


**COMPANY SIZE AND PROFITABILITY AGAINST TAX AVOIDANCE IN COAL SECTOR
MINING COMPANIES LISTED ON THE IDX IN 2018-2021**

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ARTICLE INFO	ABSTRACT
<p>Article history:</p> <p>Received 15 May 2023</p> <p>Accepted 11 August 2023</p>	<p>Purpose: The purpose of this research is to analyze the relationship between company size and profitability and tax avoidance by coal mining firms.</p>
<p>Keywords:</p> <p>Compani Size; Profitability Against; Tax Avoidance.</p> 	<p>Theoretical framework: Tax avoidance is a type of tax planning that has two sides: on the one hand, it is legal, but on the other, it is undesirable because it reduces government revenue.</p> <p>Design/methodology/approach: The population of this quantitative study, which makes use of secondary data, consists of businesses from the coal mining sector that are listed on the Indonesia Stock Exchange between 2018 and 2021. Purposive sampling according to these criteria yielded a sample of 12 businesses for this analysis.</p> <p>Findings: With the use of the SPSS Version 26 software, data is analyzed using descriptive analysis and verification analysis, such as the classical assumption test, multiple linear regression analysis, coefficient of determination analysis, and hypothesis testing. This research shows that company size and profitability significantly affect tax avoidance, either independently or together.</p> <p>Research, Practical & Social implications: We propose a future study agenda centered on the ability to propose a research time frame and sample size in the hopes of maximizing the expected findings. To achieve more accurate data processing, you can also use different processes and data learning methods.</p> <p>Originality/value: Previously, researchers found factors that determine tax avoidance. However, comprehensive information regarding the impact on tax evasion in Indonesia is lacking. This reinforces the robustness of our research.</p> <p>Doi: https://doi.org/10.26668/businessreview/2023.v8i8.3262</p>

**TAMANHO DA EMPRESA E LUCRATIVIDADE CONTRA EVASÃO FISCAL EM EMPRESAS DE
MINERAÇÃO DO SETOR DE CARVÃO LISTADAS NO IDX EM 2018-2021**

RESUMO

Objetivo: Este estudo tem como objetivo determinar o efeito do tamanho da empresa e da lucratividade na evasão fiscal em empresas de mineração do setor de carvão.

Referencial teórico: A elisão fiscal é uma atividade de planejamento tributário que possui uma faceta única, pois, por um lado, a elisão fiscal é permitida, por outro lado, a elisão fiscal é indesejável, pois prejudicará a arrecadação do Estado.

Desenho/metodologia/abordagem: Este estudo é um estudo quantitativo cuja fonte de dados usa dados secundários, a população deste estudo é a empresa de mineração do setor de carvão listada na Bolsa de Valores da

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Indonésia em 2018-2021. Este método de determinação amostral utiliza amostragem intencional de acordo com critérios pré-determinados que obtiveram uma amostra de 12 empresas.

Resultados: A análise de dados usa análise descritiva e análise de verificação que inclui teste de suposição clássica, análise de regressão linear múltipla e análise de coeficiente de determinação e teste de hipótese com a ajuda do aplicativo SPSS versão 26. Os resultados deste estudo indicam que o tamanho da empresa e a lucratividade têm um efeito significativo na evasão fiscal, parcial ou simultaneamente.

Pesquisa, implicações práticas e sociais: Sugerimos uma futura agenda de pesquisa relacionada a poder sugerir um período de pesquisa e uma amostra para que se espere obter o máximo de resultados. Para obter um processamento de dados mais preciso, você também pode usar diferentes processos e métodos de aprendizado de dados.

Originalidade/valor: Anteriormente, os pesquisadores encontraram fatores que determinam a evasão fiscal. No entanto, faltam informações abrangentes sobre o impacto na evasão fiscal na Indonésia. Isso reforça a robustez de nossa pesquisa.

Palavras-chave: Tamanho da Empresa, Rentabilidade Contra, Evasão Fiscal.

