CHAPTER I
INTRODUCTION

1.1 Background of The Study

Taxes are one of the major sources of income for the state. However, if viewed from the side of the taxpayer, tax is an expense that will reduce net income. Therefore, there is a difference of interest between the state represented by the tax authorities and the taxpayer, where the state expects a large income from the tax side, while the taxpayer will try to arrange for the cost of the tax burden to be paid to be as minimal as possible (Chrisanti, 2019).

The company's tax avoidance is of course through the policies taken by the company's leaders themselves. Tax avoidance is an attempt to reduce legal tax debt, where this activity creates risks for the company, such as fines and the company's bad reputation in the public eye. If tax evasion exceeds the limit or violates applicable laws and regulations, then the activity can be classified as tax evasion (Handayani, 2019).

Tax evasion is a legal reduction effort carried out by efficiently using taxation laws such as: permitted exclusions and deductions, as well as the advantages of items that have not been controlled and the loopholes in the legislation, for example reporting the net income which is less than it actually is. Tax avoidance is considered not to violate tax regulations and a legal action because the company only takes advantage of weaknesses in the tax law.

In practice, there are conflicts of interest between taxpayers and the government. Taxpayers prefer to pay as little as possible since paying taxes reduces the economic capacity of taxation. On the other side, the government requires finances to support its administration, which is mostly funded by tax revenues. Because of this disparity in interests, people tend to cut their tax payments, both legally and illegally. This activity is feasible if there are chances that can be utilized due to flaws in tax regulations.

There are many factors that cause companies to avoid tax, one of them is deferred tax expenses. The recognition of deferred tax expenses and liabilities represents the recognition of the future tax consequences of the cumulative effect of temporary differences in the recognition of income and expenses for accounting and fiscal purposes. The temporary difference in the asset-liability approach refers to the gap between an asset's or liability's tax base and its carrying amount. The effects of temporary changes that are reflected in an increase or decrease in deferred tax expenses and liabilities should be treated as deferred tax expenses or deferred tax income and reported in the current year's income statement together with current tax expenses with separate presentation. The greater the difference between fiscal profit and accounting profit, the greater the discretion of management. The level of management discretion will be represented in the deferred tax expense and can be utilized to detect the company's earnings management techniques. So, it can be concluded that the higher the company's deferred tax income or deferred tax expenses as measured by the inter-period tax allocation will affect the company's tax avoidance. The higher the allocation between periods means the smaller the tax avoidance practices carried out by the company.

Tabel 1.1
The Phenomenon of Leverage, Deferred Tax Expenses and Tax Avoidance

Company	Year	Leverage (X_1)	Deferred Tax Expenses (X_2)	Tax Avoidance (Y)
Astra Agro Lestari Tbk (AALI)	2016	0,38	0,0026	0,04
	2017	0,35	0,0033	0,28
	2018	0,38	0,0047	0,31
	2019	0,42	0,0053	0,63
	2020	0,44	0,0049	0,39
PP London Sumatra Indonesia Tbk (LSIP)	2016	0,24	0,0000	0,24
	2017	0,20	0,0000	0,24
	2018	0,20	0,0000	0,21
	2019	0,20	0,0042	0,28
	2020	0,18	0,0111	0,19
Tunas Baru Lampung Tbk (TBLA)	2016	2,68	0,0202	0,23
	2017	2,51	0,0196	0,23
	2018	2,42	0,0309	0,27
	2019	2,24	0,0336	0,27
	2020	2,30	0,0360	0,24

Source: www.idx.co.id

From the table 1.1 above, it can be seen that PT. Astra Agro Lestari Tbk in 2016 had leverage value = 0.38, the value of Deferred Tax Expenses = 0.0026 and the value of Tax Avoidance = 0.04. In 2017, the leverage value decreased to 0.35 and the Deferred Tax Expenses value increased to 0.0033, but the Tax Avoidance value increased to 0.28. Thus, a decrease in leverage is not always a benchmark for a decrease in the value of tax avoidance. In this case, the decrease in the value of leverage is not followed by the decrease of tax avoidance.

PT. PP London Sumatra Indonesia Tbk in 2019 had leverage value = 0.20, the value of Deferred Tax Expenses = 0.0042 and the value of Tax Avoidance = 0.28. In 2020, the leverage value decreased to 0.18 and the Deferred Tax Expenses value increased to 0.0111, but the Tax Avoidance value decreased to 0.19. Thus, the increase of Deferred Tax Expenses is not always a benchmark for the increasing of tax avoidance. In this case, the increase in the value of Deferred Tax Expenses is not followed by a increase in the value of Tax Avoidance.

The table above uses a comparison of a 2-year period because only that year experienced a phenomenon, where the increase in the value (ratio) of the independent variable was not followed by an increase in the dependent variable or vice versa, the decrease in the value (ratio) of the independent variable was not followed by a decrease in the dependent variable.

This study uses the company's financial statement data for the last 5 years to better reflect the company's financial condition, so that the resulting data is more accurate and credible. The longer the period of financial statements used, the more reliable the research results will be.

Based on the description above, the writer is interested in conducting research on the effect of Leverage and Deferred Tax Expenses on Tax Avoidance of a company. For this reason, the writer research it in the form of a thesis with the title "**The Influence of Leverage and Deferred Tax Expenses Toward Tax Avoidance at Plantation Companies Listed on Indonesia Stock Exchange**".

1.2 Problem Limitation

In order to make this research to be more focused and does not expand from the discussion in question, the researcher limits it to the scope of the research including Leverage (X_1) by using Debt to Equity Ratio (DER) and Deferred Tax Expenses (X_2) by using Deferred tax expenditure (DET_{it}), while the dependent variable is Tax Avoidance (Y) by using Cash Effective Tax Rate (CETR). This research will be conducted at Plantation Companies Listed in IDX Year 2016-2020.

1.3 Problem Formulation

From the description of the background above, the problems formulation in this study are as follows:

1. Does Leverage have a significant influence on Tax Avoidance at Plantation Companies Listed in IDX Year 2016-2020?
2. Does Deferred Tax Expenses have a significant influence on Tax Avoidance at Plantation Companies Listed in IDX Year 2016-2020?
3. Do Leverage and Deferred Tax Expenses simultaneously have a significant influence on Tax Avoidance at Plantation Companies Listed in IDX Year 2016-2020?

1.4 Objective of the Research

Based on the description of problem formulation stated above, the objective of the research in this study are as follows:

1. To discover the influence of Leverage towards Tax Avoidance at Plantation Companies Listed in IDX Year 2016-2020.
2. To discover the influence of Deferred Tax Expenses towards Tax Avoidance at Plantation Companies Listed in IDX Year 2016-2020.
3. To discover the influence of Leverage and Deferred Tax Expenses toward Tax Avoidance at Plantation Companies Listed in IDX Year 2016-2020.

1.5 Benefit of the Research

1.5.1 Theoretical Benefit

Theoretically, the findings of this study should be valuable in strengthening accounting theory, especially about the influence of leverage and deferred tax expenses toward tax compliance in a company. Beside that, it is also expected to develop knowledge which is theoretically perceived in the university.

1.5.2 Practical Benefit

The following are the anticipated practical benefits of this research:

1. For the reader

   This research can provide an overview and knowledge about business and accounting, especially about the influence of leverage and deferred tax expenses toward tax compliance in a company.

2. For the investor

   It is expected to give benefit and provide useful information for the investors in making an investment decision.

3. For the future researchers

   The findings of this study are likely to be utilized as a reference source for those interested in undertaking related research in the future.