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The Effect of Tax Avoidance on Liquidity, Profitability and Capital Structure PT. Bukalapak Tbk

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ABSTRAK

This study's overarching goal is to dissect the impact of tax evasion on the capital structure, liquidity, and profitability of PT. Bukalapak.com Tbk firms traded on the IDX from 2022 to 2024. This study used multiple regression analysis and a quantitative technique to find that capital structure, profitability, and liquidity impact tax evasion levels. There is a correlation between a company's liquidity and its propensity to participate in tax avoidance, and between a company's profitability and its propensity to use tax avoidance approaches to reduce cash outflows associated with tax payments. Because interest paid on debt is tax deductible, tax avoidance strategies are often accompanied with a capital structure that is heavily reliant on debt.

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1. INTRODUCTION

Based on data from the Ministry of Finance, until 31 December 2023, tax revenue in Indonesia reached Rp1,869.23 trillion, up 8.9 percent from the 2022 realization of Rp1,716.77 trillion." From the data, it can be "concluded that tax revenues will cover 108.8% of the 2023 State Budget target or 102.8% of the target set in Presidential Regulation No. 75 of 2023 amending Presidential Regulation No. 130 of 2022, which details the 2023 State Budget" [1]. The main source of tax revenue in 2023, which amounted to IDR993.0 trillion or 101.5% of the target or an increase of 7.9%, came from non-oil and gas Income Tax (PPh). Then, tax revenue from Value Added Tax and Luxury Goods Sales Tax (PPN & PPnBM) increased by 11.2 percent to IDR 764.3 trillion or 104.7 percent of the target. Then, other tax revenues, including Land and Building Tax (PBB), reached IDR43.1 trillion or 114.4% of the target or an increase of 39.2%. Meanwhile, oil and gas income tax revenue reached IDR68.8 trillion or 96% of the target, due to lower commodity prices [2].

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The percentage of Indonesians who pay taxes has continued to increase over the past five years (2019-2023). Based on statistical data from the Ministry of Finance (1), there was an increasing trend in tax payments during 2019-2023. Tax revenue in 2019 reached Rp1,332.67 trillion, an increase of 1.5 percent from the previous year. However, in 2020, tax revenue fell to Rp1,072.11 trillion or decreased by 19.6 percent due to the Corona Virus Disease 2019 (Covid-19) pandemic. In 2021, tax revenue reached IDR1,278.63 trillion or increased by 19.3 percent. In 2022, tax revenue reached a record high of IDR1,716.77 trillion or an increase of 34.3 percent. However, the previous tax revenue was negative. The realization of tax revenue last year amounted to Rp1,869.23 trillion or an increase of 8.9 percent". [3].

Figure 1. Target and Realization of Tax Revenue 2019-2023

Total customs and excise revenue reached Rp286.19 trillion or 95.36 percent of the target, realized from customs and excise revenue. The customs and excise revenue decreased by 9.94% on an annual basis. Customs and excise revenue was mainly supported by the excise component which accounted for 77.5% of total revenue. Strong domestic economic conditions and the DGT's determination to make various efforts to achieve tax revenues [4]. further strengthens the momentum of achieving a sizable increase in tax revenue by 2023, according to the Ministry of Finance. The DGT for the first time established a compliance committee to help refine various efforts to improve taxpayer compliance. In addition, the DGT is also overseeing a number of initiatives aimed at broadening the tax base, with a particular focus on the digital economy base (2). These include fintech, PMSE (Trading Through Electronic Systems) monitoring, and post-PPS supervision. [2].

