoteses Test**

**Tabel 5** The Result Multiple Regression

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Model | | Unstandardized Coefficients | | t | Sig. |
| B | Std. Error |  |  |
| 1 | (Constant) | .616 | .289 | 2.133 | .042 |
| ROA | .368 | .073 | **4.892** | **.000** |
| Lev | -1.524 | 1.363 | -1.118 | .273 |
| CR | -.433 | .066 | **-6.573** | .000 |

1. Dependent Variable: CETR

R Square = 0,660

Based on the output in table 5 above, the equations formed are:

Y= 0,616 + 0,368ROA – 1,524Lev - 0,433CR

The constant of 0.616 states that if the independent variable which includes ROA, leverage, and current ratio is worth 0, then the tax avoidance value is 0.616. The positive constant means that if the company does not have a ROA, leverage, or current ratio, then tax avoidance occurs at 0.616.

The ROA variable regression coefficient of 0.368 indicates that if the ROA increases by one unit, then tax avoidance will also increase by 0.368 units. The positive value regression coefficient symbolizes the unidirectional relationship between ROA and tax avoidance, which means that if ROA increases, then tax avoidance also increases. Similarly, if the ROA decreases, then tax avoidance also decreases.

Meanwhile, the constants on the leverage and liquidity variables are negatively value -1,524 and -0.433, respectively. This shows a negative relationship between leverage and liquidity with tax avoidance. The higher the leverage and liquidity, the lower the tax avoidance.

From the output of the summary table, it can be known that the value of R2 (Adj R square) is 0.660. This indicates that the contribution of influence from independent variables, namely ROA, leverage, and current ratio of 66%. The remaining 34% were influenced by other factors not studied in the study.

**The Effect of Profitability on tax avoidance**

The test result showed a number of 4.892. This figure is higher than the table t of 1,9864. The significance value indicates a number less than 0.05 which is 0.000. Thus, it can be concluded to reject H0 and accept H1, i.e. there is positive affect profitability on tax avoidance. The results of this study support some previous studies those Wardani & Khoiriyah (2018); Darmawan & Sukartha (2014); and Kurniasih & Sari (2017).

**The Effect Leverage on tax avoidance**

The t test result showed a figure of -1,118. This figure is lower than the t table of 1,9864. The significance value also indicates a number greater than 0.05 which is 0.273. Thus, it can be concluded to reject H2 and accept H0 , i.e. there is no positive affect leverage on tax avoidance. These results are in accordance with the results of the study Abdullah (2020); Luh & Puspita (2017); Suprapti (2017).

**The Effect Liquidity on tax avoidance**

T test results showed a number of -**6.573**. This figure is higher than the t table of 1,9864. The significance value also indicates a number lower than 0.05 which is 0,000. Thus, it can be concluded to reject H0 and accept H3, i.e. there is positive affect liquidity on tax avoidance. These results are in accordance with the results of the study Dewinta & Setiawan (2016); Astuti & Aryani (2017).

**Discussion**

The results of regression tests on profitability variables prove that profitability has a significant positive effect on tax avoidance. This means that if profitability increases, then tax avoidance also increases. Vice versa, if profitability decreases, then tax avoidance also decreases.

Profitability is a ratio that indicates a company's ability to make a profit. Companies that have high profitability will tend to be in demand by investors because they are considered capable of providing greater shareholder benefits. This will result in the shares of companies with high proftability will have a high price compared to other companies. However, on the other hand, high profitability results in a high tax burden that the company has to pay. As it is known that taxes are a burden for companies so it is not uncommon for companies to avoid them. Thus, companies that have high profitability will tend to avoid taxes.

Regression test results show that leverage has no effect on tax avoidance either partially or simultaneously. The relationship between leverage with CETR is negative, meaning that the higher the and leverage the lower the CETR value. The variables leverage have no effect on tax avoidance. This means that high or low leverage does not affect tax avoidance. Leverage proxied with debt to equity ratio indicates a company's preference for using debt rather than equity. The higher the level of debt held, the greater the interest burden to be paid. This burden becomes a deductible expense that will reduce the amount of taxes owed. Thus, leverage has no effect on tax avoidance.

During this pandemic the awareness of taxpayers to pay taxes increased, especially in the third quarter of 2020. This condition is triggered by several relaxation policies and tax incentives released by the finance minister. This policy provides various leeways to taxpayers to fulfill their tax rights and obligations. Some of the tax relaxation policies in 2020 include:

1. Decreased the Agency PPh Rate which was originally 25% to 22% for the 2020 and 2021 tax years, then to 20% in the 2022 tax year. Companies in the form of Open Companies with the total number of shares traded on the stock exchange in Indonesia at least 40%, and meet certain conditions, can obtain a rate 3% lower than the general rate of corporate tax.
2. **Extension of Time in Taxation Administration, including:**

