CHAPTER I

INTRODUCTION

1.1 BACKGROUND OF STUDY

Taxes play an important role in implementing a country's development because taxes are the largest source of income to finance all expenses, one of which is development expenditure. Taxes are regulated in the Law of the Republic of Indonesia No. 28 of 2007 article 21, which is a compulsory contribution of an individual or an entity that is a force based on the Law, by not getting compensation directly and used as much as possible for the prosperity of the people. Therefore, taxes are an important phenomenon and must be managed properly.

In the implementation, there is a difference of interests between taxpayers and the government. For taxpayers (companies), tax is a cost or expense the would reduce net income. If the profits from the company bigger then the income tax paid was also great, because of that taxpayer (company) seeks to pay taxes as small as possible. For tax authorities (government), taxes needed to finance the implementation of state, mostly from taxes. Their differences in the interests of this cause tax resistance.

Tax avoidance is an effort to reduce taxes that are legal (Dewi and Noviari, 2017). Tax avoidance is not a violation of the tax laws for business taxpayers to reduce, avoid, minimize or alleviate the tax burden carried by means of legalized by the Tax Act. Therefore the issue of tax evasion is a complex and unique problem because of tax avoidance on the one side is allowed but on the other hand undesirable tax avoidance (Budiman and Setiyono, 2012). Measurement of tax avoidance in this study using the cash effective tax rate (CETR).

CETR is a cash outlay for taxes expense divided by income before taxes (Budiman and Setiyono, 2012). Use of CETR for describing the activity of tax avoidance, CETR did not give effect in the presence of a change in the estimate as protection taxes. The higher the percentage rate CETR which is close corporate tax rate of 25% indicates that the lower the level of tax avoidance companies,

conversely the lower the percentage rate CETR indicates that higher levels of tax avoidance companies, Dyreng, et.al (2010).

Tax avoidance is done to increase the tax-saving potentially reducing tax payments that will increase cash flow (Guire et al, 2011). The practice of tax avoidance is actually a dilemma for the government, because the taxpayer makes a reduction in the amount of tax to be paid, but done not contrary to the provisions in force. In this case, the tax authorities can not do anything or prosecution by law, although this practice of tax avoidance will affect state revenue from the tax sector (Butje and Tjondro, 2014).

One of the deciding factors in making tax avoidance action is the size of the company. The size of the company is a measure of the size of companies that viewed from the total assets owned by the company, which means the greater the total assets owned by the company means that the greater the size of the company and significant transactions carried out will be more complex. The complexity of the transaction allows the company to take advantage of the gaps that exist for tax avoidance action. In addition, the company that operates across the country have a tendency to commit acts of tax avoidance which is higher than domestic companies operating cross, because they were able to transfer profits to companies located in other countries, where the state levy a lower tax rate compared to other countries. The related research of company size also has been carried out in recent years. One of that is the research conducted by Dewinta and Setiawan (2016) who found that the size of the company and significant positive effect partially on tax avoidance in manufacturing companies listed on the Stock Exchange in 2011-2014.

Another factor affecting tax avoidance is profitability as measured by return on assets. The use of ROA because ROA is the ratio between the most important profitability ratios exist. ROA describes the ability of the company makes a profit by using assets owned, The higher the ROA value that can be achieved by the company then the company's financial performance can be categorized as either.

Companies that profit is assumed to be doing tax avoidance being able to

regulate the income and tax payments. Dewinta and Setiawan (2016) conducted a study to determine the effect of ROA on tax evasion and obtained results that ROA significant effect on tax avoidance. Research conducted Annisa (2017) also proved that ROA affect taxation (tax avoidance).

Fenemona is the background of this research is due to the many cases of tax evasion by the company, such as PT Bentoel International is tax avoidance Indonesian causing a loss of US $ 14 million (www.kontan.co.id, May 8th, 2019), hereinafter PT Adaro Energy, the subterfuge taxes with subsidiaries in Singapore since 2009 to 2017 so that PT Adaro Energy paid lower taxes than the government's. Further cases of tax evasion leading companies such as Apple Inc., Starbucks, Amazon, Skype, and Facebook. Still fresh in the memory of how the incessant media reports about the pressure of politicians and investigations conducted by the British Parliament against Starbucks over tax evasion practices are done so that the pressure eventually led to the willingness of Starbucks to pay several taxes to the government. Meanwhile, by moving overseas earnings to Apple's success to pay tax by only 2%, where the numbers are so much less than having to pay corporate income tax rates in the United States by 35%. The phenomenon is one reason researchers want to further investigate the effect of firm size and return on asset against tax avoidance.

