THE EFFECT OF EXECUTIVE CHARACTERISTICS, CONSTITUTIONAL OWNERSHIP, PROFITABILITY, AND LEVERAGE ON *TAX AVOIDANCE* IN COAL SUB-SECTOR COMPANIES LISTED ON THE INDONESIA STOCK EXCHANGE FOR THE 2015-2020 PERIOD

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Abstract

This study aims to determine the influence of executive, constitutional ownership, profitability, and leverage against tax avoidance in the enterprise sub-sector coal, which memiliki owns shares sharia listed on the Indonesia Stock Exchange. The sampling technique in this study used purposive sampling. 11 coal sub-sector companies were sampled in the study during the 2015-2020 period. This research is a quantitative study using secondary data. The analysis technique in this research is panel data analysis. The results of this study indicate that the characteristics of the Executive, Constitutional Ownership, and Return on Assets affect Tax Avoidance. At the same time, the Debt to Equity Ratio does not affect Tax Avoidance.

Keywords: Tax Avoidance, Executive Characteristics, Constitutional Ownership, Return On Assets and Debt to Equity Ratio

A. INTRODUCTION

The country's most significant income is obtained from tax revenue, which will meet the needs of the state. Thus, the more citizens who are obedient in paying taxes on time, the more facilities and infrastructure that can be built by the government for the welfare of thepeople Indonesian. Taxes are essential in supporting the implementation of national development in achieving general welfare in various sectors of life. This tax is coercive, where every taxpayer is forced to pay off debts and fines if they do not fulfill their obligations.

In 2020 the income earned by the state was Rp. 2165.1 trillion and Rp. 1,545.3 trillion were obtained from the taxation sector. The government certainly wants tax revenue to increase every year. This can be achieved by optimizing the government's potential, such as tax intensification and tax extensification. However, in reality, the government's efforts to optimize the tax sector are not accessible.

Taxes are indeed a burden for every company that can reduce net income, so taxes are one of the factors that must be considered carefully because taxes can affect the company's liability. Differences in interests between the tax authorities and the company lead to actions to minimize the tax burden that must be paid. *Tax avoidance* is one way that can be done to reduce the company's tax burden by avoiding taxes legally, which is still within the corridor of the law. Not a few companies carry out tax planning to minimize the taxes that must be paid to the state(Alfajri ’ dkk., 2016).

The purpose of thisaction *tax avoidance* is to achieve its primary goal, namely by earning as much profit as possible, which is expected to have a good impact on the company's sustainability—expected to have an impact on increasing the company's competitiveness (Tiara Riza Falistiani Putri, 2017).

Actions are *Tax avoidance* certainly closely related to company leaders who are responsible for making decisions. Each company leader has different characteristics from one leader to another. (Oktamawati, 2019) Executive characteristics grow over time that will shape a person's attitude and will have an influence on every decision. There are two characteristics, namely *risk-taker* and *risk-averse*.

Constitutional ownership (institutional ownership) is one of the controls essential in making management performance more optimal. The greater the number ofshares *institutional ownership*, the greater the supervision carried out on the managerial to reduce aggressive tax actions by the company. Institutional investors can reduce the cost of debt by reducing agency problems so that the opportunity for actions to minimize the company's tax burden (Jasmine dkk., 2016).

The company's performance is critical as a measure of the company's ability to earn profits. Profitability is a ratio used to measure how much a company can earn a profit, whether obtained from sales, assets, or capital (V. Wiratna Sujarweni, 114M). The profitability ratio has a function to measure a company's ability to generate profits based on the use of assets.

Theratio *leverage* is a ratio that indicates the company's ability to meet all short-term debt obligations. The *leverage* ratio is the ratio used to measure the extent to which the company's assets are financed with debt (Alvin A. Arens dkk., 2015).

