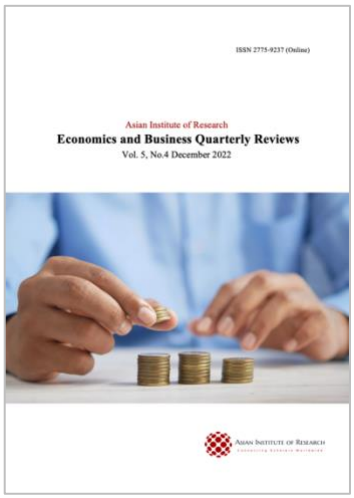

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The Effect of Tax Planning and Profitability on Equity (Empirical Study in the Consumer Goods Industry in Indonesia)

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Abstract
This study aims to determine the effect of partial and simultaneous tax planning and profitability on equity. Tax planning and profitability are used as independent variables—Equity as a dependent variable. The population in this study is all companies in the consumer goods industry listed on the Indonesia Stock Exchange from 2018 to 2021. Sample number 28 consists of 7 companies multiplied by four years of research. A sampling method is purposive sampling. The analysis method used to test hypotheses uses multiple linear regression analysis. The multiple linear regression analysis tests performed on the F test on the third hypothesis obtained an F value of 27,441 and a significance of 0, which means that tax planning and profitability simultaneously affect equity. The result of testing for the first hypothesis showed a t-value of -2.327 and a significance level of 0.028. Based on this result, the conclusion is tax planning partially had a significant adverse effect on equity. The second hypothesis test indicates a t-value of 7.334 and a significance level of 0.00. We can explain that profitability had a significant positive impact on equity.

Keywords: Tax Planning, Profitability, Equity

1. Introduction

1.1 Tax Planning and Profitability

The tax definition in Law Number 16 of 2009 concerns General Provisions and Tax Procedures, which are mandatory contributions to the state owed by coercive individuals or entities. Taxpayers do not get compensation directly. The purpose of paying taxes is to meet the needs of the state. Taxes are used as much as possible for the prosperity of the people. Taxes are people's contributions to the state treasury based on the law (force under law) with no direct reciprocal services that can be shown and used to pay public expenses. Then he corrected this definition which reads as follows: Taxes are the transfer of wealth from the people to the state treasury to finance recurring costs. The government will use the surplus for public savings, the primary source for funding public investment (Hidayat and Nurdin, 2017). Taxes are compulsory contributions to the state by

individuals or entities that are coercive by law, by not getting compensation directly and used for the needs of the state for the greatest prosperity of the people (Diana and Setiawati, 2010).

Tax planning is a way taxpayers can use to manage their business or income taxation. Taxpayers can plan their tax planning without violating the constitution or applicable tax laws (Mustofa, 2016). Tax planning is the first step in tax management. At this stage, management collects and analyzes tax regulations to select tax-saving measures. Tax planning is generally focused on manipulating the business and transactions of taxpayers so that the obligation to pay taxes is in the lowest possible amount but still within the scope of tax regulations (Erly 2008). Tax planning is organizing a taxpayer's business or their group of taxpayers to reduce income tax and other taxes (Zain, 2007) so the profit increase.

Profit in the company's operational activities is an essential element to ensure the company's future survival. The company's success can be seen from the company's ability to compete in the market. Every company expects maximum profit, a measure of the success of a company. Profitability is the result of several policies and decisions made by the company. Profitability is the company's ability to generate profits with all the capital working in it (Sutrisno 2009). Profitability describes the company's ability to earn profits through all existing capabilities and resources such as sales activities, cash, capital, number of employees, number of company branches, and so on (Harahap 2009). Profitability indicates the company's ability to generate profits during a specific period (Munawir 2014) and generally in a ratio.

