

Factors impact Tax Compliance on Mining Companies

by EVELYN EVELYN

Submission date: 11-Feb-2023 08:11AM (UTC+0700)

Submission ID: 2011309411

File name:

55370_EVELYN_EVELYN_Factors_impact_Tax_Compliance_on_Mining_Companies_1215625_651117974.docx
(94.7K)

Word count: 2410

Character count: 12989

Factors impact Tax Compliance on Mining Companies

ABSTRACT

The research examines the factors that significantly impact tax compliance in mining companies from 2017 to 2021. The factors are ²⁴ firm size, Corporate Social Responsibility, Good Corporate Governance, and liquidity.

The study uses the audited financial statement of mining companies. It has used a purposive sampling technique. We have collected the data from idx.co.id and journals based on the variables.

Partially, CSR has not impacted Tax compliance; however, Firm Size, GCG, and liquidity significantly impact Tax Compliance. Finally, the result shows that Firm size, CSR, GCG, and liquidity significantly impact Tax Compliance. The determination coefficient is 79.36%.

Keywords: Firm Size, CSR, GCG, Liquidity, Tax

I. INTRODUCTION

Every country should have a source of funds, and the means of the fund is taxation. Tax is a payment of contribution to countries by individual or legal bodies, by getting no rewards directly. The function of tax is to fulfill the state's expenditure to make the country's people feel safe and comfortable (Sumarsan, 2017). Through the tax authorities, the government has educated people about tax through schools and universities.

However, many companies still try to use the downturns of the tax laws to minimize their tax payment (Hantoyo et al., 2016).

Although many factors affect tax compliance, we discuss firm size, CSR, GCG, and liquidity here.

CSR is a company's contribution that continues to commit to the broader community or local community from economic development (Pratama and Widarjo, 2022).

The GCG consists of people, processes, and the planet. If the companies implement GCG carefully and consistently, it will minimize the risks (Hasanah, 2021, Noveliana et al. 2022). We have used the total assets for the firm size (Sumarsan, 2020). The greater the assets, means the firms are big. Management will be more complex in operating larger companies.

A company can pay its current debt when it is due, meaning the company is Liquid (Goh, et al. 2022, Novelina et al. 2022). The company has to take care of its cash flow to pay people on time.

Mining is an activity that begins with the search, discovery, extraction, processing, and commercialization of minerals. The mining industry is widely known to be high-risk due to its business being based on non-renewable resources and a more economic activity defined by highly seasonal markets. The title of this research is *The Impact of Firm Size, CSR, GCG, and Liquidity on Tax Compliance on Mining companies*.

Based on the above explanation, the problem formulation is as follows.

1. Does Firm Size impact Tax Compliance in Mining companies?
2. Does CSR impact Tax compliance in Mining companies?
3. Does GCG impact Tax compliance in Mining companies?
4. Does liquidity impact Tax compliance in Mining companies?
5. Do Firm Size, CSR, GCG, and Liquidity impact Tax compliance in Mining companies?

II. LITERATURE REVIEW

Tax Compliance

Tax is the source of funds for a country. The function is to fund all expenditures and to regulate them in some states. Companies should prepare well to comply with tax laws and regulations (Darussalam and Septriadi, 2009). The compliance is to pay tax on time and file it on time, not just on time, but to report their sales correctly and clearly.

According to Sumarsan (2017), tax planning is a legal activity. The companies try to conform with the tax laws in order to prevent sanctions or tax

penalties.

Taxes for companies are a burden to be paid and will reduce profits clean. The difference in ¹² the interests of the tax authorities receives large tax revenues and, of course, the opposite of the continuous ¹² interests of companies that want minimum tax payment.

Firm Size

Firm size shows the picture of a company. We can measure the size from the total assets, total sales, and the number of workers (Goh et al, 2022).

CSR

According to Lanis and Richardson (2012), CSR is one of the critical factors for a company's survival.