Table 1
Realization of Tax Revenue for the 2015-2020 Period
(In Trillion Rupiah)

Year	Target of Tax	Revenue Realization of Tax Revenue	Presentation (%)Achievement
2015	Rp. 1,489.3	Rp. 1,205.5	83.7%
2016	Rp. 1,503.3	Rp. 1,249,5	83.1%
2017	Rp. 1,472.7	Rp. 1,090.6	76.4%
2018	Rp. 1,424.0	Rp. 1,315.9	92.4%
2019	Rp. 1,786.4	Rp. 1,545.3	86.5%
2020	Rp. 1,198,82	Rp. 1,069.98	89.2%

Source: www.kemenkeu.go.id

The table above shows that efforts to optimize the potential of the tax sector carried out by the government are not easy; this can be proven from the table above, which shows the number of revenue realization in the tax sector always experiences increasing every year, but cannot reach the target set by the government. The achievement of targets tends to fluctuate. From the table above, it can be seen that in 2017 and 2020, tax revenues decreased very rapidly. In 2017 it was likely to experience a decline dueto tax avoidance casescarried out by one of Indonesia's large mining companies, namely PT. Adaro Energy Tbk is doing tax tricks to reduce the tax burden he has to pay.

Meanwhile, in 2020 this decline occurred due to the Covid-19 pandemic, which also occurred in Indonesia. This did occur in the mining sector, but almost all sectors experienced a decline. This shows that the government's expectation of increasing tax revenues every year has not been realized.

Director General (Dirjen) of Taxes at the Ministry of Finance (Kemenkeu) SuryoUtomo spoke about the findings of *tax avoidance* or tax avoidance which is assumed to be detrimental to the state of up to Rp. 68.7 trillion per year. The findings announced by the *Tax Justice Network* attach that Indonesia's tax avoidance suffers a loss of up to US$ 4.86 billion per year. In thereport *Tax Justice Network* entitled*: The State Off Tax Justice in the Covid-19, it is* stated that from this figure, as much as the US $ 4.78 billion is equivalent to Rp. 67.8 trillion of which are the fruits of Indonesia's corporate tax avoidance. While the remaining US$ 78.83 million is around Rp. 1.1 trillion came from personal taxpayers (*Dirjen Pajak: - Tribunnews.com*, t.t.).

Then there was a statement issued by Global Witness, a report which stated that a large Indonesian mining company PT. Adaro Energy Tbk performs tax fraud. Adaro has carried out *transfer pricing* through its subsidiary in Singapore, Coaltrade Service International (*APBN Kita*, t.t.) . This effort has been carried out since 2007-2017. So that Adaro can pay a tax of Rp. 1.7 trillion (exchange rate 14 thousand) less than Indonesia should pay (Damayanti & Susanto, 2015).

Based on the phenomenon described above, researchers are searching for back *tax avoidance* in the study period 2015-2020 by taking the title "Characteristics Influence Executive, *Constitutional Ownership,* Profitability and *Leverage* Against *Tax Avoidance*(InSub-Sector Companies Stone-Bara Listed on Bursa Indonesian Securities 2015-2020 Period).

Literature Review

Tax is defined as a contribution to the state treasury based on the law (which can be imposed) by not getting direct reciprocal services intended to be used to pay general expenses (Musyarofah & Damayanti, 2016). Almost all tax systems experience passive and active tax resistance in practice.

Tax avoidance is one of the methods used to avoid paying taxes legally, which is often done by taxpayers by reducing the amount of tax payable without violating tax laws or by looking for weaknesses in these regulations. *Tax avoidance* is not an act of breaking the law but taking advantage of existing rules to minimize tax obligations.

Characteristics are individuals who occupy an important position in the leadership system of a company or organization. Executives in a company aim to achieve company goals by influencing the organization they lead to have a considerable influence on the company and influence in making risky decisions.

According to (Optikasari & Trisnawati, 2020) company leaders certainly have different characters. Executive characteristics have two characters, namely:

a. Risk-taking *(risk taker)*

Risk takers are indicated to be brave in making business decisions. This type of executive character wants to have a higher position, wealth, authority in the company and wants higher income but is willing to accept the consequences of higher risks.

b. Avoidance of risk *(risk-averse)*

An executive with the characteristics of risk-averse aexecutives tends to choose low risk in deciding as risk evers do not like risk. This *risk-averse* tends to emphasize security rather than big profits but causes significant risks.

