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Research Paper

The Effect of Tax Avoidance and Profitability on Firmvalue (Study on Property and Real Estate Companieslistedin Bursaefek Indonesia 2018-2020)

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Abstract
Increasingthefirmvalueofthecompanyisamustforcompaniestomaintaingoingconcern.Profitabilityisoneoftheinternalfactorsthatcanaffectthefirmvalue.To increase profitability, the company must minimize costs, including taxes. Through Tax Avoidance, management can reduce the tax burdenand optimize the company's profitability. However, tax avoidance can haveboth good and bad effects. This study was conducted to determine the effect of TaxAvoidanceandProfitabilityonfirmvalue.Thedatacollectiontechniqueissourcedfrom the financial and annual reports of the real estate and property sectors listedonthe Indonesia Stock Exchange 2018-2020, and the sampling method used isPurposiveSampling.TheresultsshowedthatpartialTaxAvoidancehasapositiveand significant effect on increasing firm value, Profitability has a positive andsignificant effect on increasing firm value, and simultaneously Tax Avoidance andProfitability have a significant effect on firmvalue.
Keywords: *Profitability, Firm Value,TaxAvoidance*

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I. INTRODUCTION

The welfare of investors is the goal of a company through increasing company value. Increasing the company's value is an obligation so that the company's shares can exist to compete in the capital market and increase investors' interest in the company. According to Winanto and Widayat (2013), "the perception of investors about the condition of the company, associated with the level of share prices, is called company value." The company value will increase as the share price in the capital market increases.

The Return on Equity (ROE) ratio measures the level of management effectiveness in obtaining profits by using its capital. According to Nurfadillah (2011),the company effectively and efficiently uses its equity if the ROE ratio value is higher. Then the investor's trust in the capital invested has a positive impact on the share price along with the increase in profits owned by the company. Company profits are certainly influenced by the amount of costs paid by the company to carry out its business operations in a certain period.

Tax expense is one of the costs that can affect the decline in profits.Taxes are the largest source of state revenue; taxes have a significantly dominating role in the State Budget (APBN); referring to information obtained from the Directorate General of Taxes annual report for 2020, the following is data related to domestic revenue for the State of Indonesia for the period 2018-2020.

Table 1
Indonesia's Domestic Revenue 2017-2019

Domestic Revenue			
year	Tax Revenue Realization (Trillion Rupiah)	Realization of Non-Tax Revenue (Trillion Rupiah)	Percentage (%)tax revenue
2018	1.313,32	25,67	98%
2019	1.332,66	43,03	97%
2020	1.072,12	38,13	97%

Source: (Annual Report of DJP, 2020)

Based on the data above, it can be concluded that tax revenue is the most dominating source, which is above 90%. Based on this. Taxes are essentialin affecting state revenue to build a better country. The comparison is related to the target and realization of tax revenue for the period 2018-2020

Table2
Target and Realization of Tax Revenue2017-2019

Target and Realization of Tax Revenue			
Year	Tax Revenue Target (Trillion Rupiah)	Realization of Tax Revenue (Trillion Rupiah)	Percentage (%) Comparison of Target & Realization Tax Revenue
2018	1.424,00	1.313,32	92,23%
2019	1.577,56	1.332,66	84,48%
2020	1.198,82	1.072,12	89,43%

Source: (Annual Report of DJP, 2018, 2019, 2020)

Based on the table above, tax revenue in 2018-2020 experienced instability and tended to drop significantly in 2019, which only obtained 84.48% from 2018, reaching 92.23%. This decline can be triggered by the awareness of taxpayers in carrying out their tax policies; companies are corporate taxpayers who have a considerable contributory role to state revenue. But one side of the tax is a burden that can affect the decline in company profits.

Although tax avoidance has a positive side in increasing profits and company value, these activities also have a negative side. According to Chen et al. (2013), "Tax avoidance is not free, but there are implementation costs, the potential for certain penalties, and loss of reputation."In addition, tax avoidance based on agency theory can have a conflict impact between managers and investors because tax avoidance can trigger information asymmetry obtained by shareholders as investors, resulting in a decrease in firm value.Referring to the 2020 Tax Justice Network report, it is estimated that Indonesia faced losses worth US $ 4.86 billion in one year and can be said to be equivalent to 68.7 trillion rupiah (at an exchange rate of 14,149 rupiah per US dollar) due to tax avoidance.Equivalent to 68.7 trillion rupiah (at an exchange rate of 14,149 rupiah per US dollar) due to Tax Avoidance. Reduced tax revenue will impact back on the decline in state revenue.(www.pajakku.com)

The relationship between Tax Avoidance practices that can affect firm value associated with stock prices attracts attention, especially since there are inconsistencies in previous research related to the influence of Tax Avoidance on firm value. Research. Ilmiani and Sutrisno (2014) found the results of a negative effect between Tax Avoidance on decreasing company value, while Arfianysah (2020) positively affected increasing company value. Meanwhile, research by Wardani and Juliani (2018) and Tarihoran (2016) said that there is no influence between Tax Avoidance on firm value.