TAMAÑO DE LA EMPRESA Y RENTABILIDAD FRENTE A LA EVASIÓN FISCAL EN LAS EMPRESAS MINERAS DEL SECTOR DEL CARBÓN QUE COTIZAN EN IDX EN 2018-2021

RESUMEN

Propósito: Este estudio tiene como objetivo determinar el efecto del tamaño y la rentabilidad de la empresa en la elusión fiscal en las empresas mineras del sector del carbón.

Referencial teórico: La elusión fiscal es una actividad de planificación fiscal que tiene su propio aspecto único porque, por un lado, se permite la elusión fiscal y, por otro lado, la elusión fiscal es indeseable porque perjudicará los ingresos del Estado.

Diseño/metodología/enfoque: Este estudio es un estudio cuantitativo cuya fuente de datos utiliza datos secundarios, la población de este estudio es la empresa minera del sector del carbón que cotiza en la Bolsa de Valores de Indonesia en 2018-2021. Este método de determinación de la muestra utiliza un muestreo intencional de acuerdo con criterios predeterminados que obtuvieron una muestra de 12 empresas.

Hallazgo: el análisis de datos utiliza un análisis descriptivo y un análisis de verificación que incluye la prueba de suposición clásica, análisis de regresión lineal múltiple y análisis de coeficiente de determinación, y prueba de hipótesis con la ayuda de la aplicación SPSS Versión 26. Los resultados de este estudio indican que el tamaño y la rentabilidad de las empresas tienen un efecto significativo sobre la elusión fiscal, ya sea de forma parcial o simultánea.

Investigación, práctica e implicaciones sociales: sugerimos una agenda de investigación futura relacionada con poder sugerir un período de investigación y una muestra para que se espere obtener los máximos resultados. Para lograr un procesamiento de datos más preciso, también puede utilizar diferentes procesos y métodos de aprendizaje de datos.

Originalidad/valor: anteriormente, los investigadores encontraron factores que determinan la elusión fiscal. Sin embargo, falta información completa sobre el impacto en la evasión fiscal en Indonesia. Esto refuerza la solidez de nuestra investigación.

Palabras clave: Tamaño de la Empresa, Rentabilidad Contra, Evasión de Impuestos.

INTRODUCTION

Taxes are compelled payments to the government from citizens and businesses that are not repaid in kind. Law on General Provisions and Tax Procedures (UU KUP) No. 28 of 2007 Article 1 Paragraph 1 states that all tax revenue must be collected directly and used for the requirements of the state to ensure the maximum prosperity for the people.

Corporate taxpayers in Indonesia include a wide range of businesses operating in a variety of industries. The higher the company's taxable income, the more it will have to pay in

taxes. To reduce the amount of tax the firm owes, which is directly proportional to the amount of profit the company has made, is an example of tax evasion (Purwanggono, 2015). Companies that commit tax evasion arise because there are opportunities that can be exploited, both from weaknesses in the applicable laws and from the human resources sector itself. As a result of these divergent points of view, businesses are more likely to seek out legal and criminal means of minimizing their tax obligations. (dodging taxes) (Dewinta & Setiawan, 2013). From the previous literature, the study by Alsmady, (2022) investigated tax avoidance on company performance in Yordania and found a positive significant effect.

In 2019, PT Adaro Energy Tbk, a company based in Indonesia, used a transfer-pricing strategy to illegally avoid taxes in the Coal Sector Mining Companies. This was accomplished via a branch office in Singapore. The company's operations involve tax evasion measures. It is claimed that PT Adaro organized things so that they paid US\$ 125 million in taxes, which is roughly equivalent to Rp 1.75 trillion (exchange rate of Rp 14,000), which is less than what should have been paid to the state treasury in Indonesia. www.Tirto.id.com.

All actions that legally or illegally alter a taxpayer's tax liability are considered tax avoidance, including legal actions that are allowed under the tax code and illegal actions that take advantage of loopholes. Typically, tax evasion occurs when loopholes in the law are used (Dyrenge et al., 2008). James Kessler divides transactions into two categories: those that are designed to avoid taxes and those that are designed to cause costs or losses. Transactions that are not allowed to be used to avoid taxes are characterized by not having a good business purpose, solely to avoid taxes, and not by the spirit and intension of parliament. On the flip side, tax avoidance is permissible (acceptable tax avoidance) if it serves a legitimate business need rather than being motivated primarily by a desire to minimize tax liability, does not involve any artificially constructed transactions, and complies with the spirit and intent of parliament (www.news.co.id).