Increased concern for the quality of life and social harmony, and this environment also influences the activities of the business world; hence, a lawsuit was born against the company's role to have social responsibility. This is one of the benefits companies can get from CSR activities.

GCG

⁸ GCG is a system of control and regulation company which can be seen from the mechanism of the relationship between the various parties taking care of the company, as well as from the values contained in that management alone. The structure of GCG in a corporation is influenced by factors such as the corporate theory adopted, culture, and the legal system applied to a country.

Liquidity

Liquidity measures ¹⁴ a company's ability to pay all short obligations.

Liquidity is the level of debt used by the company in meeting the current ¹⁴ debt. The ¹⁴ higher the liquidity in a company, the company can pay the tax on time, thus, the company will reduce the sanctions.

Hypothesis

⁹ H1: Firm Size has a significant impact on Tax Compliance in Mining Companies period 2017 – 2021

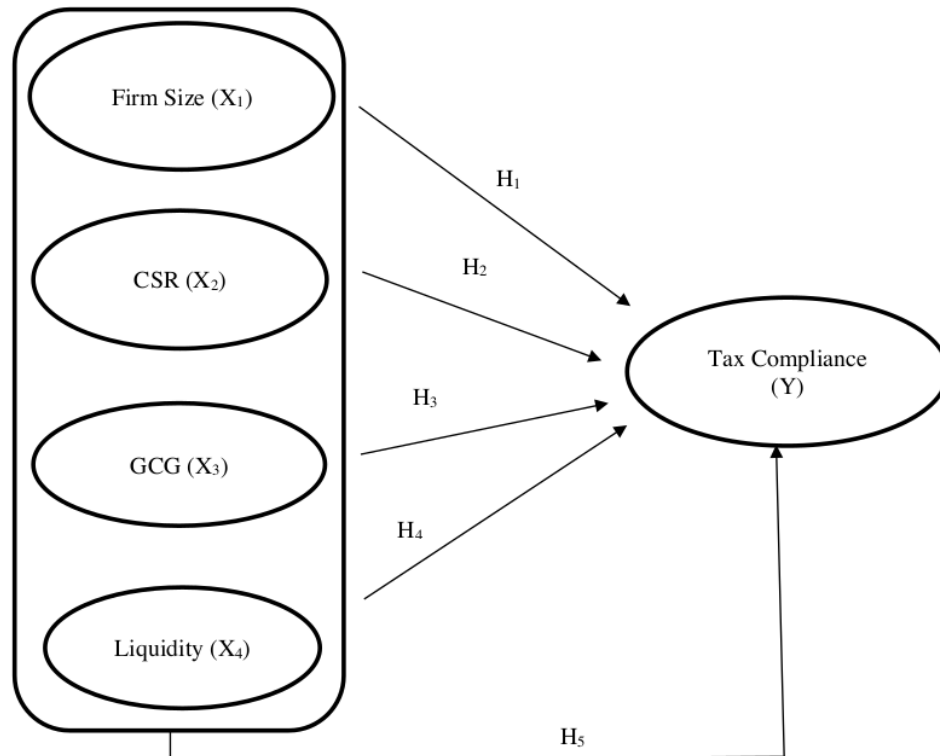
⁹ H2: CSR has a significant negative impact on Tax Compliance in Mining Companies period 2017 – 2021

⁹ H3: GCG has a significant impact on Tax Compliance in Mining Companies period 2017 – 2021

²⁶ H4: Liquidity has a significant impact on Tax Compliance in Mining Companies period 2017 – 2021

H5: Firm Size, CSR, GCG, and Liquidity have a significant impact on Tax Compliance of Mining Companies period 2017 – 2021

The research model identifies how the variables compiled from the many hypotheses that have been described are related to one another. To determine how the study variables relate to one another, it will be critically and methodically studied. The research model in this study is shown in the following.



Source : Authors' work (2023)

Figure 1 Research Model

III. METHODOLOGY

Research Design

This research conducted a quantitative descriptive method, which is used to analyze the method that collects, classifies, analyzes, and presents data objectively.