According to Kasmir (2011: 196), the profitability ratio assesses a company's ability to make a profit. Profitability ratios show the combined effects of liquidity, asset management, and debt on operating results (Brigham and Houston, 2009). This ratio includes the profit margin on sales, the essential ability to generate a profit ratio, the rate of return on total assets, and the rate of return on common stock equity. This ratio measures management effectiveness based on the returns generated from sales and investments (Weston and Copeland, 2010). In general, there are four main types of analysis used to assess the level of profitability (Kasmir, 2008: 199):

a. Net Profit Margin (NPM)

Net Profit Margin is a ratio that measures net profit per rupiah of sales and compares net operating income and net sales. Net Profit Margin is the ratio used to calculate profit margin on sales (Riyanto, 2013: 336). This ratio will describe the company's net income based on total net sales.
NPM = Profit After Tax/Sale.

b. Return On Assets (ROA)

According to Kasmir (2012: 201), ROA is the ratio that shows the results of the total assets used in the company. ROA aims to measure a company's ability to utilize assets to earn profits and measure total returns for all creditors and shareholders as providers of funding sources. This ratio measures the profit level of the assets used in generating the profit (Prihadi, 2008). The following formula expresses this percentage:
ROA = Profit After Tax/Total assets

c. Return On Equity (ROE)

According to Brigham & Houston (2010), ROE is the ratio of net income to ordinary equity, which measures the rate of return on shareholder investment. ROE describes the extent to which the company's ability to generate profits that shareholders can obtain. This ratio shows the area to which a company manages its capital, effectively measuring the level of profit from investments that owners have made of their capital or company shareholders (Sawir, 2009: 20). The following formula expresses this percentage:
ROE =Profit After Tax/Owner's Equity

d. Earning Per Share (EPS)

Earning per share is a ratio that describes the amount of rupiah rated for each common share (Syamsuddin, 2009:66). EPS is a ratio that shows how much ability per share is to generate profits (Harahap 2008: 306). In

general, management and prospective shareholders are very interested in EPS because of an indicator of the success of a company.
EPS = Profit After Tax/Number of Outstanding Shares

In addition to examining the factors that partially affect the company's equity, this study also tries to simultaneously determine the effect of the above factors, namely the impact of tax planning and profitability on company equity. Research by Rahmatul, Ruwanti, & Manik (2017) shows that tax planning and profitability affect company equity. So the hypothesis can be formulated as follows:
H1: Tax planning and profitability simultaneously affect company equity in the consumer goods industry.

1.2 Tax planning and equity

Equity in individual companies is as capital. For companies, the term equity (shareholders' equity) reflects more on the meaning it wants to contain. The term capital is often used as a synonym for the word Equity, even though capital is closer in meaning to the term capital. The Indonesian Institute of Accountants (IAI) defines equity in the Basic Concepts of Preparing and Presenting Financial Statements; Equity is the residual right to the company's assets after deducting all liabilities. Equity is the owner's share of the company, namely the difference between existing assets and liabilities, and thus does not constitute a measure of the selling value of the company. Equity comes from the owner's investment and the results of the company's operations. Equity will decrease mainly with the withdrawal of participation by the owner, profit sharing or because of losses. Equity consists of owner deposits often called capital or principal savings of members for cooperative legal entities, retained earnings, and other elements (Irwansyah , 2009).

Equity or capital is the right or part-owned by the company owner. In the financial statement, equity consists of capital account (share capital), surplus, and retained earnings. Equity is the excess value of the assets owned by the company over all of its debts (Rendy, 2011). Tax planning is one-way taxpayers can use to manage their business or income taxation. Tax planning is tax management without violating the constitution or applicable laws (Mustofa, 2016). Efendi (2014), in manufacturing companies, Lestari (2014), in industrial companies, and Dian Annggaerni (2017), in all companies listed on the IDX, find that tax planning has a significant effect on company equity. Tax planning happens because companies can correctly, efficiently and effectively fulfill their tax obligations under tax regulations by carrying out tax planning efforts. The increase in net profit caused by the company carrying out tax planning also increases the company's equity, both in increased share capital and reserve funds remaining from company activities in the accounting year. So the hypothesis can be formulated as follows:
H2: Tax planning has a significant positive effect on company equity in the consumer goods industry.