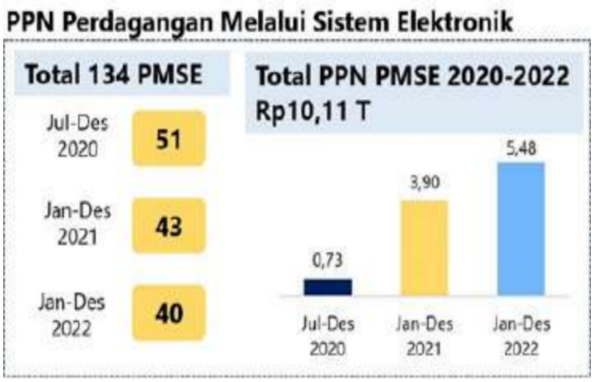

Figure 2. VAT on Electronic Commerce

The realization of VAT revenue from a total of 134 registered PMSE operators until the end of 2022 reached IDR 10.11 trillion for 2020-2022. If further elaborated, for 2022 itself, it reached IDR 5.48 trillion, an increase of around 40% from the previous year which reached IDR 3.9 trillion (5). However, the contribution of PMSE VAT in 2022 itself is still quite small or only around 0.83% of the realization of total VAT revenue in 2022 which reached IDR 660.98 Trillion. (6) So even though the increase is quite significant in 2022, the contribution of PMSE taxation is still relatively small both to the VAT itself and to the overall tax realization. This PMSE has a large potential tax revenue for the State but on the other hand there are difficulties in imposing the tax [2]. Until November 2022, electronic money transactions reached IDR 25.3 trillion or grew 12.84%, while digital banking transactions reached IDR 4,561.2 trillion or grew 13.88%, based on Bank Indonesia data [5]. Online purchases have increased rapidly due to the COVID-19 epidemic; from 2017 to 2021, the number of online shoppers increased from 1.3 billion to 2.3 billion. Tax authorities are experiencing difficulties due to the digitalization of the economy and sophisticated tax planning strategies used by multinational companies. In terms of tax, the OECD has identified three main issues plaguing the digital economy: intangibility, size without mass, and difficulties in explaining net profits and royalties. As a result of rules indicating that participants in this industry are obliged to pay a tax, i.e. VAT, for any commercial transaction conducted through electronic systems, Electronic Commerce (E-Commerce) has evolved as the legal foundation for E-Commerce. [6]. In Indonesia, there are approximately 134 PMSEs registered until the end of 2022, with companies designated as VAT collectors including:

1. "PT Jingdong Indonesia First"
2. "PT Shopee International Indonesia"
3. "PT Bukalapak.com"
4. "PT Ecart Webportal Indonesia (Lazada)"
5. "PT Tokopedia"

Unicorn startups in Indonesia that are also VAT collectors

1. "Lazada - 2013"
2. "Grab - 2014"
3. "Garena - 2015"
4. "Gojek - 2016"
5. "Tokopedia, Traveloka"
6. "Bukalapak - 2017"
7. "OVO, JD.ID, Bigo - 2019"
8. "Gopay - 2020"
9. "J&T Express, Xendit, Ajaib, Tiket.com, blibli- 2021a"
10. "Property Guru, Carro, Flash Coffee, Carsome, Advance AI, Ninja Van - 2021b"
11. "Kredivo, DANA, Akulaku - 2022"

Some of the foreign companies designated as VAT collectors are "PMSE Canva Pty Ltd, New York Times Digital LLC, Degreed Inc, Home Box Office (Singapore) Pte. Ltd, LNRS Data Service Limited, LexisNexis Risk Solution FL Inc, and Ask.FM Europe Limited". The expansion of PMSE VAT collectors is expected to increase the digital sector's tax contribution to state revenue by 2024. However, its implementation faces challenges, as the digital economy is considered a shadow economy or a sector that is difficult to tax. Given the government's plan to capitalize on the opportunities presented by the digital economy, this study examines the possibility of a tax increase in 2024 to boost VAT revenue. Agency theory poses a risk to tax avoidance operations in Indonesia as shareholders delegate policy-making authority to management. [7]. Due to this knowledge gap, managers know more about the condition of the company than shareholders who are not actively involved in running it. One of the problems of tax avoidance in Indonesia is that people can now find out how much they have to pay by using the self-assessment system. To oversee the implementation of the self-assessment system, which allows taxpayers to avoid taxes [8], Tax audits and investigations, providing advice and supervision are the authority of the Directorate General of Taxes (DGT). Based on the "Law on General Provisions and Tax Procedures, paragraph (1) Article 29": "The Director General of Taxes is authorized to conduct audits to test compliance with the fulfillment of tax obligations of taxpayers and for other purposes in the context of implementing the legislation. taxation legislation."

Taxpayers' satisfaction with paying their fair share or trying to avoid paying their fair share is used as a measure of tax compliance. Tax rates, income, audit possibilities, and penalties all have a role in whether or not taxpayers pay their fair share. Taxpayers can help the government get more people to pay their fair share by increasing the audit coverage ratio. This is determined by dividing the total number of taxpayers audited by the total number of taxpayers required to file annual tax returns. To improve the quality of tax audits, the Directorate General of Taxes has issued Circular Letter Number SE-15/PJ/2018, which deals with Audit Policy. You can also tell if a company is trying to avoid paying taxes by looking at its low effective tax rate (ETR). A lower level of tax avoidance is indicated by a larger ETR score [9]. Companies can gain insight into their expectations and ambitions for the future and prepare for the unknown with the help of financial ratio analysis. Although research on financial ratios that influence tax avoidance shows conflicting findings, liquidity ratios stand out as the most important component. In general, tax avoidance is not an action taken by companies with a lot of cash. [10].