The object of this research is company *real estate* and the property listed in the Indonesia Stock Exchange. The use of real estate and properties the research object because the real estate sector and the property continue to grow rapidly each year as more construction in housing, apartments, shopping centers, and office buildings that make investors interested to invest so that the prospect of trading is expected to continue to rise. It also makes the state income tax sector real estate and property companies will increase. The problem of tax avoidance can also be seen from the real estate and property sector, the following data to support

TABLE 1.1 TAX AVOIDANCE PHENOMENOM (IN RUPIAH)

Company	Year	Total Assets	Net profit	Tax burden
PT Agung Podomoro Land Tbk	2016	25.711.953.382.000	939.737.108.000	289.615.437.000
	2017	28.790.116.014.000	1.882.581.400.000	23.834.519.000
	2018	29.583.829.904.000	193.730.292.000	30.635.666.000
PT. Gading Development, TBK	2016	1.344.868.368.117	1.198.836.967	1.442.872.367
	2017	1.402.556.223.275	430.230.026	1.662.139.281
	2018	1.372.352.219.092	1.563.776.007	1.562.046.364

Source: Indonesia Stock Exchange, 2019

Based on total assets Table 1.1 looks PT Agung Podomoro Land Tbk 2016 increased from Rp. 25,711,953,382,000, - to Rp.28,790,116,014.000, - 2017, but the tax burden decreased from Rp. 289 615 437 000, - 2016 to Rp. 23.834519 billion, - in 2017. Then in 2016 a net profit of Rp. 939 737 108 000, - increased to Rp. 1,882,581,400,000, - 2017, but the tax burden decreased from Rp. 289 615 437 000, - 2016 to Rp. 23.834519 billion, - 2017. Problems total assets and net income that occurs is not in line with the theory if the total assets and net income increases, the tax burden will also increase, and vice versa if the total assets and net profit also decreased the tax burden will decrease.

Based on the foregoing, the authors are interested in doing further research with the title " The Influence of Company Size and Return On Assets Of Tax Avoidance in the Company Real Estate and Property Listed on the Indonesia Stock Exchange during the period of 2016-2018".

1.2 PROBLEM LIMITATION

This study can deliver the understanding following the objectives that will be assigned the author, then the limitation of the scope of the study. Limitation of the issue include:

1. The object of the research in this study is the size of the company and Return On Assets, Tax Avoidance and the influence of company size and Return On Asset against Tax Avoidance.

2. The population in this study is the financial report, in this case, the balance sheet and income statement of the Company Real Estate and Property Listed on the Indonesia Stock Exchange,

3. The research period is from the period of 2016 to 2018.

1.3 PROBLEM FORMULATION

Based on the above background, the formulation of the problem in this research is:

1. Does company size influence the tax avoidance in Company Real Estate and Property Listed in the Indonesia Stock Exchange from 2016 to 2018?

2 Does Return On Asset influence the tax avoidance in Company Real Estate and Property Listed in the Indonesia Stock Exchange from 2016 to 2018?

3. Do Company Size and Return On Asset influence the tax Avoidance in Company Real Estate and Property Listed on the Indonesia Stock Exchange during the period of 2016-2018?

1.4 OBJECTIVE OF RESEARCH

Based on the formulation of the problem, the purpose of this study was to:

1. Test and analyze the influence of Company size to tax Avoidance in the Company Real Estate and Property Listed in the Indonesia Stock Exchange from 2016to2018,

2. Test and analyze the effect of the Return On Asset tax Avoidance in the Company Real Estate and Property Listed in the Indonesia Stock Exchange from 2016to2018,

3. Test and analyze the influence Company Size and Return On Asset to tax Avoidance the Company Real Estate and Property Listed in the Indonesia Stock Exchange from 2016to2018 simultaneously.

1.5 BENEFITS OF RESEARCH

This research could be useful theoretically and practically as follows:

1. Theoretical benefits, to contribute thoughts to support the development of existing theories and to expand their repertoire of knowledge relating to the

discipline of economics accounting and taxation, particularly on the effect of firm size and *return on assets* against tax avoidance.

2. Practical benefits, this research may be useful to give you an idea that can benefit directly and indirectly to various parties, among others:

   a. for Authors

   Can add insight into research and knowledge, especially about the effect of profitability, leverage and size company against tax avoidance on property and real estate company listed on the Indonesia Stock Exchange

   b. for Companies

   The results of this study if it can be used as input and can provide information on the effect of profitability, leverage and size company against tax avoidance

   c. For the Other Party

   The results of this study can be used as a source of information and reference for further research in the same field of study.

1.6 WRITING SYSTEM

This skripsi is prepared using the following systematic:

CHAPTER I INTRODUCTION

It contains background, problem definition, the formulation of the problem, research objectives, the benefits of research and systematic writing thesis.

CHAPTER II LITERATURE REVIEW

This chapter contains a literature review, previous research, developing hypotheses, research models, flowcharts research. The literature review contains the notion of tax, tax avoidance, company size, return on assets as well as other theories that are still associated with the research.

CHAPTER III RESEARCH METHODS

This chapter describes each of the study variables and operational

definitions of variables, population, and sample used in this study, types and sources of data used and methods of analysis,

CHAPTER IV RESULTS AND DISCUSSION

This chapter provides an overview of the object of research, data analysis by descriptive statistical analysis, regression model analysis, and interpretation following the analytical techniques used and discussion.

CHAPTER V CONCLUSIONS AND RECOMMENDATIONS

This chapter describes the conclusions of the research that has been obtained from the discussion of the interpretation of the results, the limitations of this study and research suggestions that can be used as a reference for further research.

BIBLIOGRAPHY
ATTACHMENT