Classification of share ownership structure companies publicsharedinto two groups: individual shareholders and institutional shareholders. Shareholdings are Managerial included in the shareholders owned by executives or directors, thus belonging to individual shareholders. Percentage of shares owned by institutions andownership *blockholder*or institutional share ownership, namelyownership individual on behalf of individuals above 5% but not included in the category of insider or manager ownership.

(V. Wiratna Sujarweni, 114M) in his book defines profitability ratios that measure how much the company's ability to earn profits in relation to sales, assets, and profits and own capital. Meanwhile, (Alvin A. Arens dkk., 2015) define the profitability ratio as a ratio that describes the ability of a company to obtain cash to pay obligations, expansion, and dividends that are highly dependent on profitability.

This study focuses on *Return On Assets* as an indicator in determining *tax avoidance*. *Return On Asset* is a sales profit after calculating all costs and income taxes (Agus Widarjono, 2005). The higher the ROA value of a company, the better the company. Likewise, the higher the profit generated by the company, the more likely it is that the company will takeactions *tax avoidance*.

According to Harahap, ratio *leverage* is used to describe a company's ability to fulfill its obligations if it experiences liquidit (Agus Tri Basuki, 2015) .In other words, theratio *leverage* can show how much the company's assets are financed by debt or how much thedebt isthe company is the management of the company's assets.

This study focuses on using the *Debt to Equity Ratio* (DER) as an indicator in detecting *tax avoidance* in a company. DER itself is a comparison ratio between total debt and total company equity as a source of funding (V. Wiratna Sujarweni, 114M) . Companies that use debt in the composition of financing will cause interest expenses to be paid and will reduce the tax burden to be paid to be reduced.

B. RESEARCH METHODS

Methods are a scientific way to obtain data with specific purposes and uses (Sugiyono, 2016). The author's research method is as follows: theobject studied in this study is a variable related to research. Namely,*Tax Avoidance* is the Y or dependent variable. Meanwhile, Executive Characteristics, *Constitutional Ownership*, Profitability, and *Leverage* are X or independent variables. The subject of this research is a coal sub-sector mining company listed on the Indonesia Stock Exchange for the 2015-2020 period.

This research is a quantitative study consisting of numbers, such as balance sheets and profit and loss. At the same time, the source of data used in this study is secondary data, which is obtained indirectly because it is through intermediary media.

The population is a generalization area consisting of objects or subjects withspecific qualities and characteristics determined by researchers to study and draw conclusions (Sugiyono, 2016). The population used in this study were 22 companies listed on the Indonesia Stock Exchange (IDX) for the 2015-2020 period.The sampling technique in this study used a *purposive sampling method*, namely sampling determined by several considerations with specific criteria. The following is the sample in this study:

Table 2
Research Sample

No	Information	Number of Research Samples
1.	Companies members of the Sharia Stock Index (ISSI) listed on the Indonesia Stock Exchange for the 2015-2020 period.	22
2.	Companies that do not have sharia shares for the 2015-2020 period	(7)
3.	Companies whose annual financial report data do not meet the criteria.	(4)
	Number of samples that meet criteria	**11**
	Number of research samples (11 x 6)	**66**
	Outlier data	**(4)**
	Number of samples after outliers	**62**

Table 3
List of Company Names that Become Research Samples

No	Code	Company Name
1	ADRO	PT. Adaro Energy Tbk
2	ARII	PT. Atlas Resources Tbk
3	BSSR	PT. BaramultiSuksessaranaTbk
4	DEWA	PT. DarmaHenwaTbk
5	GEMS	PT. Golden Energy Mines Tbk
6	HRUM	PT. Harum Energy Tbk
7	ITMG	PT. Indo Tambangraya Mega Tbk
8	KKGI	PT. Resource Alam Indonesia Tbk
9	MBAP	PT. MitrabaraAdiperdanaTbk
10	MYOH	PT. Samindo Resource Tbk
11	PTBA	PT. Bukit Asam Coal Mine (Persero)

This study uses 11 samples of companies listed on the *Indonesian Sharia Stock Index* (ISSI) listed on the Indonesia Stock Exchange for the 2015-2020 period.