Based on the above problems and the phenomenon of tax avoidance cases in Indonesia, researchers want to conduct "The Effect Of Tax Avoidance And Profitability On Company Value (Study On Property And Real Estate Companies Listed On The Indonesia Effects Bureau 2018-2020)".

II. LITERATURE REVIEW

Company Value

According to Suandy (2017), "The company must have a goal to optimize the value of the company. This goal is not only for investors but will also provide tangible benefits for various parties in the context of the company". Company value is a description related to management's good or bad condition in managing its assets.

According to Brealey in Indrarini (2019: 1), "company value is the assessment of investors regarding company performance, current or future performance." Meanwhile, according to Indrarini (2019: 2), "The perception of investors related to stock prices and seen based on the level of management success in managing the resources that have been entrusted." There is a close relationship between company value and company shares. If the share price rises, it can be said that the policies and decisions made by the manager and their application are correct.

Based on this, it is known that company value is a description related to the perception of investors seen from the prevailing stock price in the market. An increase in the value of the share price in the market also increases the company's value and vice versa.

Profitability

The tool used by a company in assessing the company's ability to make a profit is profitability. K.R. Subramanyam (2010) states, "Profitability is a net summary of the company's activities within a specific time expressed using financial terms.

Based on this, profitability is a description related to the company's financial performance in obtaining profits, usually calculated and expressed by the company's overall financial ratios related to investment and sales.

The use of this ratio is based on its benefits, according to Kasmir (2014: 198), namely:

1. Knowing the profit received by the company in a period
2. Knowing the comparison of the company's profit level for the current and previous years
3. Knowing the development of profits for each period.
4. Knowing net profit after tax using own capital
5. Knowing the productivity of all company assets, both the use of personal capital and loans

Tax Avoidance

Tax is an aspect of revenue for a country, but it will reduce the benefits obtained for companies, so it is said to be a burden. Referring to Article 1 number 1 of the Law on General Provisions and Tax Procedures Number 16 of 2009, "Taxes are mandatory contributions to the state owed by individuals or entities that are compelling based on the Law, by not getting a direct reward and are used for state purposes for the greatest prosperity of the people."

In general, no one is happy with tax deposits, according to Leon Yudkin's assumption in Zain (2003: 43) states: (a). Taxpayers always try to minimize tax payments to a minimum as long as this is still within the scope of the applicable tax regulations. (b) Taxpayers tend to do tax smuggling as long as the taxpayer has a strong reason that can cause no punishment to be obtained due to these actions, and there is confidence that his colleagues do the same.

So that the tax burden imposed is less, sometimes managers carry out tax planning through tax avoidance activities. According to Zain (2003: 42), "Tax avoidance is an action that can be justified as long as there is no violation of the tax law and is still within the scope of taxation." based on this, tax avoidance can be said to be an activity that can be used to reduce the amount of tax payable that must be paid.

HYPOTHESIS DEVELOPMENT

Firm value is necessary for a company to be improved, an important illustration related to the company's performance to investors, which is usually associated with the level of stock prices closely related to firm value. Paradiba & Nainggolan (2015) said that "Internal factors (fundamental factors, finance, management) and External (macro factors) affect stock prices. Financial performance in internal factors is one of the concerns for investors, especially profitability, which describes the company's ability to make a profit in a certain period.

The high profits obtained by the company will undoubtedly give investors a good perception of the company's value. To maximize profits, sometimes managers as agents in the company do tax avoidance to minimize the tax burden that will be imposed. Reducing the tax burden through tax avoidance will undoubtedly increase profits and company value. Still, tax avoidance can cause agency conflicts because information differences occur in the company's financial and fiscal reports and decrease company value.

Property and Real Estate is a company that is an object for investors to invest in, along with the population growth in Indonesia. Apart from that, real estate and property companies contribute quite well to state revenue. Based on this, the company value for the real estate and property sector must indeed be maintained and increased so that it can have a positive impact related to the company's Going Concern by obtaining high profits so that there is an increase in stock prices and investor welfare, but in increasing profits by using tax avoidance has good and bad impacts on the company.