This research is done to know the impact of Firm Size, CSR, GCG, and Liquidity on Tax Compliance in Mining Companies registered in Indonesia Stock Exchange (2017- 2021).

Population and Sample

The population is the whole object of research. This study's population is all mining companies registered in the IDX for 2017-2021. We have used a purposive sampling method for this study, and the samples are nine companies.

Data Collection Method

The data collection method in this study is from the Indonesia Stock Exchange (IDX) online website and the journal relating to the variables.

IV. RESEARCH RESULTS AND DISCUSSIONS

Descriptive Statistics

Descriptive analysis is an analytical method in which existing data are collected, classified, and interpreted objectively. Here, it shows the data's minimum, maximum, average, and standard deviation.

Table 1. Descriptive Statistics

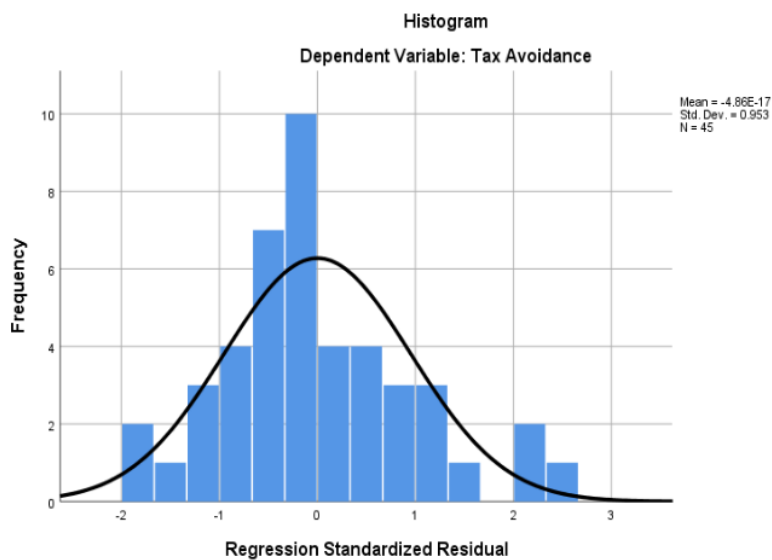
| | N | Min | Max | Mean | Std. Deviation |
|-----------------------|----|--------|--------|----------|----------------|
| CSR | 45 | .050 | .310 | .16600 | .057144 |
| GCG | 45 | 3.000 | 4.000 | 3.08889 | .287799 |
| Firm Size | 45 | 16.580 | 30.250 | 25.52467 | 5.153369 |
| Leverage | 45 | .110 | 1.910 | .81000 | .488658 |
| Tax Avoidance | 45 | .047 | .653 | .31891 | .136702 |
| Valid N (listwise) | 45 | | | | |

Source: Authors' work (2023)

Normality Test

The normality test aims to check whether the data is distributed normally or not. In this research, the Normality test is done by using the Kolmogorov-Smirnov test.

Also, the normality test with statistics used in this research is ⁵ by testing the residual normality through the non-parametric statistical Kolmogorov-Smirnov test (K-S). ¹⁰ The result of Asymp.Sig (2-tailed) is 0.100, which shows that the significant value of 0.100 is greater ⁶ than (>) the significant level (α) 0.05 and also means that the data are normally distributed.



Source: Data Process (2023)
Figure 2 Normality Test

The histogram gives information that the data are probably normal.

The pattern in the scatterplot graph exercise does not produce a wavy, wide, and narrow pattern because the spread of data points should not form a wavy pattern, wide and narrow. It shows no heteroscedasticity in the model.

¹¹ The multiple linear regression model is as follows.

$$Y = -0.369 - 0.232 X_1 + 0.319 X_2 + 0.008 X_3 + 0.083 X_4$$

Note :

Y = Tax Compliance

X1 = Firm Size

X2 = CSR

X3 = GCG

X4 = Liquidity

The meaning of the result above is as follows:

1. The constant value (a)

A constant amount of -0.369 shows that if the Firm Size, CSR, GCG, and liquidity are zero, the tax compliance will be -0.369 .