* The period of submission of objections by the taxpayer as in Article 25 paragraph (3) of the KUP Law is extended for a maximum of 6 months.
* Period of issuance of tax decree in connection with the application for the return of excess tax payments extended for a maximum of 6 months.
* The period of decision on objections is extended by a maximum of 6 months.
* The period of application for reduction or elimination of administrative sanctions, reduction or cancellation of improper tax provisions, reduction or cancellation of examination results extended for a maximum of 6 months.
* The period of return of excess tax as in extended at least 1 month

1. Provision of Customs Facilities or customs waivers in the context of handling the COVID-19 pandemic, and/or facing threats that endanger the national economy as stipulated in PMK Number 34/PMK.04/2020 of 2020 concerning the Provision of Customs and/or Excise Facilities and Taxation on The Import of Goods for The Purposes of Handling the Corona Virus Disease Pandemic 2019 (COVID-19).
2. Taxes on Electronic Transactions, in the form of VAT levies on the utilization of Intangible Taxable Goods and/or Taxable Services by overseas platforms through Trading Through Electronic Systems ("PMSE"). In addition to VAT, the government also collects PPh or electronic transaction tax on PMSE activities by foreign tax subjects who have a significant economic presence in Indonesia.

The Government through the Director General of Taxes issued PP Number 23 of 2020 on Tax Incentives for Taxpayers affected by the Corona Virus. There are four tax incentives to anticipate the economic impact of Covid-19. First, PPh Article 21 is borne by the Government for 6 months for workers with a gross income of no more than 200 million rupiah. Second, the Exemption of PPh Article 22 Import for 6 months. Third, The Reduction of Article 25 PPh by 30% for 6 months. Lastly, VAT restitution accelerated for 6 months for Exporters and Non Exporters with a restitution value of at most 5 Billion

The regulation is an anticipatory step by the government in addressing some of the massive impacts caused by the corona virus. In addition, this PP also aims to maintain the stability of economic growth, purchasing power of certain sectors in connection with the coronavirus outbreak and support the response to the impact of the corona virus.

The government's relaxation and intensive policy is responded well by business actors, especially companies that are already registered with the IDX. Drive theory explains that every behavior needs a boost. The policy of relaxation of incentives from the director general of taxes encourages a person to behave in compliance with taxes. The company in this case responds to the policy policy of the director general of taxes while still fulfilling tax rights and obligations so as to minimize tax avoidance.

Testing the third hypothesis, shows that liquidity has a significant negative effect on tax avoidance. This means that the higher the liquidity, the lower the tax avoidance. Conversely, the lower the liquidity, the higher the tax avoidance.

Liquidity ratio is a ratio that describes a company's ability to pay its short-term debt. The greater the value of the liquidity ratio, the greater the company's ability to meet its short-term obligations. Taxes are lancer obligations that must be paid by the company. When the company's liquidity is high, then the company will be easy to pay all its obligations. In this case, companies with high liquidity will more easily pay taxes than companies with low liquidity.

Companies with low liquidity will tend to be more careful in using their current assets, especially cash because if the company's cash is hampered, the company's operating costs needs are also hampered. As a result, the company will find it difficult to continue its business processes. Thus, the company will make a priority scale in the use of cash owned. In this case, the company will prioritize cash payments for its operational needs rather than for tax payments. Thus, companies will be encouraged to do even greater tax avoidance. The results of this study support several previous studies, includingAstuti, T. P., & Aryani, Y. A. (2017); Budianti, S., & Curry, K. (2018); dan Wardani, D. K., & Khoiriyah, D. (2018).

1. **CONCLUSION**

The variable of Profitability partially has a positive and significant effect on the tax avoidance at companies included in the property, industrial, and infrastructure sectors are listed on the Indonesian Stock Exchange. These results indicate that the higher the profitability, the higher the tax avoidance. The variable of leverage partially has no effect on the tax avoidance at the companies are listed on the Indonesian Stock Exchange. This shows that high or low leverage does not affect the magnitude of tax avoidance. The liquidity variable partially has a negative and significant effect on the tax avoidance at the companies are listed on the Indonesian Stock Exchange, included in the property, industrial, and infrastructure sectors. This shows that the higher the liquidity that the company has, the lower the tax avoidance. Conversely, the lower the level of liquidity a company has, the higher the likelihood of the company to commit tax avoidance.

**Research Limitations**

The limitation of this study lies in the data taken as a sample. As is known, there are 780 companies listed on the Indonesia Stock Exchange which are divided into 13 sectors. Meanwhile, this study only used 166 sample companies consisting of 3 sectors, namely property, industry, and infrastructure. Researchers have limited time to take all companies listed on the Indonesia Stock Exchange to be studied with 4 variables used. Thus, this study limits the number of samples and data in accordance with those outlined above.

**Suggestion**

Based on the results of the study, researchers advise companies to be able to manage their liquidity so that they can pay their obligations in accordance with a predetermined timeline. Liquidity difficulties cause companies to think about tax avoidance both legally and illegally which actually endangers the company itself in front of the Directorate General of Taxation..

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