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Araştırma Makalesi/Research Article

THE EFFECT OF TAX PLANNING, EQUITY AND OPERATION CASH FLOW TOWARDS THE EFFORT OF COMPRESSING INCOME TAX BURDEN IN PROPERTY AND REAL ESTATE COMPANIES LISTED IN STOCK EXCHANGE PERIOD 2012-2015

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ABSTRACT

The purpose of this research is to prove and analyze the effect of tax planning, equity and cash flow towards the effort of compressing income tax burden in property and real estate companies listed in Stock exchange in period 2012 – 2015. The population in this research including all property and real estate companies. Sample is taken using purposive sampling technique with the amount of 32 companies. The data used in this research is secondary data, by gathering necessary information from IDX such as financial report year 2012 – 2015. The method used to analyze the relationship between independent variable and dependent variable is double regression method and assumption method. The result shows that simultaneously, variable – independent variable; tax planning, equity and operation cash flow towards the effort in compressing income tax burden. Partial result, variable of tax planning, equity and operation cash flow towards the effort in compressing income tax.

Keywords: *tax planning, equity and operation cash flow, and effort of income tax burden.*

1. INTRODUCTION

Tax towards a nation is one of the most important income which would be used to fund national expenses, both routine expenses and budgetary function. Beside that, tax as a monetary policy tool and life control through encouraging or restraining a lifestyle (regulatory function). Meanwhile for companies, tax becomes a burden which would decrease net income, so that in order to increase competitive efficiency, managers must compress tax burden as optimized as possible (Mangunsong, 2002). To minimize the tax burden borne by taxpayers, it can be done by manipulation, whether within the taxation scope or outside the taxation regulation. The effort to minimize tax is often defined as tax planning (Rori, 2013).

By doing the right and legal form of tax planning, companies would obtain rational and bigger net income comparing to those not doing tax planning. The increase of net income caused by doing tax planning would cause increase in company capital. Nowadays, capital in companies is commonly defined as equity, where equity is a residual right of total assets after reduced by all corporate obligations. This research is more on analyzing tax planning as an effort to compress corporate income tax burden, the effect on company's equity. With an effective tax planning, corporate income tax burden would be more efficient so that corporate equity would be increased.

The purpose of this research is to find out and analyze the effect of tax planning, equity and operation cash flow towards the effort of compressing income tax burden in property and real estate companies listed in stock exchange year 2012 – 2015.

2. THEORETICAL BACKGROUND

2.1 Tax Planning

According to Zain (2008: 23), tax planning is the first step in tax management, which is an inseparable part of corporate strategic management. Therefore, it is right to say that tax planning contributes towards whether or not strategic management made by the company is successful. Tax planning must be conducted so that taxpayers can pay their tax effectively and efficiently. Tax management is effective if taxpayers' definition of taxation rights and obligations is not different with authorities. Tax management is efficient if tax payment is done accordingly to the amount charged and paid on time, so that they are avoided from fine or interest due to lateness of payment or less paid or opportunity loss due to paying too soon.

According to Suandy (2014:6), tax planning is the first step in tax management. In this phase, gathering and research of taxation is done to be able to select the type of tax saving to be done. Generally, compressing tax planning is to minimize tax obligation.

Generally, tax planning is done by controlling taxpayers' business or taxpayer group so that their tax debt, whether income tax or other taxes are in a minimum position, as long as it is possible by taxation regulations or commercial. Therefore, tax planning is important to be implemented by taxpayers in order to minimize tax paid without violating the applicable tax regulation.

2.2 Equity

According to Kartahadi (2017 : 63), the purpose of equity is for financial report able to provide clear information on rights and restrictions according to the law or other restrictions on equity in relationship with ownership rights of each capital owners, in relationship with revenue distribution, dividends and capital return.

IAI Chapter 49 defines equity as residual right on company assets after reduced by all obligations. Meanwhile FASB in SFAC define equity: *equity or net as the residual interest in the assets of an entity that remains after deducting its liabilities*. Equity is defined as residual right to show that equity is not an obligation. This means equity is not sacrifice of future economic source. Because it is defined based on assets, obligation and equity value depends on how assets and obligations are measured.