2. Coefficient of Regression Firm Size (b_1)

The regression coefficient of Firm Size is -0.232 , which means that if each Firm size is increased by 1 unit, it will cause tax compliance to decrease by 0.232

3. Coefficient of Regression CSR (b_2)

The regression coefficient of CSR is 0.319 , which means that if each CSR is increased by 1 unit, it will cause tax compliance to increase by 0.319 .

4. Coefficient of Regression GCG (b_3)

The regression coefficient of GCG is 0.008 , which means that if each GCG is increased by 1 unit, it will cause tax compliance to increase by 0.008

5. Coefficient of Regression Liquidity (b_4)

The regression coefficient of liquidity is 0.083 , which means that if each liquidity is increased by 1 unit, it will cause tax compliance to increase by 0.083 .

This study uses a t-test to ensure whether independent variables individually impact dependent variables significantly. The result of test results shows :

1. ¹⁹ The impact of Firm Size on tax compliance

The t-value of the X_1 variable is -2.315, so ¹ the t count is bigger than the t table (-2.315 < 2.021) with a ⁴ significance value of 0.02. It can be concluded that Firm Size significantly impacts tax compliance in mining ¹⁰ companies listed on Indonesia Stock Exchange because the significant value is 0.02 (0.02 < 0.05). The higher the asset of the company and ¹⁷ the higher the sales of the company will make the company more compliant in submitting their tax return. The result supports the work of Alviyani (2016) and Putri & Putra (2017) work that firm size impacts tax compliance significantly.

2. The impact of CSR on tax compliance

¹ The t-value of the X_2 variable is 1.117, so ¹ the t count is more than the t table (1.117 < 2.021) with a ⁴ significance value is 0.082. It can be concluded that CSR has no impact on Tax compliance ² in mining companies registered at Indonesia Stock Exchange because the significant value is 0.082 (0.082 > 0.05).

Financial conditions alone do not ⁷ guarantee the company's value to grow sustainably. The company's sustainability will only guarantee if the company pays attention to the social and environmental dimensions. The contribution and construction of the company's ²⁵ Corporate Social Responsibility (CSR) are directly proportional to the government's community development goals.

²³ 3. The impact of GCG on Tax Avoidance

The t-value of the X₂ variable is 2.875, so the t_{count} is more than the t_{table} (2.875 > 2.021) with a significance value is 0.002. It can be concluded that CSR significantly impacts Tax Compliance in mining companies registered at Indonesia Stock Exchange because the significant value is 0.002 (0.002 < 0.05).

Multinational companies are more likely to carry out tax policies through good planning. They have to comply with the local rules and regulations. If they do not comply with the regulation, therefore their head office can be in a problem

4. The impact of Liquidity on Tax Compliance

The t-value of the X₄ variable is 3.278, and the t_{count} is more than the t_{table} (3.278 > 2.021), with a significance value, is 0.000. It can be concluded that Liquidity impact significantly taxes compliance in mining companies registered at Indonesia Stock Exchange because the significant value is 0.000 (0.000 < 0.05).

Whereas simultaneously, Firm Size, CSR, GCG, and Liquidity significantly impact Tax Compliance in mining companies registered in Indonesian Stock Exchange.

The coefficient of determination (Adjusted R²) value is 0.7936. It means that 79.36% of variation or changes in tax compliance can be explained by firm size, CSR, GCG, and liquidity, and the remaining 20.64 % can be explained by other factors that are not included in this research.

V. CONCLUSION

This research concludes that CSR has no significant impact on tax compliance, Firm Size, GCG, and Liquidity significantly impact tax compliance. Simultaneously, Firm Size, CSR, GCG, and Liquidity significantly impact Tax Compliance. The

coefficient of determination is 79.36% showing a strong relationship between the independent variables towards dependent variables.