Factors that can affect Tax Avoidance, namely company size. Saifudin & Yunanda (2016) Clearly define firm size as a sliding scale where businesses can be categorized as either large or small. Factors such as value equity, sales value, staff count, total assets, and so on are used to determine a company's size. Companies can be categorized as either small, medium, or giant.

Tax evasion is affected by a number of factors, including a company's profitability and size. Companies with large profits are seen as successful in managing their management and are surely in accordance with the expectations of company owners and shareholders, and

profitability is the ability of the company to make profits that describe the company's performance. stakeholder-his. Profitability is a measure of a company's success; nevertheless, the more money it makes, the more money it has to pay in taxes to the government (Moses, 2017).

Based on the description above, it was found that there were allegations regarding tax evasion at the coal mining company that was suspected of committing *crimetax avoidance*, and there are inconsistent research results related to tax evasion. Therefore, as a researcher, I am interested in conducting research with the title "The Influence of Company Size and Profitability on Tax Avoidance (Studies of Coal Sector Mining Companies Listed on the Indonesian Stock Exchange in 2018-2021)".

THEORETICAL FRAMEWORK

Agency Theory

According to agency theory, the principle who gives authority to the agent has a special connection with that agent. The agent as a party authorized by the principal has the responsibility to be able to run the company. The relationship between agency theory and tax avoidance is that agency theory describes the company's management must be done well to minimize tax avoidance. A poor governance system will negatively impact the company's image. A good company will adequately carry out tax planning so as not to use tax avoidance to maximise company profits (Oktaviani et al, 2023). With the best possible to achieve company goals and produce levels of return which is high for parties principal. Principals, according to agency theory, should delegate corporate management to experts, or "agents," because they have specialized knowledge and experience in this area. The conflict of interest between the principal and agent will cause agency problems, called information asymmetry (Mathius, 2016).

Company Size

One factor in deciding how much a business pays in taxes is the size of the business, which in turn is a reflection of the business's peak and trough operational activity; the more complex and numerous the business's transactions, the more opportunities it has to minimize its tax bill. - gaps that exist to take action on tax *avoidance* of every transaction. (Jasmine & Paulus, 2017). Larger organizations (those with more assets) are more likely to be profitable over the long term, but this stability comes at a cost: a higher tax burden, which in turn

encourages tax avoidance (Christili and Nazmel, 2021). The above information allows for the formation of a working hypothesis.

H1: Company size affects tax avoidance.

Profitability

The level of profitability achieved by a business is a measure of the effectiveness with which its management is handling the organization's financial resources. In general terms, the company's profit arises from its sales and investments (Sari & Rawidjo, 2020). Arianandini & Ramntha (2018), said that companies that have good planning will receive optimal taxes, resulting in a decrease in tax avoidance activities carried out by companies. If a corporation is making a lot of money, it can expect to pay a lot of tax because of the growth in its earnings, but it also has the potential to engage in Tax Avoidance to reduce the amount of tax it pays. Therefore, agents may take tax evasion actions (Riza & Tiara, 2017). An assumption can be made from the above description.

H2: Profitability affects tax avoidance.

Firm Size and Profitability

Management will exploit the company's size as a bargaining chip to secure favorable tax treatment. In general, businesses with a higher total asset value are more capable and steady in terms of their ability to generate profits. Management's consideration of tax implications may be influenced by the company's profitability. It is common for businesses to engage in tax avoidance strategies when their profits rise because doing so increases the total amount of tax the business must pay. Both the size and profitability of a company have an impact on tax avoidance, and both can discourage or encourage the practice (Ismiyani & Endang, 2020). An assumption can be made from the above description.

H3: Company Size and Profitability Have an Effect on Tax Avoidance

METHODOLOGY

Specifically, a quantitative method with a descriptive approach was adopted for this study. Based on positivism, the quantitative approach to research is characterized by its use of research tools for data collecting and an emphasis on quantitative and statistical analysis with the purpose of describing and testing preconceived hypotheses about the population of interest.