1.3 Profitability and Equity

Profitability is the result of a series of policies and management decisions. These policies and decisions concern the source and use of funds in running the company's operations which is in the balance sheet and elements in the balance sheet (Silvia, 2013). Rachawati and Pinem (2015), Nurmida et al. (2017), Sudarman and Darmayanti (2017), Chumaidah and Priyadi (2018), Safitri et al. (2018), and Magdalena (2019), argue that profitability has a positive effect on company equity if profitability is high. The company stakeholders will pay attention to how the company generates much profit and investment results. Based on the description above, the hypothesis is:
H3: Profitability has a significant positive effect on company equity in the consumer goods industry sector.

2. Method

2.1 Sample

This study uses a quantitative method with a descriptive approach obtained from financial reports on the Indonesia Stock Exchange. This study aims to determine the effect of the independent variable on the dependent

variable, with the independent variable being Tax Planning and Profitability, while the dependent variable is equity. The population includes all characteristics or properties of the subject or object of research. The population in this study is the financial statements of the consumer goods industry listed on the Indonesia Stock Exchange for 2018-2021. The sampling technique is purposive sampling, which was selected based on specific criteria. The sampling criteria in this study are:

1. Companies in the consumer goods industry listed on the Indonesia Stock Exchange in 2018 – 2021.
2. Companies use the rupiah currency in their financial statement.
3. The company did not suffer losses.
4. The required data is available in full, including financial reports and notes to financial statements.
5. Companies that publish complete annual reports on both the Indonesia Stock Exchange and on the company's website continuously during 2018 -2021.

2.2 Variables

Tax Planning

Tax planning is organizing a taxpayer's business or a group of taxpayers so that their tax debt, both income tax and other taxes, is in a minimal position, as long as this is allowed by the provisions of the applicable laws and regulations. Measurement of corporate tax planning is the ratio of accounting profit with fiscal profit. The accounting profit is in the income in the company's annual financial report. Companies can analyze the taxable profit from the fiscal reconciliation report. Income tax calculations use income tax rates according to Law no. 36 of 2008 article 2b. The domestic corporate taxpayers in the form of public companies or go public are at least 40% of the total number of paid-up shares traded on the Indonesia Stock Exchange and meet specific other requirements; the rate is 5% lower than should. The formula for tax planning is:

ETR = Tax expense/Income before Tax

Where :

ETR = Effective Tax Rate

Profitability

The purpose of establishing a company is to make a profit (profit), so it is only natural that profitability is the primary concern of analysts and investors. A consistent level of profitability will be able to survive in its business by obtaining adequate returns compared to the risks (Toto, 2008). According to Saidi (2004), profitability is the company's ability to earn profits. Investors invest shares in companies to get returns, which consist of yields and capital gains. The higher the ability to earn profits, the greater the return expected by investors, thus improving the company's value. In this study, profitability is proxied through Return on Assets (ROA) as a measure of company profitability. The formula for profitability is:

ROA = Net Income/Total Assets

Where :

ROA = return on assets
Net income = Net Profit
Total Assets = Total Assets

Equity

Equity is defined as the residual interest in the company's total assets after deducting all liabilities. Equity measurement can be done by looking at the total equity on the balance sheet in the company's annual financial report.

How to calculate equity is as follows:

Eq = TA – TL

Where :

Eq = Equity
TA = Total Assets
TL = Total Liabilities

2.3 Data collection

The type of data used in this research is secondary data, namely information obtained from other parties. The data source in the study was annual financial reports issued by the companies of consumer goods industry listed on the Indonesia Stock Exchange (IDX) in 2018 – 2021.

2.4 Technique of Analysis

Classic assumption test

The classic assumption test includes normality, multicollinearity, heteroscedasticity, and autocorrelation. The normality test aims to test whether a regression model for the dependent and independent variables has a normal distribution. The regression equation is said to be good if it has data on the independent and dependent variables that are normally distributed or close to normal. The normality test also aims to see the contribution of the dependent (bound) and independent (independent) variables (Ghozali, 201 8 :1 11). The multicollinearity test aims to test whether the regression model correlates with independent (independent) variables. A good regression model should not contain multicollinearity or no correlation between independent variables. We use tolerance value to detect the presence or absence of multicollinearity in the regression model. If it has a VIF value = 10 and a tolerance value = 0.1, then the regression model can be said to be free from multicollinearity symptoms (Ghozali, 2018: 107).