SUGGESTION

Some suggestions are the following authors can add more variables, a longer period of observations, and other sectors as the research object.

REFERENCES

- Alviyani, K. (2016). *Pengaruh Corporate Governance, Karakter Eksekutif, Ukuran Perusahaan, dan Leverage terhadap Penghindaran Pajak (Tax Avoidance): JOM Fekon Vol 3 No 1*
- Darussalam & Septriadi, D. (2009) *Tax Avoidance, Tax Planning, Tax Evasion, dan Anti Avoidance Rule. DDTC Website.*
- Dewinta, I. A., & Setiawan, P. E. (2016). *Pengaruh Ukuran Perusahaan, Umur Perusahaan, Profitabilitas, Leverage, Dan Pertumbuhan Penjualan Terhadap Tax Avoidance. E-Jurnal Akuntansi Universitas Udayana Vol 14.3.*
- Goh, T.S., Erika, E., Henry, H., and Albert, A., (2022). Sales Growth and Firm Size Impact on Firm Value with ROA as a Moderating Variable. *MIX: Jurnal Ilmiah Manajemen*, 12(1), 99-116. http://dx.doi.org/10.22441/jurnal_mix.2022.v12i1.008
- Goh, TS., Erika, E., Henry, H., Syawaluddin, S., (2022) The effect of capital adequacy ratio and loan to deposit ratio on return on asset with non-performing loan as moderating variable in banking companies listed in BEI. *Jurnal Penelitian Pendidikan Indonesia Vol 8(3)*, 710-718. <https://doi.org/10.29210/020221514>
- Hantoyo, S. S., Kertahadi,., & Handayani, S. R. (2016). *Pengaruh Penghindaran Pajak dan Sanksi Perpajakan terhadap Kepatuhan Wajib Pajak: Jurnal Perpajakan (JEJAK) Vol 9 No 1.*
- Hasanah, A. (2021). Analisis Pengaruh Good Corporate Governance Terhadap Tax Avoidance. *Journal of Applied Managerial Accounting*, 5(2), 121–131. <https://doi.org/10.30871/jama.v5i2.3532>
- Lanis, R. & Richardson, G (2012). *Corporate Social Responsibility and Tax*

Aggressiveness: a test of legitimacy theory: Accounting Auditing and Accountability Journal Vol 26 No 1

- Noveliana, N., Goh, T., & Elidawati, E. (2022). Pengaruh Tipe Perusahaan, Umur Perusahaan, Kinerja Keuangan, Corporate Governance, Struktur Modal Dan Growth Terhadap Pengungkapan Tanggung Jawab Lingkungan Pada Perusahaan Barang Konsumsi Yang Terdaftar Di Bursa Efek Indonesia. *COSTING : Journal of Economic, Business and Accounting*, 6(1), 413-429. <https://doi.org/https://doi.org/10.31539/costing.v6i1.4167>
- Pratama, G., & Widarjo, W. (2022). Corporate Social Responsibility and Tax Aggressiveness. *Journal of Economics, Finance and Accounting Studies*, 4(2), 35–43. <https://doi.org/10.32996/jefas.2022.4.2.3>
- Putri, V. R., & Putra, B. I. (2017). *Pengaruh Leverage, Profitability, Ukuran Perusahaan Dari Proporsi Kepemilikan Institusional terhadap Tax Avoidance: Jurnal Manajemen Dayasaing*, 19 (1)
- Sumarsan, T. (2017). *Perpajakan Indonesia: Pedoman Perpajakan Yang Lengkap Berdasarkan Undang-Undang Terbaru*. Jakarta: Indeks.
- Sumarsan, T. (2020). *Sistem Pengendalian Manajemen: Transformasi Strategi untuk Keunggulan Kompetitif*. Jakarta: Campustaka
- Undang-Undang No. 7 Tahun 2021 tentang Harmonisasi Peraturan Perpajakan.