And descriptive statistics are used to describe or analyze a statistical research result but are not used to make broader conclusions (*generalizations/inferences*) (Sugiyono, 2019).

Population and Sample

Twenty-four firms from 2018-2021 that engage in coal mining and are listed on the IDX serve as the population for this analysis. And the sample in this study uses the method of *nonprobability sampling* with the technique of *purposive sampling* which used research criteria in the sample including, namely, companies listed on the IDX, companies that did not experience losses during the year of study, companies that successively reported financial reports on the IDX. So that a sample of 48 samples was obtained from 12 companies during 4 years of research, namely 2018-2021.

Data Analysis Technique

Descriptive analysis and verification analysis are used to analyze the data. These methods include the traditional assumption test, multiple linear regression analysis, study of the coefficient of determination, and hypothesis testing with the t-test and F-test with the use of a computer program.SPPS for Windows, Version 26.0. The three factors at play in this investigation are as follows:

Company Size (X1)

In this analysis, we use the natural logarithm of total assets (total assets) as a proxy for the size of a company. Using this equation:

Company Size =Ln (Total Assets)

Source: Christy & Subagyo (2019)

Profitability (X2)

Profitability in this study was measured using *Return On Assets* (ROAs). With the following formula:

$$ROA = \frac{NET\ PROFIT(Profit\ after\ tax)}{Total\ assets} \times 100$$

Source: Fahmi (2018)

Tax Avoidance (Y)

Tax avoidance variable is calculated using CETR, *Cash Effective Tax Rate*. With the following formula:

$$CETR = \frac{\text{Payment of tax}}{\text{Profit before tax}}$$

Source: Ismiyani (2020)

RESULTS AND DISCUSSION

Multiple Linear Regression Analysis

Table 1. Results of Multiple Regression Analysis

Model	Coefficients ^a					Collinearity Statistics	
	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Tolerance	VIF
	B	Std. Error	Beta				
(Constant)	.285	.221		1.288	.204		
Company size	.037	.013	.408	2.899	.006	.865	1.155
Profitability	-.830	.263	-.443	-3.153	.003	.865	1.155

Source: SPSS output version 26, 2022

$$Y = 0,285 + 0,037 X1 - 0,830 X2 + e$$

The positive constant (a) has a value of 0.285. This means that Tax Avoidance (Y) will always be equal to 0.285 if the value of the independent variables Firm Size (X1) and Profitability (X2) is zero (0). The 0.037 value for Firm Size (X1) in the regression coefficients is positive. To put it another way, if you increase the company size variable by 1 unit, tax evasion will increase by 0.037 units, and visa versa. If all other factors remain the same, tax evasion can be reduced by 0.037 percentage points for every one unit by which business size is decreased. The -0.839 value of the profitability regression coefficient (X2) is unfavorable. This suggests that a one-unit increase in the profitability variable will result in a 0.83 percent decrease in tax evasion, and vice versa. If all other factors remain the same, a decrease of 1 unit in profitability will result in a 0.830% rise in tax avoidance. The residual value (e) means an error that errors in predicting sample data made by researchers.

Analysis of the Coefficient of Determination

Table 2. Simultaneous Determination Coefficient Analysis Test Results
Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.680 ^a	.530	.296	.21169	1.851

a. Predictors: (Constant), profitability, company size

b. Dependent Variable: tax avoidance

Source: SPSS output version 26, 2022

Based on Table 2 above the contribution of the company size and profitability variables is 53.0% ($0,680^2 \times 100\%$), while the remaining 47.0% is determined by other factors outside the scope of this investigation.

Table 3. Partial Determination Coefficient Analysis Test Results

		Coefficients		
		Correlations		
1	(Constant)	Zero-order	Partial	Part
	Company size	.345	.497	.479
	Profitabilitas	-.394	-.525	-.512

a. Dependent Variable: tax avoidance

Source: SPSS output version 26, 2022

Using data from Table 3 obtained that the contribution of the firm size variable company size of 34.5% ($0,345 \times 100$), and the contribution of the profitability variable has an effect on tax evasion of -39.4% ($-0,394 \times 100$).