In this study, the authors collected data using two ways, namely observation, and documentation.

In this study, the measurement of *tax avoidance* uses the *Cash Effective Tax Rate/*CETR. With the formula

CETR =

This study uses executive characteristics, which are proxied by using *corporate risk*. *Corporate risk* is used to determine the characteristics of executives measured by using the standard deviation of EBITDA. The formula in this study is:

RISK =

Constitutional ownership in this study is to measure the share ownership owned by the institution. The existence of independent commissioners to support the effectiveness of the company and monitor the activities carried out by managers. The following is the formula in this study*:*

KI =

Profitability in this study is proxied by using *Return On Assets* (ROA). ROA is a ratio used to measure the company's ability to obtain income tax considerations. The formula in this study are:

ROA =

Leverage is the ability of companies over the use of debt to finance investment. *Leverage* in this study is proxied using the*Debt to Equity Ratio.* The formula in this study is:

DER =

C. RESULTS AND DISCUSSION

Table 4
Selected Estimation Model *Fixed Effect Model*

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0,302230	0,068392	-4,419061	0,0000
RISK	0,946085	0,057295	16,51250	0,0000
KI	0,004146	0,216690	0,019134	0,9848
ROA	-0,119060	0,032068	-3,712695	0,0005
DER	0,063241	0,028169	2,245038	0,0287
Weighted Statistics				
R-squared	0,853438	*Prob (statistic)*		
Adjusted R-squared	0,843152	*F-statistic*		
		Durbin-Watson stat		

Source: Processed Secondary Data, *Eviews*10 (2021)

Based on the Chow test and Hausman test, the correct model used in this study is the *Fixed Effect Model.*

Table 4
Partial Test Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.764635	0.158585	-4.821605	0.0000
RISK	1.086611	0.050164	21.66105	0.0000
KI	1.031528	0.484995	2.126884	0.0387
ROA	-0.146229	0.024411	-5.990322	0.0000
DER	0.027827	0.054520	0.510396	0.6122

Source: Secondary Data are processed, *Eviews*10 (2021)

Based on the partial test results in Table 5 above can be explained as follows:

a. Characteristics Variables Executive

Based on the table above, the executive characteristics show a t-statistic value of 21.66105 with a profitability value of 0.0000 <0.05. It proves that the executive characteristic variable positive effect on *tax avoidance.* It has a meaning that H_0 is rejected and H_{a2} accepted.

b. Variables *Constitutional Ownership*

Based on the table above, *constitutional ownership* shows a t-statistic value of 2.126884 with a profitability value of 0.03887 <0.05. thisproves thatvariable *institutional ownership* positive effect on *tax avoidance.* It has a meaning that H_0 is rejected and Ha 3accepted.

c. Return On Assets

Based on the results of the table above, the *return on assets* shows a t-statistic value of -5.990322 with a profitability value of 0.0000 <0.05. It explains that the *return on assets* negatively affects*tax avoidance*, and H_0 is rejected and H_{a4} accepted.

d. Debt to Equity Ratio

Based on the table above, the *debt to equity ratio* shows a t-statistic value of 0.510396 with a profitability value of 0.6177 > 0.05. This means that the debt to equity ratio does not affect*tax avoidance,* H_0 is accepted, and H_{a3} is rejected.