The heteroscedasticity test tests whether there is an inequality of variance and residual variables from one observation to another. A good regression model does not have heteroscedasticity. The test is carried out with the Glejser test which regresses the independent variables on the absolute residual variables with a significance of > 5% (0.05) if there are no statistically significant variables, then the regression does not contain heteroscedasticity (Ghozali, 2018: 142). To detect whether there is autocorrelation, use the Durbin-Watson (DW) test to look at the Durbin-Watson numbers. According to Ghozali (2018: 112), they are taking whether there is autocorrelation.

Multiple Linear Regression Analysis

The data analysis technique used in this research is the multiple regression. Multiple linear regression analysis is a statistical analysis tool to examine the variables that influence the independent variables on the dependent variable. The formulation of the model used in this study is: Y= a + b 1 TP + b 2 Prof + e

Information :

Y = Equity
a = Constant
b1 = Coefficient of Tax Planning
b2 = Profitability Coefficient
X1 = Tax Planning
X2 = Profitability
e = Errors

3. Results

3.1 Descriptive statistics

The results of the descriptive statistics of each variable are as follows:

Table 1: Descriptive statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Equity	28	4,81910	75,78130	22,76716	17,55172340
Tax Planning	28	,69278	,80866	,7613825	,02525565
Profitability	28	,03674	,46660	,1546335	,11203065
Valid N (listwise)	28				

Source: SPSS Output, 2021

Based on table 1 it can be seen that the sample used was 28 samples. Thus the table above shows an average total Equity i of 2 2.7 6716 with a standard deviation of 17.55172340, the maximum value is 7 5.78130 while the minimum value is 4.81910 . The average amount of tax planning is 0.7613825 with a standard deviation of 0.02525565 , the maximum value is 0.80866 while the minimum value is 0.69278. Average amount of P rofitability is as big 0.1546335 with a standard deviation of 0.11203065, the value maximum of P rofitability is equal to 0.46660, while the minimum value is 0.03674.

3.2 Classic Assumption Test

Normality test

The normality test aims to test whether a regression model for the dependent and independent variables has a normal distribution. The regression equation is said to be good if it has data on the independent and dependent variables that are normally distributed or close to normal. The normality test also aims to see the contribution of the dependent (bound) and independent (free) variables (Ghozali, 201 8 :1 11).

Table 2: Normality

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		28
Normal Parameters[a,b]	Mean	,0000000
	Std. Deviation	9,82269910
Most Extreme Differences	Absolute	,133
	Positive	,133
	Negative	-,097
Kolmogorov-Smirnov Z		,703
Asymp. Sig. (2-tailed)		,706

a. Test distribution is Normal.

b. Calculated from data.

Source: SPSS Output, 2021

Based on the table above, the asymp sig value of 0.706 is greater than 0.05. So the conclusion is a normal distribution of the regression model. Thus it can proceed to the next stage, namely hypothesis testing.

Multicollinearity Test

The multicollinearity test aims to test whether the regression model correlates with independent (independent) variables. A good regression model should not contain multicollinearity or no correlation between independent variables. The result of the multicollinearity test is below:

Table 3: Multicollinearity

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	142,686	59,810		2,386	,025		
	Tax Planning	-184,056	79,086	-,265	-2,327	,028	,967	1,034
	Profitability	130,748	17,829	,835	7,334	,000	,967	1,034

a. Dependent Variable: Equity

Source: SPSS Output, 2021

Based on the results, Tax Planning (X1) has a Tolerance of 0.967 > 0.1 and a VIF value of 1.034 <10 so it is free from multicollinearity. The profitability (X2) has a tolerance value of 0.967 > 0.1 and a VIF value of 1.034 <10, so it is free from multicollinearity.

Heteroscedasticity Test

The heteroscedasticity aims to determine the inequality of variance and residual variables from one observation to another in the regression model. A good regression model does not have heteroscedasticity. The result of the Glejser test indicates a significant value for each variable, namely tax planning, with a sig value of 0.337 and a sig profitability value of 0.225 greater than 0.05, so heteroscedasticity did not occur.