Hypothesis Testing

Table 4. Partial Test Results

No	Variabel	T _{count}	t _{table}	Sig
1.	Company size	2.899	2.01410	0,006
2.	Profitability	-3,153	2.01410	0,003

Source : SPSS output version 26, 2022

The attached t distribution table shows that the value of tcount for the variable "Company Size" (X1) is 2.899, with a significant value of 0.006, whereas the value of "t table," based on the t distribution table, is 2.01410. Ha is allowed and Ho is refused due to the t valuecount > ttable specifically $2.899 > 2.01410$ with a significant value of 0.006 0.05. Therefore, the first hypothesis in this study that company size has an important effect on tax avoidance can be confirmed.

The attached t distribution table shows that the value for the Profitability variable (X2) is 2.01410, whereas the accompanying t table indicates that the Profitability variable (X2) has a negative sign and a significant value of 0.003. H_a is approved, while H_o is refused, because the t valuecount > ttablenamely $3.153 > 2.01410$ has a significant value of 0.003 0.05. As a result, tax avoidance strategies are heavily influenced by a company's success.

Table 5. Simultaneous Test Results

ANOVA					
Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	.603	2	.301	6.726	.003 ^b
Residual	2.016	45	.045		
Total	2.619	47			

a. Dependent Variable: tax avoidance

b. Predictors: (Constant), profitability, company size

Source: SPSS output version 26, 2022

In light of the foregoing, we may conclude that the 0.003 significance threshold for the F count of 6.726 is met by the F table of 4.05 (obtained from the distribution table with 5%). H_a is approved and H_o is rejected due to the following statistics: Fcount > Ftableie $6.726 > 4.05$ with a significance value of 0.003 0.05. This indicates that the size and success of a company together have a major influence on tax avoidance.

Effect of Company Size on Tax Avoidance

The analyses conducted in this study support the first hypothesis (H_1), which states that there is a positive correlation between business size and tax avoidance. Profits are more likely to be substantial and business transactions are more complicated when a company is larger. In this way, businesses are encouraged to find and use any tax-related loopholes they might find. Businesses that are featured in lists of major corporations are typically expanding and doing well economically, which indicates that their tax payments will also be sizable. Because of their larger size and greater knowledge of taxation, large corporations are better able to control taxation through strategic tax planning (tax planning), which keeps the total amount of taxes paid by the company to a minimum. Through strategic use of loopholes in the tax code, tax planning seeks to minimize a business' taxable income to the extent possible. The best way to encourage huge corporations to engage in tax avoidance is to ensure that tax savings (tax saving) are maximized.

Findings above are consistent with those of studies by Ismiyani & Endang (2020), which claims that bigger businesses are more likely to commit tax fraud. The results of data analysis

show that company size has a significant positive effect on tax evasion. This means that the higher the size of the company, the higher the level of tax avoidance committed by the company (Dewinta & Setiawan, 2016; Sulaeman, 2021).

Effect of Company Size and Profitability on Tax Avoidance

As can be seen from the regression results, which support the third hypothesis (H3), firm size and profitability are two independent factors that influence tax avoidance. As a result, the extent to which a corporation avoids paying taxes can be affected by changes in the value of the independent variable in either direction. Because the amount of income tax paid by a business is based on its net profit, changing the value of the independent variable in this study can have a positive or negative impact on the amount of tax paid. In the opposite direction, as the company's profit increases, so will the amount of income tax paid. Inhibiting and encouraging tax evasion practices by businesses, respectively.

The findings of the present study are consistent with Ismiyani and Endang (2020) Ismiyani and Endang's research (2020) tax avoidance is affected by a company's profitability, leverage, and size all at once. The results of the analysis show that profitability and firm size have a significant positive effect on tax evasion. This shows that the higher the profitability and size of the company, the higher the tax evasion (Dewinta & Setiawan, 2016; Sulaeman, 2021).

CONCLUSION

Research into the impact of company size and profitability on tax avoidance among coal mining firms listed on the Indonesia Stock Exchange between 2018 and 2021 leads to the conclusion that these two factors have a significant impact on tax avoidance in a way that is both partial and simultaneous.

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