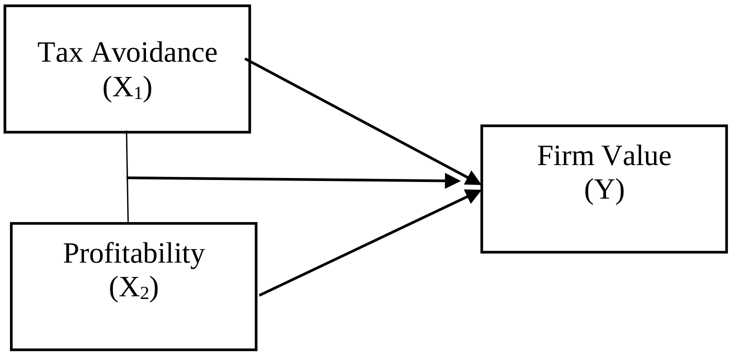

Figure1Hypothesis Framework

III. METHODOLOGY

Sugiyono (2013: 2) argues that the research method is a scientific technique for obtaining data for specific uses and purposes.". The research method approach uses quantitative. This study's data type is secondary data from the company's annual financial statements for 2018-2020. purposive sampling was used to determine the sample in this study. Sugiyono (2013: 85) thinks that Purposive Sampling is determining the sample using specific considerations of the researcher. The considerations are:

1. Real estate and property companies listed on the Indonesia Stock Exchange for 2018-2020.
2. The company's financial statements and annual reports have been audited for the 2018-2020 period, which are available on the company's website and the Indonesia Stock Exchange.
3. There are no losses incurred by the company. If there is a loss, it is assumed that there is no tax avoidance activity.

Based on these considerations, the number of samples used in this study was 17 companies from a total population of 81.The observed data sample was 49.

The variables used in this study consist of three variables, namely tax avoidance, profitability, and firm value.

Table3
Operationalization of Variable

No	Variables	Indicators	Skala
1	Tax Avoidance(X1)	CETR =Tax PaymentIncome before tax	Ratio
2	Profitability (X2)	ROE= Net Income / Total Equity	Ratio
3	Firm Value(Y)	Tobin'sQ=(MVE + D / (BVE+D))	Ratio

IV. RESULT AND DISCUSSION

Descriptive Statistical Analysis

The descriptive statistical analysis shown in this study is the maximum value, minimum value, average and standard deviation obtained from the calculation of the Tax Avoidance (X1), Profitability (X2), and Firm Value (Y) variables in the 2018-2020 time span with a total sample of 17 companies with a total of 49 data processed for three years. The following are the results of the descriptive statistical calculations produced.

Table 4
Descriptive Statistical Analysis
Descriptive Statistics

	N	Minimum	Maximum	Mean	Std.Deviation
TaxAvoidance	49	,00	,51	,1082	,12657
Profitabilitas	49	,01	,24	,0841	,05601
NilaiPerusahaan	49	,33	3,75	1,2090	,77614
ValidN(listwise)	49				

Source: researcher with SPSS 25 (2022)

The descriptive statistical analysis results in Table 4 above show that N is 49 because two outlier data have been removed. Tax Avoidance calculated using CETR by comparing the amount of tax paid in cash with the amount of tax expense results in a minimum value of 0.00, namely PT Roda VivatexTbk, for PT Roda VivatexTbk. The maximum value is 0.51, namely PT Metropolitan KentjanaTbk, and the average value and standard deviation are 0.1082 and 0.12657.

While Return On Equity calculates Profitability, namely the ratio of net income to total equity, which produces a minimum value of 0.1, namely PT SuryamasDutamakmurTbk, a maximum value of 0.24 by PT Puradelta Lestari Tbk and an average value with standard deviation of 0.841 and 0.05601.

The company value is calculated using the Tobins'q formula, which produces a minimum value of 0.33, namely PT SuryamasDutamakmurTbk, a maximum value of 3.75, an average value of 1.2090, and a standard deviation of 0.77614.

MultipleLinear Regression Analysis

This analysis is used to determine whether there is an influence of X_1 (TaxAvoidance) and X_2 (Profitability) on Y (Firm Value). The regression test results are as follows:

Table5
MultipleLinear Regression Analysis
Coefficients

Model		UnstandardizedCoefficients B	Std. Error	StandardizedCoefficients Beta	t	Sig.
1	(Constant)	,314	,225		1,394	,170
	TaxAvoidance	2,854	,814	,465	3,505	,001
	Profitabilitas	6,976	1,840	,503	3,791	,000

a.DependentVariable:NilaiPerusahaan
Sumber: researcher with SPSS25(2022)

It can be formulated that the multiple linear regression equation above is as follows:

$$Y= 0,314 + 2,854X1+ 6,976X2+e$$

The multiple linear regression equation is described as follows:

1) The constant is 0.314, indicating that if the value of Tax Avoidance and profitability does not exist, the company value is 0.314, or there is no change.