Autocorrelation Test

The autocorrelation test aims to test whether there is a correlation between confounding errors in period t and errors in period t-1 (previously) in a linear regression model. The Durbin – Watson test (DW test is to diagnose autocorrelation in a regression model. The result of the autocorrelation test is as below:

Table 4: Autocorrelation

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,829[a]	,687	,662	10,20804835	1,887

a. Predictors: (Constant), Tax Planning, Profitability

b. Dependent Variable: Equity

Source: SPSS Output, 2021

Based on the test results, the DW value was 1.887, with 28 observations and a total of 2 independent variables. A dL value is 1.26 and a dU of 1.56. The DW value of 1.887 is greater than the upper limit, namely dU, which is 1.56 and less than (4-dU) 4-1.56 = 2.44, so there is no autocorrelation.

3.2 F Test

The simultaneous significance test often called the F test, is used to determine whether the model consisting of all independent variables has a combined effect on the dependent variable. To test the accuracy of the model, determine using a significant level of 5%, if the sig value ≤ 0.05, it means that the independent variable (X) simultaneously affects the dependent variable (Y) (Ghozali, 201 8:98). The test results is as follows:

Table 6: F Test

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5712,595	2	2856,297	27,411	,000[a]
	Residual	2605,106	25	104,204		
	Total	8317,701	27			

a. Predictors: (Constant), Tax Planning, Profitability

b. Dependent Variable: Equity

Source: SPSS Output, 2021

Based on the results of the parameters in the table above, the calculated F value is 27.411, while the F table value is 3.385. The estimated F value is greater than the F table (27.411 > 3.385) H1 is accepted, means Tax Planning and Profitability simultaneously affect equity.

3.3 Hypothesis Testing

Multiple regression analysis predicts the dependent variable's condition (rise and fall) if two or more independent variables as predictor factors (the value is increased or decreased). The results of Multiple Linear Regression are as follows:

Table 5: Multiple Linear Regression

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	142,686	59,810		2,386	,025		
	Tax Planning	-184,056	79,086	-,265	-2,327	,028	,967	1,034
	Profitability	130,748	17,829	,835	7,334	,000	,967	1,034

a. Dependent Variable: Equity

Source: SPSS Output, 2021

The regression equation formed is:
Equity = 142.686 – 184.056(Tax Planning) + 130.748(Profitability) + ε

A constant value of 142.686 states that if all independents are considered stable or have a value of 0, then equity (eq) will be 142.686. The tax planning coefficient is -184.056, indicating that a decrease will follow each addition of tax planning by one unit in the equity value of -184,056. The profitability coefficient of 130.748 indicates that each increase in the tax burden by one unit will decrease in the equity value by 130.748.

The results of the t-test for tax planning (X1) to Equity (Y) show a significance value of 0.0 28, and this value is less than 0.05 (0.0 28 <0.05) and the calculated t value is smaller than t table (-2.327 > 2.060) means planning taxes have a significant adverse effect on equity. The results of the t-test for Profitability (X2) to Equity (Y) show a significance value of 0.000, this value is less than 0.05 (0.000 <0.0 5), and the calculated t value is greater than t table (7.334 > 2.060) meaning that profitability has a significant positive effect to equity.

3.5 Correlation

The results of the regression output obtained an R square (R^2) value of 0.662 as below:

Table 8: Coefficient of Correlation

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,829[a]	,687	,662	10,20804835

a. Predictors: (Constant), Tax Planning, Profitability

b. Dependent Variable: Equity

Source: SPSS Output, 2021

This value indicates that the influence of the independent variable on the dependent variable is 0.662 or 66.2%. A value close to one means that the independent variables provide almost all the information needed to predict the variation of the dependent variable. At the same time, the remaining 33.8% is explained by other variables not included in the regression model.