Taxes interpret a company's capital structure differently, so a company's financing strategy (leverage) can affect its ability to avoid paying taxes. Greater levels of tax avoidance or reduced tax payments tend to be seen in companies with high leverage. According to positive accounting theory, tax avoidance decreases as the level of intimacy between the firm and its debtors increases. Corporate tax avoidance is positively affected by current asset turnover (activity), and negatively affected by an increase in common equity. Compared to other financial measures, growth is the most important factor in tax avoidance [11] The results of this study can help the government recognize signs that businesses are trying to avoid paying their due taxes. Furthermore, this study can provide additional material that can be used by future researchers to investigate the elements or causes that influence tax avoidance.

2. METHODS

This study uses a quantitative approach with multiple regression analysis to measure the impact of tax avoidance on company performance. This method ensures objectivity and allows simultaneous testing of several independent variables on the dependent variable [12]. Previous studies have used this approach to identify financial factors that influence tax avoidance in large companies. The tax avoidance variable (ETR) is a dummy variable, with a value of 1 if the ETR is less than 25%, which indicates tax avoidance, and 0 if it is above 25%, which indicates double taxation. This study supports previous research by Rego (2003) and Gupta and Newberry (1997), who used regression models to examine the impact of profitability and capital structure on corporate ETR.

2.1 Research Design

That tax avoidance significantly affects capital structure, profitability, liquidity and other areas of corporate finance is the underlying premise of this study. This study examines financial data from companies listed on the IDX, specifically quarterly reports from 2022 to 2024, to evaluate this theory. As it covers an important time when many businesses experience changes in tax and economic policies, this data is considered representative. The selection of 2022-2024 is based on the fact that these years cover the era when the Indonesian government introduced new tax rates and tax incentive programs to aid economic recovery from the COVID-19 epidemic. Studies by [13] shows that tax policy changes often prompt companies to devise new strategies to avoid taxes, potentially affecting their overall financial condition.

2.2 Sample and Population

This is a purposeful sampling technique. Research that requires a sample with certain traits lends itself to this approach. Businesses that meet these requirements form the sample:

1. Listed on the Indonesia Stock Exchange (IDX) during the period 2022-2024.
2. Consistently publish quarterly financial reports during the study period.
3. Using Rupiah as the currency of the financial statements.
4. Coming from industry sectors that have links to tax avoidance, such as the technology, financial services and trade sectors.

By using a sample selected based on these criteria, this study reduces the possibility of bias arising from data inconsistencies or differences in currency exchange rates.

2.3 Data Analysis

To determine the impact of multiple independent factors on a single dependent variable, this study uses the multiple regression analysis method. Analyzing the correlation between numerical variables is another area where this method excels. Leverage serves as the dependent profitabilitas berfungsi sebagai faktor independen. variable in this study, with tax avoidance, liquidity, and profitability serving as the independent factors. This multiple regression model uses the following formula:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \epsilon$$

Di mana:

- Y adalah **leverage** sebagai variabel dependen,
- X_1 adalah **penghindaran pajak**,
- X_2 adalah **likuiditas**,
- X_3 adalah **profitabilitas**,
- β_0 adalah konstanta, dan
- ϵ adalah error term.

Figure 3. Multiple Regression Formula

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In addition, this technique was chosen based on its suitability for large-scale quantitative research such as that conducted by [14], who used a similar model to assess the effect of tax avoidance on corporate capital structure.

2.4 Operational Definition of Variables (Deepened)

A company's leverage is the amount of debt as a percentage of its total assets. One measure of a company's reliance on debt for financing is the leverage ratio. In the context of tax avoidance, companies with high leverage tend to use debt as a tax saving strategy. [15] in their theory of debt tax benefits state that companies that maximize the use of debt can reduce their tax burden significantly because interest payments can be deducted from taxable income. In this study, leverage is calculated using the following formula:

$$ProbabilitasLeverage = \frac{\text{Utang Jangka Panjang}}{\text{Total Aset}}$$

Figure 4. Leverage Formula

Tax Avoidance ETR is a metric to measure tax avoidance. One of the main measures used to determine the extent to which a company avoids taxes is ETR, as defined in[16] If the ETR is low, it means that the company has been able to minimize its tax liability by taking advantage of different tax law loopholes. If a company's effective tax rate (ETR) falls below 25%-the normal tax rate in Indonesia-then tax avoidance has occurred, according to this study. Effective Tax Rate (ETR) is used as a metric of tax avoidance in this study. How ETR is calculated

$$Leverage = \frac{\text{Total Utang}}{\text{Total Aset}}$$

Figure 5. Leverage probability formula

Tax Avoidance ETR is a metric to measure tax avoidance. One of the main measures used to determine the extent to which a company avoids taxes is ETR, as defined in[16] If the ETR is low, it means that the company has been able to minimize its tax liability by taking advantage of different tax law loopholes. If a company's effective tax rate (ETR) falls below 25%-the normal tax rate in Indonesia-then tax avoidance has occurred, according to this study. Effective Tax Rate (ETR) is used as a metric of tax avoidance in this study. How ETR is calculated

$$ETR = \frac{\text{Beban Pajak}}{\text{Laba Sebelum Pajak}}$$

Figure 6. ETR Formula

"The tax avoidance variable is given a value of 1 if ETR < 25% (which indicates tax avoidance) and 0 if ETR ≥ 25%. The 25% limit is determined based on the corporate income tax rate applicable in Indonesia". Company size and asset growth are the control variables used in this study. Considered a key determinant in tax avoidance, business size is determined by the total assets or total revenue of the company. This is because larger companies have greater resources to devise tax avoidance tactics. To further examine how asset changes affect tax avoidance and corporate leverage, asset growth is also included as a control variable.