2) The Tax Avoidance coefficient value is 2.854. Each unit increase in the Tax Avoidance variable will influence the firm value of 2.854 with a positive direction.

3) The coefficient value of Profitability is 6.976. Every one unit of profitability variable will affect the company value by 6.976, which has a positive direction towards the company value.

Based on the above equation and its explanation, it can be seen that the Tax Avoidance and Profitability variables are positive. It means that the company value increases if Tax Avoidance and Profitability increase. This is supported by Arfiansyah(2020) that tax avoidance positively affects firm value.

Partial Test(T-Test)

Partial testing is used to see and determine whether the independent variable on the dependent variable has an influence. This test can be done by looking at the significance value, which is 0.05, to determine the hypothesis’s acceptance or rejection. The following partial test results have been carried out.

Table6
Partial TestT Test
Coefficients[a]

Model		UnstandardizedCoefficients B	Std. Error	StandardizedCoefficients Beta	t	Sig.
1	(Constant)	,314	,225		1,394	,170
	TaxAvoidance	2,854	,814	,465	3,505	,001

Profitabilitas	6,976	1,840	,503	3,791	,000

a.DependentVariable:NilaiPerusahaan
Source: researcher with SPSS 25 (2022)

From the t-test results above, the Tax Avoidance variable on firm value has a sig value of 0.001 or <0.05, which means that Tax Avoidance increases firm value in a positive and significant direction.

Then for the Profitability variable on firm value, it can be seen that it has a sig value of 0.000 or <0.05, so it can be concluded that Profitability will increase firm value in a positive direction and is also significant.**Simultaneous Test(F Test)**

To find out and see how all independent variables affect the dependent variable simultaneously, the following are the results of the F Test using the Anova Test.

Table7
Simultaneous Test**(**F Test)
TaxAvoidancedanProfitabilityon Firm Value

ANOVA[a]

Model		Sum ofSquares	df	MeanSquare	F	Sig.
1	Regression	8,620	2	4,310	9,769	,000[b]
	Residual	20,295	46	,441		
	Total	28,915	48			

a. DependentVariable:NilaiPerusahaan
b. Predictors:(Constant),Profitability,TaxAvoidance
Sumber:DiolahpenelitidenganSPSS25(2022)

The F count and F table values are 9.769> 3.19, more significant than the F table. Other than that, the significance value of the test results is below 0.05, which simultaneously affects the company's value.

V. DISCUSSION

The Influence of Tax Avoidance on Firm Value

The results of hypothesis testing using partial tests show that the significance is 0.001 or 0.001 <0.05, so H1 is accepted. This proves that the company value will also increase as the Tax Avoidance activity increases.

Tax Avoidance is a form of activity included in tax planning used to minimize the tax costs that must be incurred by the company legally or through tax loopholes. So that it can lead to an increase in company profits which will then become dividends for investors and an increase in company value. Arfiansyah's research (2020) showsthat tax avoidance will increase company value.

The Influenceof Profitability on Firm Value

From the results of the hypothesis test conducted between profitability on firm value, it can be seen that the significance value is obtained at 0.000, below the significance value of 0.05, so it can be concluded that H2 is accepted. This proves that if the company's profitability increases, it will go hand in hand with an increase in its value, in line with Dinah's research (2017)) which states that profitability influences company value significantly in a positive direction.

The influence of Tax avoidance and Profitability on Firm Value

The results of simultaneous testing show that the significance value obtained is 0.000 or 0.000 <0.05, so H3 is accepted. Managing taxes well through legal tax avoidance activities will have an impact on the company's net profit, which will increase and can increase stock prices and company value. This is supported by previous research by Wijaya et al. (2021), which states that tax avoidance and profitability simultaneously affect firm value in a positive and significant direction.

VI. CONCLUSION

The results of the study with its explanation of the effect of Tax Avoidance and Profitability on Firm Value in companies listed on the Indonesia Stock Exchange in the Real Estate and Property sector in 2018-2020, the following is an explanation of the conclusions:

1. Tax Avoidance with a positive and significant direction can increase company value. This is indicated by every 1 percent increase in the Tax Avoidance variable. It will cause the company value to increase by 2.854 percent.

2. Profitability with a positive and significant direction can increase company value. This is characterized by every 1 percent increase in the profitability variable. It will cause the company value to increase by 6.976 percent.

3. Tax Avoidance and Profitability simultaneously influence each other and are significant to firm value with a contribution of 29.8 percent.

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