4. Discussion

4.1 Effect of Tax Planning on Equity.

Based on the results of multiple linear regression tests in the first hypothesis, the t value is -2.327. The calculated significance value is 0.028 is smaller than the specified significance value (0.028 <0.05), then H2 is rejected. The test results of the first hypothesis of the ETR variable show that tax planning has a negative and significant effect on company equity. The negative result is suspected because ETR is a way to measure the impact of tax rates on profit before tax; this is related to tax aggressiveness taken by companies, namely how aggressively companies respond to the effect of the tax burden on profits. If the ETR is higher, the company is more aggressive. The company is profit-oriented, so they want maximum profit and do not want the increased tax

burden. If the company's tax burden is high, they take tax planning actions. ETR cannot directly measure tax planning actions, but ETR only shows how aggressive a company is in dealing with taxes. This study's results align with the research conducted by Nor Shaipah Abdul Wahab and Kevin Holland (2012) and Hanlon and Slemrod (2009), who found a negative effect of tax planning on company equity. While these results are controversial with the research conducted by Lestari (2014) industrial companies and Dian Annggaerni (2017), all companies listed on the IDX found that tax planning significantly affects company equity.

4.2 Effect of Profitability on Equity.

Based on the results of multiple linear regression tests in the second hypothesis, the t-value is 7.334. Because the calculated t value is greater than the t table (7.334 > 2.060), profitability affects equity. The calculated significance value is 0. The significance value is smaller than the specified significance value (0 <0.05), and H3 is accepted. The tax burden variable has a significant positive effect on equity. Based on the test results of the second hypothesis, it shows that there is a positive and significant effect on the profitability on company equity. Profitability is the company's profit level in a certain period. The better the profitability ratio, the company can obtain high profits. The higher the profitability, the higher the company's equity. The higher the company's ability to generate profits, the higher the company's value, which is indicated by an increase in the stock price.

The company can use profitability to evaluate the effectiveness of the management of the business entity. Companies with a high level of profitability obtained from sales can be used as additional capital to launch operational activities, significantly increasing sales. Increasing sales have resulted in the company being reluctant to take the trouble to seek outside funding (external funding) because it already has adequate internal funding. So the higher the profitability the higher the company's equity. Thus every business entity will always try to increase its profitability because the higher the level of profitability of a business entity, the survival of the business entity will be more guaranteed. The results of this study are in line with the results of research conducted by Rachawati and Pinem (2015), Nurmida, et. al (2017), Sudarman and Darmayanti (2017), Chumaidah and Priyadi (2018), Safitri (2018) and Magdalena (2019) , found a positive effect of profitability on company equity. These results do not follow the research conducted by Dinata (2014), concluding that profitability does not significantly affect company equity.

4. Conclusion

Based on the results of data analysis on tax planning and profitability of the equity of consumer goods industry c listed on the Indonesia Stock Exchange in 2018-2021, the conclusions are first, based on the results of the t-test, the calculated t value is smaller than t table (-2.325 <2.060). The calculated significance value is smaller than the determined significance value (0.029 <0.05), meaning that tax planning partially negatively affects equity. The negative result is suspected because ETR is a way to measure the impact of tax rates on profit before tax; this is related to tax aggressiveness taken by companies, namely how aggressively companies respond to the impact of the tax burden on profits. ETR cannot directly measure tax planning actions; ETR only shows how aggressively a company deals with taxes.

Second, based on the t-test results, the calculated t value is greater than the t table (7.331 > 2.060). The calculated significance value is smaller than the specified significance value (0 <0.05), meaning that partial profitability has a significant positive effect on equity. These results illustrate that the greater the value of profit, the greater the value of the company's equity. Because high yields will indicate that the company is in good condition so that it can increase investor interest which of course, also increases interest in stocks. The demand for high and many shares will increase in the company's equity value. Third, based on the results of the F test, the calculated F value is greater than the F table (27.389 > 3.385). The computed F significance value is smaller than the specified significance value (0 <0.05) means tax planning and profitability have a significant simultaneous effect on equity

Suggestions for further research are better for tax planning variables, using more detailed measuring items, for example, by adopting GRI version 4 so that the results are more accurate and relevant, and using other proxies to

measure the level of company equity. Future researchers can add or replace other variables such as tax evasion, tax evasion, tax saving, etc. Subsequent research can also study a different research object.

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