2.3. Operation Cash Flow

According to Harahap (2007:256), activities included in this group is the main activity in deriving income and other activities such as the transactions and events which are not assumes as investment or funding. This activity includes: production, delivery, service. Cash flow from this operation is mainly cash from transaction and other events contributing to revenue definition.

According to Subramanyam and Wild (2010:92), operation cash flow is an equivalent of cash for accrual net income. In general, cash flow information helps in assessing corporate capability in fulfilling obligation, paying dividends, increasing capacity and obtain funding. Cash flow information also helps in assessing the quality of revenue and the dependence of revenue towards estimation and assumption on future cash flow.

According to Hery (2013:126-127), cash flow report details on source of income and cash expense based on operation activity, investment and funding. Operation activity includes transactions classified as determination of net income/loss amount. Cash income from sales or service is the main source of inward cash flow. Other cash income is from interest income, dividend and securities sales. Meanwhile, outward cash flow includes payment for purchases, salary payment, tax burden, interest, utility burden, rent and purchase of securities.

2.4 Tax

According to *Undang-undang Ketentuan Umum dan Tata Cara Perpajakan* Article 1 (1) No. 28/2007, tax is a compulsory, coercive contribution to the nation by taxpayers or company based on regulations, with no direct return and utilized for National needs for maximum citizen prosperity.

According to UU No. 36 Year 2008, income tax rate for entity taxpayer consists of three rates, which are the rate according to Article 17 (2a) *UU Tax Law*, Article 17 (2b) *UU Tax Law*, and Article 31E *UU Tax Law*, as follows:

1. Rates of Article 17(2a) *UU Tax Law*. The amount of income tax is 25% and has been applied since Tax Year 2010. This income tax rate is a general rate applicable to all Entity Taxpayer, especially Entity Taxpayer not fulfilling requirements of Article 17 (2b) and Article 31E *UU Tax Law*.
2. Rates of Article 17 (2b) *UU Tax Law*. For Entity taxpayer in the form of *Perseroan Terbuka* (Tbk orgo public), obtains reduction in rates with the amount of 5% from normal rates, or in another words, starting from Tax Year 2010, rates for entity taxpayer which has go public is 20%. Entity taxpayer rightful for the reduction is the entity which as go public, with criteria as follows:
 - a. Stock traded in Stock Exchange
 - b. Stock stock exchanging thrown to the public with a minimum of 40% from all stocks deposited and the stock owned by a minimum of 300 shareholders, both individual or entity.
 - c. Each shareholder can only own stock less than 5% from all deposited stock. The condition mentioned in the last two points must be fulfilled in the shortest of six months and maximum one tax year. If one of the three criterias is not fulfilled, the entity taxpayer must use income tax rate determined in Article 17 (2a) *UU Tax Law*, which is 25%.

3. Rates of Article 31E Tax law. The amount of income tax rate according to this chapter is 50% from general rates mentioned in Article 17 (1b) or Article 17 (2b) UU Tax Law.

In another words, there is a discount of income tax rate so that the rates charged on entity taxpayer fulfilling the requirement is only 14% (for tax year 2009) or 12,5% (starting tax year 2010). Entity taxpayer has right to enjoy this facility is the entity taxpayer whose gross income in one tax year is not more than 50 billion rupiah. The calculation can be seen in explanation memo of Article 31E Tax Law.

According to emphasis in point 2.c. Surat Edaran (SE) Dirjen Pajak Nomor SE-66/PJ./2010 dated 24 May 2010, gross income means the income derived from business, both from Indonesia or foreign, before deducted by fiscal expenses.

3. EMPIRICAL ANALYSIS

3.1 Research Design

In this research, the statistic tool consists of correlational statistic descriptive. Correlational descriptive method is seen applicable to this research because the purpose is to gain an illustration on variable stock exchange researched and in the form of correlation because this research is purposed to find out whether or not there is a relationship and if there is, how close is the relationship, and how meaningful is the relationship.