Factors impact Tax Compliance on Mining Companies

ORIGINALITY REPORT

23%

SIMILARITY INDEX

14%

INTERNET SOURCES

14%

PUBLICATIONS

2%

STUDENT PAPERS

PRIMARY SOURCES

1

publikasi.mercubuana.ac.id

Internet Source

3%

2

valleyinternational.net

Internet Source

2%

3

Sigit Prabowo. "The Effect of Dividend Payout Ratio, Net Profit Margin, and Return on Assets on The Growth of Income (Case Study On Coal Mining Sector Companies Registered in Indonesia Stock Exchange Period 2017-2019)", Quantitative Economics and Management Studies, 2020

Publication

2%

4

Tarmizi Achmad, Imam Ghozali, Monica Rahardian Ary Helmina, Dian Indriana Hapsari, Imang Dapit Pamungkas. "Detecting Fraudulent Financial Reporting Using the Fraud Hexagon Model: Evidence from the Banking Sector in Indonesia", Economies, 2022

Publication

2%

| | | |
|----|--|-----|
| 5 | Internet Source | 1 % |
| 6 | pinpdf.com Internet Source | 1 % |
| 7 | Aidir Amin Daud, Ahsan Yunus, Irwansyah, Hamid Awaluddin, Kasman Lassa. "Systematic and integrated handling pattern for environmental recovery", IOP Conference Series: Earth and Environmental Science, 2021 Publication | 1 % |
| 8 | Submitted to Universitas Muhammadiyah Sukabumi Student Paper | 1 % |
| 9 | Sigit Handoyo, Ahada Nurfauziya, Prila Eki Rolanisa. "Determinants of Tax Avoidance on Consumption Business Sector in Indonesia", International Journal of Economics, Business and Management Research, 2022 Publication | 1 % |
| 10 | bircu-journal.com Internet Source | 1 % |
| 11 | journal.stkipsingkawang.ac.id Internet Source | 1 % |
| 12 | talenta.usu.ac.id Internet Source | 1 % |
| 13 | Submitted to Universitas Trunojoyo | |

1 %

14

"Tax Avoidance on the Banking Industry in the Era of Financial Technology Development",
International Journal of Recent Technology
and Engineering, 2019

Publication

1 %

15

Submitted to Victoria University

Student Paper

1 %

16

docplayer.info

Internet Source

<1 %

17

ijmmu.com

Internet Source

<1 %

18

Reni Desti Novita, Abid Djazuli, Choiriyah
Choiriyah. "Effect of Profitability, Company
Size and Capital Structure on Stock Prices in
the Consumer Goods Industry Sector Listed
on the Indonesia Stock Exchange",
International Journal of Finance Research,
2022

Publication

<1 %

19

scholarexpress.net

Internet Source

<1 %

20

Edi Jusriadi. "Moderation of Leadership Style:
Management Accounting Information
Systems and Management Control Systems

<1 %

on Managerial Performance", ATESTASI :
Jurnal Ilmiah Akuntansi, 2022

Publication

21

ijecm.co.uk

Internet Source

<1 %

22

ir.linknet.co.id

Internet Source

<1 %

23

www.researchgate.net

Internet Source

<1 %

24

www.semanticscholar.org

Internet Source

<1 %

25

Friska Luxmawati, Febrina Nafasati Prihantini.
"THE EFFECT OF CORPORATE SOCIAL
RESPONSIBILITY (CSR) DISCLOSURE ON TAX
AVOIDANCE WITH GENDER AS MODERATING
VARIABLE IN MINING COMPANIES",
Economics and Business Solutions Journal,
2020

Publication

<1 %

26

Lambok DR Tampubolon. "The Effect of
Liquidity, Leverage and Profitability on the
Tax Aggressiveness of Manufacturing
Companies", ATESTASI : Jurnal Ilmiah
Akuntansi, 2021

Publication

<1 %

Exclude quotes On

Exclude matches Off

Exclude bibliography On