Effect of Executive Characteristics on *Tax Avoidance*

Based on the analysis results, executive characteristics positively affect*tax avoidance* with the profitability of 0.0000 <0.05 from a significant standard. This means that the higher the executive has a *risk-taker*, the higher the level of *tax avoidance.* In this study, an executive who dares to take business decisions usually has a solid drive to have higher income, position, welfare, and authority. This makes the variable have a positive effect on *tax avoidance.*

Effect of *Ownership Constitutional* Against *Tax Avoidance*

This study empirically demonstrates that the *constitutional ownership* effect on *tax*avoidance. *Constitutional ownership* has a probability value more significant than the significance level, which is 0.0387 <0.05 from the significant standard. This is not by the assumption that high institutional ownership can supervise company management. However, in this study, institutional ownership is the opposite because the higher the *constitutional ownership,* the higher the level of *tax avoidance.*

Influence *Return On Assets* Of *Tax Avoidance*

This study empirically demonstrates that the *return on assets* hurts*tax*avoidance.thevariable*return on Asset* has a probability value smaller than the significance level, which is 0.0000 <0.05 from the significant standard. This means that the higher the level of profitability, the lower the tax evasion/tax avoidance efforts.Profitability is a picture of the company's financial performance in generating profits; the higher the level of company profitability, the better the company's performance in generating profits. This means that if the *return on assets* has increased, then *tax avoidance* has decreased.

Effect of *Debt to Equity Ratio* Against *Tax Avoidance*

This study empirically demonstrates that the *debt to equity ratio* has a value of profitability of 0.6122> 0.05 of significant standards. This shows that the*debt to equity ratio does not affecttax avoidance.* It can be illustrated that overall, sample companies use debt management as a tax incentive. The higher the value of debt, the company can make maximum tax savings. Because debt causes the emergence of interest expenses that arise from loans to third parties or creditors who have no relationship with the company. Therefore, it can be said that the higher the value of the *debt to equity ratio*, the lower the *tax avoidance.*

The Study of Islamic Law Against *Tax Avoidance*

The term tax in the post-modern state context is a fee required by the state to its citizens, both Muslims and non-Muslims, without receiving direct remuneration for services, determined based on laws that impose sanctions on those who dare violate and use them. In the public interest.

The term tax with the above definition was not known at the time of the Prophet Muhammad because, at the time of the Prophet,Muslims needed to pay zakat, and non-Muslims needed to pay *jizyah,kharaj*and *'ursy*. The tax base, tax rate, tax evasion, and black money are part of a vicious cycle. Therefore, tax evasion in Muslim society is a criminal crime and a moral violation that will be punished in the world and on the Day of Judgment.

D. CONCLUSION

This research was conducted to know how the effect of Executive Characteristics, *Constitutional Ownership, Return On Assets,* and *Debt to Equity Ratio* on *Tax Avoidance* in coal sub-sector companies with sharia shares listed on the stock Exchange for Indonesia the 2015-2020 period. Thisis research quantitativewith panel data regression. In this study, the results obtained R^2 0.94, which means that the independent variable explains 94% of the dependent variable. This study found the results of the panel data regression equation, which are as follows:

1. Executive Characteristics have a significant positive effect on *Tax Avoidance* in coal sub-sector companies listed on the Indonesia Stock Exchange (IDX) for the 2015-2020 period.
2. *Constitutional ownership* has a significant positive effect on *Tax Avoidance* in coal sub-sector companies listed on the Indonesia Stock Exchange (BEI 2015-2020 period.
3. *Return on Assets* has a significant negative effect on *Tax Avoidance* insub-sector companies coal listed on the stock Exchange Indonesia (IDX) period 2015-2020.
4. *Debt to Equity Ratio does not a*ffecttax avoidance in sub-sector companies coal listed on the Indonesia Stock Exchange (IDX) for 2015-2020.
5. Executive Characteristics, *Constitutional Ownership*, *Return On Assets,*and *Debt to Equity the ratio* simultaneously affects *Tax Avoidance* in coal sub-sector companies listed on the Indonesia Stock Exchange (IDX) for 2015-2020. The
6. study of Islamic law on *Tax Avoidance* is a criminal act and also a moral crime which, of course, will get reasonable sanctions in Indonesia. in this world and the hereafter

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