3.2 Variable Measure

a. Tax Planning

According to Wild *et al* (2005), tax planning is measured using Tax Retention Rate:

$$TRR_{it} = \frac{Net\ Income}{Pretax\ Income\ (EBIT)_{it}}$$

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b. Operation Cash Flow

According to Suriani (2012:42), equation to find Operation Cash Flow (AKO) is as follows.

$$\text{Operation Cash Flow} = \frac{AKO(t) - AKO(t-1)}{AKO(t-1)} \times 100\%$$

AKO : Operation Cash Flow

AKO_(t) : Operation Cash Flow period t

AKO_(t-1) : Operation Cash Flow before period t

3.3. Population and Sample

Population used in this research is property and real estate companies listed in Stock exchange in period 2012 – 2015. From the population, sample can be derived using purposive sampling, which is sample deriving technique with certain criteria according to research purpose.

Table 1: Research Sample

No.	Criteria	Sample Amount
1.	Property and real estate companies listed in stock exchange period 2012 – 2015.	50
2.	Property and real estate companies listed in stock exchange and its financial report not publicated respectively period 2012 – 2015.	(6)
3.	Property and real estate companies listed in stock exchange period 2012–2015 not generating revenue.	(12)
Total Sample		32

Source : www.idx.co.id

3.4. Research Model

This research uses double linear regression test. Statistic method used in this research is statistic descriptive. Statistic descriptive purpose is to describe or illustrate object stock exchanged researched through data sample or population, but not making generalized conclusion. This research uses double regression test. Double regression test is used to test whether the effect of tax planning, equity and equity cash flow towards the effort of compressing income tax. Therefore, double linear regression is stated in the equation.

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + e$$

Y : Income Tax Burden

a : Constant

b₁ : Regression coefficient of Tax Planning

b₂ : Regression coefficient of Equity

b₃ : Regression coefficient of Operation Cash Flow

X₁ : Tax Planning

X₂ : Equity

X₃ : Operation Cash Flow

4. RESULT AND ANALYSIS

4.1. Statistic Descriptive

This research uses sample of property and real estate companies listed in Stock exchange in period 2012 – 2015. Along the period, the amount of companies is 50 for four years. However, there were only 32 companies fulfilling the requirements and take 128 companies for sampling.

Table 2: Statistic Descriptive

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Perencanaan_Pajak	128	-555027283420,000	139144652000,000	-62039885503,53902	99316163763,234740
Ekuitas	128	1553819608,000	22096690483336,000	3628983657051,49270	4221287267604,309600
Arus_Kas_Operasi	128	-2710700676430,000	2742630542978,000	215776046620,41397	636486244681,471300
Beban_Pajak_Penghasilan	128	-559762631282,000	373305894466,000	-22682740352,18750	112173957869,960430
Valid N (listwise)	128				

Source: Processed data, 2019

4.2. Normality Test

Table 3: Result of Residual Normality Test

	N Statistic	Minimum Statistic	Maximum Statistic	Mean Statistic	Std. Deviation Statistic	Skewness		Kurtosis	
						Statistic	Std. Error	Statistic	Std. Error
Unstandardized Residual	128	-317921383410.896	531260309571.0	-.0000084	102946089961.0	1.555	.214	8.469	.425
Valid N (listwise)	128								

Source: Processed data, 2019

Enter the following the Jarque-Bera test

$$JB = 128 \left(\frac{s^2}{6} + \frac{(k)^2}{24} \right)$$

$$JB = 128 \left(\frac{1.555^2}{6} + \frac{(8.469)^2}{24} \right)$$

$$= 4.32$$

So that the the Jarque-Bera test value is obtained at 4.32. If the significance level chosen is 5%, then the Chi Square value with $df = 2$ is 5.99. The the Jarque-Bera test value is less than 5.99, so there is not normality of residual problems in these data.

4.3. Multicollinearity Test

Table 4: Multicollinearity Test Result

Coefficients^a

Model		Collinearity Statistics	
		Tolerance	VIF
1	Tax_Planning	.415	2.410
	Equity	.459	2.177
	Operation_Cash_Flow	.849	1.178

a. Dependent Variable: Beban_Pajak_Penghasilan

Source: Processed data, 2019

Multicollinearity test result shows that independent variable used in the research has a Variance Inflation Factor (VIF) more than 10 and tolerance value on each variable is less than 10. Therefore, in this research, multicollinearity assumption test from each variable has multicollinearity problems in regression model.