3. RESULTS AND DISCUSSION

3.1. Statistical Results

Descriptive data reveals that a significant number of firms engage in tax avoidance, with an average ETR of 23.5% among sampled firms. Large firms have more resources for proactive tax preparation, leading to lower ETR compared to small businesses. This data is consistent with the results of [2] Highly profitable companies also tend to record lower ETRs, according to this study. This lends credibility to the political cost argument put forward by [6], according to which larger and more profitable businesses are more likely to be targeted by tax authorities, prompting them to take proactive measures to minimize their tax liabilities by developing tax avoidance tactics. Here are the results of the Assumption Test Table:

Table 1. Assumption Test Table

Uji Asumsi	Nilai	Kesimpulan
Uji Normalitas (Kolmogorov-Smirnov)	$p > 0.05$	Data berdistribusi normal
Uji Multikolinearitas (VIF)	VIF < 10	Tidak terjadi multikolinearitas
Uji Heteroskedastisitas (Glejser)	$p > 0.05$	Tidak terdapat heteroskedastisitas
Uji Autokorelasi (Durbin-Watson)	$1.5 < DW < 2.5$	Tidak terdapat autokorelasi

3.2 The Effect of Liquidity on Tax Avoidance

A substantial relationship between liquidity and tax avoidance was found in the regression study. Companies with high liquidity have more cash, which they may use to pay for tax avoidance schemes. According to research [17] businesses that have a lot of cash are better able to anticipate their tax liabilities, especially by utilizing tax deferral and income shifting.

3.3 Effect of Profitability on Tax Avoidance

There is a favorable correlation between profitability and tax avoidance as well. Financially well-performing businesses have a greater incentive to use aggressive tax avoidance tactics to lower their tax-related cash outflows. Profitable businesses are more likely to invest in tax avoidance strategies, according to [18] because taxes are seen as an unnecessary cost.

3.4 Effect of Capital Structure on Tax Avoidance

A firm's capital structure can be affected by its tax avoidance practices; businesses that engage in tax avoidance often have greater levels of debt. This result supports the trade-off argument proposed in [19], which states that businesses will increase their debt levels to gain tax benefits from interest payments. To maximize tax savings from interest expenses, organizations that are more active in tax avoidance tend to have larger debt ratios, according to research by [9] The hypothesis recapitulation results are shown in the following table:

Table 2. Hypothesis Table

No.	Hipotesis	Hasil Pengujian	Keputusan
H1	Likuiditas berpengaruh positif terhadap penghindaran pajak	Signifikan	Hipotesis diterima
H2	Profitabilitas berpengaruh positif terhadap penghindaran pajak	Signifikan	Hipotesis diterima
H3	Struktur modal berpengaruh terhadap penghindaran pajak	Signifikan	Hipotesis diterima

4. CONCLUSIONS

From 2022 to 2024, this study examines how tax avoidance affects the capital structure, profitability and liquidity of Indonesian firms listed on the IDX. A firm's ability to avoid paying taxes is positively correlated with its liquidity, as more liquid firms have more discretion to manage their cash and other liquid assets as they see fit. Therefore, they can find better methods to avoid taxes, such as delaying payments and redistributing income. Aiming to reduce tax payments and maximize net income, tax avoidance is more common among highly profitable companies. According to previous research, businesses with lots of cash have greater latitude to play around with their tax strategies [17], Companies with high profitability often have greater exposure to public scrutiny and tax authorities, so they maintain their public image by ensuring their tax avoidance practices are within legal limits. This study explores the impact of tax avoidance on a firm's capital structure, particularly in terms of leverage. This is in line with Kraus and Litzenberger's trade-off theory, which states that firms balance tax savings through debt with the bankruptcy risk associated with increased leverage. Companies with higher debt ratios tend to use debt as a tool to minimize their tax liabilities, as debt interest is tax deductible. From a practical perspective, firms can utilize tax avoidance strategies while still complying with tax regulations. However, aggressive tax avoidance may increase future tax risks, especially if the government tightens tax monitoring and enforcement. This study emphasizes the importance of tightening regulations to close loopholes in the tax system that are exploited by companies to avoid taxes.

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