4.4. Heteroscedasticity Test

The result of heteroscedasticity test can be seen in the table below:

Table 5: Heteroscedasticity Test Results

		Coefficients ^a				
		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	-6417993254.299	12464969585.537		-.515	.608
	Tax_Planning	.590	.145	.523	4.084	.000
	Equity	.004	.003	.153	1.259	.210
	Operation_Cash_Flow	.026	.016	.147	1.643	.103

a. Dependent Variable: Tax_Burden

Source: Processed data, 2019

Testing shows that significance is more than $\alpha = 0,05$ only equity and operation cash flow. Based on that, the output result can be concluded as there are one data that has correlation (tax planning) cause that significance is less than $\alpha = 0,05$.

4.5. Autocorrelation Test

The result of autocorrelation test can be seen in the table below:

Table 6: Autocorrelation Test Result Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.917 ^a	.840	.822	1.24327	1.717

a. Predictors: (Constant), LnOperation_Cash_Flow, LnTax_Planning, LnEquity

b. Dependent Variable: LnTax_Burden

Source: Processed data, 2019

The table above shows that DW value is 1,717. The measurement of autocorrelation test is $du < d < 4 - du$. Value of dL and du in this research is with the amount of 3 variable and 32 sample is $dL = 1,2437$ and $du = 1,6505$. The measurement result is $1,6505 < 1,717 < 2,3495$. So, it can be concluded that regression model has no autocorrelation between independent variables.

4.6. Hypothesis Testing

Statistic t testing or partial testing is done to find out the significance of effect, how far independent variable partially or individually in explaining dependent variable. T-test in this research is used to do hypothesis testing with the significance level ($\alpha=0,05$). From the hypothesis result, the regression equation can be seen in the table below:

Table 7: Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	-6417993254.299	12464969585.537		-.515	.608
Tax_Planning	.590	.145	.523	4.084	.000
Equity	.004	.003	.153	1.259	.210
Operation_Cash_Flow	.026	.016	.147	1.643	.103

a. Dependent Variable: Tax_Burden

$$\text{Tax Burden} = -6.417 + 0,590 \text{ Tax Planning} + 0.004 \text{ Equity} + 0,026 \text{ Operation Cash Flow}$$

Description:

1. Constanta value (a) = -6.417. This constantan value shows that when the independent variables of tax planning, equity and operation cash flow are considered constant, then income tax burden is 6.417.
2. Tax Planning (X₁) has a postitive regression coefficient of 0.590. This shows that the value of tax planning is below the average, that when the tax planning decreases by 1 point and it will decrease tax planning by 0.590 or 5.9%
3. Equity (X₂) has a positive regression coefficient of 0.004. This shows that every increase of equity value by 1 (one) time, it will increase the equity by 0.4%.
4. Operation Cash Flow (X₃), has a positive regression coefficient of 0.026. This shows that every increase of operation cash flow by 1 (one) time at the company is 2.6%.

4.6.1 The Effect of Tax Planning, Equity and Operation Cash Flow in partial towards The Effort of Compressing Income Tax Burden

The Effect of Tax Planning, Equity and Operation Cash Flow in partial towards The Effort of Compressing Income Tax Burden in property and real estate companies listed in Stock exchange period 2012 – 2015 can be seen on table 8 below:

Table 8: T test result

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	-1.274	2.266		-.562	.578
LnTax_Planning	-.299	.097	-.242	-3.095	.005
LnEquity	.752	.181	.735	4.158	.000
LnOperation_Cash_Flow	.159	.198	.141	.802	.430

a. Dependent Variable: LnTax_Burden

Source: Processed data, 2019

Based on the test result, significance level for variable tax planning is 0,005. This means significance level is smaller than determined ($0,005 < 0,05$). So H_0 is rejected, which means that tax planning affects the effort of compressing income tax burden. This is caused by companies doing proper tax planning. The company can compress and have efficient taxable income which then effects on savings or efficiency in the tax burden of company.

Significance level for equity variable is 0,000. This means significance level obtained is smaller than determined ($0,000 < 0,05$). So H_0 is rejected, which is equity variable affects income tax burden. This is because an increase in taxpayer equity causes in increase income tax burden payable.

Based on test results, significance for operation cash flow variable is 0,430. This means significance obtained is bigger than determined ($0,430 > 0,05$). So H_0 accepted, which is variable operation cash flow doesn't affect in the effort of compressing income tax burden. Cash flow from operation activity is an indicator that determines whether corporate operation can derive cash or not. Thus the cash can be used for paying off loan, maintaining the ability of corporate operation, paying dividends and making new investments without relying on outside funding.

- **The Effect of Tax Planning towards Effort of Compressing Income Tax Burden**
The calculation result shows a significance of tax planning $0,005 < 0,05$ therefore H_1 is accepted. This means that tax planning affects income tax burden in property and real estate companies listed in Stock exchange in period 2012 – 2015. The research result is in line with theory stated by Damayanti (2009:15), in increasing efficiency and competitiveness, companies must compress expenses as optimized as possible. This goes for obligation of paying tax as well, because tax cost would lower after tax profit, rate of return and cash flow.
- **The Effect of Equity towards Effort in Compressing Income Tax Burden** Based on calculation, equity affects the effort in compressing income tax burden, with significance of 0,000 (less than 0,005) so H_0 is rejected, and this test result is in line with the research by Igna (2014). Tax planning affects company equity. This is because by doing tax planning rightfully and legally, company would get rational and bigger net income compared to those not doing tax planning. Increase of net income due to companies doing tax planning, would result in increasing company equity, both increasing capital stock due to healthy company, increasing dividend and reserved fund left from corporate activity in accounting year.
- **The Effect of Operation Cash Flow towards the Effort in Compressing Income Tax Burden** Based on the calculation, operation cash flow does not affect the effort in compressing tax burden with significance 0.430 (more than 0,005) so H_0 is accepted and this research is in line with Hapsari (2016 : 64), operation cash flow has a strong effect towards tax planning as control in doing operational activity in property and real estate companies listed in Stock exchange in period 2012-2015.

4.6.2 The Effect of Tax Planning, Equity and Operation Cash Flow Simultaneously towards Effort in Compressing Income Tax Burden

The effect of tax planning, equity and operation cash flow simultaneously towards the effort in compressing income tax burden in property and real estate companies listed in Stock exchange in period 2012 – 2015 can be seen in table 8 below:

Table 9: Results of Simultaneous F Test

ANOVA ^b						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	219.177	3	73.059	47.266	.000 ^a
	Residual	41.734	27	1.546		
	Total	260.911	30			

a. Predictors: (Constant), LnArus_Kas_Operasi, LnPerencanaan_Pajak, LnEkuitas

b. Dependent Variable: LnBeban_Pajak_Penghasilan

Source: Processed data, 2019

The results of F Test displayed in table 4aboveshows that the value of F_{count} is 47,266 and using the Table F, it obtained the value of F_{table} of 2.92. Then the result is $F_{count} > F_{table}$ ($47,266 > 2,92$) with significant level of 0.00 (smaller than 0.05). This shows that the results of research hypothesis accepts H_a and rejects H_0 which

This means that the independent variables of tax planning, equity, and operating cash flows simultaneously have an effect on efforts to reduce the tax burden of production.

5. CONCLUSION, IMPLICATION AND SUGGESTION

5.1 Conclusion

Based on analysis and discussion done, it can be concluded as follows:

- a. Tax planning, equity and operation cash flow simultaneously affects the effort of compressing income tax burden.
- b. Tax planning partially affects effort in compressing tax burden.
- c. Equity partially affects effort in compressing income tax burden.
- d. Operation cash flow doesn't have any effects in the effort of compressing income tax burden.

5.2 Implication

The implication of this research is intended for investors, companies, academics, citizen and future research as follows:

- a. To Investor
Based on the research it can help investors to analyze tax planning, in which means that an increase of tax planning can cause an increase in company equity and decrease tax planning can causes decrease in company equity.
- b. To companies
The test result can be used as additional information for companies to find out tax planning in effort of compressing income tax burden.
- c. To academics
The result of this research can give benefit in development of economic studies, especially in accounting.
- d. To future research
for the future research, other variables can be added to develop other theories.

5.3 Suggestion

From analysis and discussion results, the suggestion given as follows:

- a. This research result can be used as a reference to entity taxpayer in fulfilling tax obligation, doing tax planning rightfully and legally so that taxpayers would have many benefits, such as tax burden in a minimal position, increase equity and free from tax sanction.
- b. Companies can do planning consistently according to taxation regulations and make an effort to find other alternatives in tax planning application.

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