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The Influence Of Tax Avoidance And Dividend Policy On Company Value With Profitability As A Moderating Variable In Manufacturing Companies In Multiple Industry Sectors Listed On Idx From 2017 To 2019

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ABSTRACT

This study aims to analyze the effect of tax avoidance and dividend policy on Company Value with profitability as a moderating variable in manufacturing companies in the various industrial sectors listed on the Indonesia Stock Exchange (IDX) for the period 2017 to 2019. The population in this study amounted to 42 manufacturing companies in the various sectors. industry, using the purposive sampling technique to obtain a sample of 12 companies. This type of research is causal associative. The technique used in this research is the inferential statistical analysis technique using SPSS 25 program. This study found that tax avoidance has a positive and insignificant effect on Company Value, dividend policy has a positive and significant effect on Company Value, profitability is not able to moderate the effect of tax avoidance on Company Value, and profitability can moderate the effect of dividend policy on Company Value.

Keywords: Company Value, Tax Avoidance, Dividend Policy, Profitability

INTRODUCTION

Every company has a goal to provide welfare for shareholders by maximizing company value. According to Brigham and Houston (2001), company value is very important because it can reflect the company's performance. According to Saniyah & Azmi (2019), “the company's performance is a picture of the financial condition of a company. Company value can be seen from the company's stock price (Fama, 1978). High stock prices will make the value of the company high. A high company value will provide information to the market that the company has a good performance. The value of the company is very important for all parties because it will describe the company's prospects in the future which will indirectly affect the prosperity of shareholders (Brigham, Gapenski, and Daves, 2007).

In this study, the Company Value was measured using the Tobins'Q ratio. This ratio was developed by Tobin (1967) and is considered to provide the best information because this ratio includes all elements of the company's debt and share capital, not only ordinary shares and not only the company's equity that is included but all assets owned by the company, the greater the value. Tobin's Q shows that the company has good growth prospects (Mayliza and Yeni, 2017).

Based on signal theory, a stable and increasing company value has an impact on shareholders to maintain their capital and provides a signal for potential investors to invest in the company (Mahaetri and Muliati, 2020). The financial management of a company can do several ways to increase the value of the company, such as managing dividend policy or doing tax planning (Andriyani and Hutabarat, 2020). In tax planning, financial management can choose to do tax avoidance (Andriyani and Hutabarat, 2020).

According to Suandy (2011), taxes for companies are a burden that will reduce net income so that companies want tax payments to be as minimal as possible. The existence of a tax burden that burdens the company and its owners then there are efforts to avoid tax (Chen, 2010). Tax avoidance widely proposed by Hanlon & Heitzman (2010) is a reduction in tax rates that represents a series of tax planning strategies ranging from tax management (tax management), tax planning (tax planning), tax aggressive (tax aggressive), tax evasion, and tax sheltering.

Efforts to reduce taxes can be carried out by the company in several ways, namely, tax avoidance and tax evasion (Suandy, in Tebiono and Sukadana 2019). The difference between the two is from the aspect of legality, where Tax Avoidance is generally considered a legal tax management effort because it uses more loopholes in the applicable tax regulations, while tax evasion tends to lead to an illegal tax crime, outside the framework of tax provisions. In this study, tax avoidance is proxied by using the effective tax rate (ETR).

Tax avoidance actions taken by the company can increase the value of the company because the profits obtained by the company will be even greater. Traditionally, it is believed that corporate tax evasion is a transfer of wealth from the government to corporations and should add value to the firm (Chen et al., 2013). However, on the other hand, Tax Avoidance actions are certainly not following the expectations of stakeholders and tend to trigger management to take opportunistic actions. If this Tax Avoidance action is known by the public through the news that appears in the media, it can reduce the image of the company, which will directly cause a decrease in the value of the company (Mahaetri and Muliati, 2020).

The relationship between tax avoidance and Company Value is important but still under debate (Chen et al., 2013). Empirical evidence conducted by Kurniawan and Syafruddin (2017) states that tax avoidance behavior as proxied by book-tax differences (BTD) has a significant and positive effect on Company Value as proxied by Tobin's Q. Companies in the Indonesian region view that tax avoidance has more profit side rather than seeing it as a risk that can be borne in the future. These results are in line with research conducted by Desai and Dharmapala (2009), Dewanata and Achmad (2017), Apsari and Setiawan (2018), Nugraha and Setiawan (2019) and Wanami and Merkusiwati (2019),

Different results were obtained by Chen et al., (2014), Ftouhi et al., (2015), Herdiyanto and Ardiyanto (2015), Tarihoran (2016), Harventy (2016), Fadillah (2018), Mahaetri and Muliati (2020).), and Kirkpatrick and Radicic (2020), who found that Tax Avoidance harmed Company Value. Ftouhi et al., (2015) conducted a study of the effect of Tax Avoidance on Company Value with a sample of 73 companies listed on the Euronext 100 index for the period 2008-2012. Tax Avoidance is measured using the ETR (effective tax rate) proxy, while Company Value is measured using Tobin's Q proxy. The results of this study find that Tax Avoidance has a significant negative effect on Company Value because it can cause agency costs. While research conducted by Adityamurti and Ghozali (2017), Wardani and Juliani (2018), Rikotama et al., (2018), Akbari et al., (2019), Ayem and Tia (2019), Nurhanimah et al. (2019), and Andriani and Hutabarat (2020) found that Tax Avoidance had an insignificant effect on Company Value.

In addition to tax avoidance activities, the main decision that can be taken by company management that affects company value is dividend policy. Company value can also be seen from the company's ability to distribute dividends (Prastuti and Sudiartha, 2016). This is because when the dividends distributed are high, the share price which is a reflection of the value of the company tends to increase so that the value of the company will also be high and vice versa (Mardiyanthi, in Musabbihan and Purnawati, 2018). Dividend policy which in this study is measured by the Dividend Payout Ratio (DPR), is important in meeting the expectations of shareholders, and the dividends received are not expected to hamper the company's growth. According to the bird in hand theory by Modigliani & Miller (1961), investors prefer to pay dividends at this time, compared to receiving capital gains that are uncertain in the future. Current cash dividends can reduce the risks associated with uncertainties related to deferred income (capital gains).

Research related to the effect of dividend policy on Company Value has previously been conducted and showed different results among researchers. M'rabet and Boujjat (2016) conducted a study on the impact of dividend policy on the financial performance of 44 companies in Morocco, using dividend payments (DIVP actual dividends paid) as a proxy for dividend policy, and profit after-tax value. company. The results of this study found that dividends affect Company Value, the relationship is strong and positive. Meanwhile, research conducted by Prastuti and Sudiarta (2016) found that dividend policy proxied by dividend payout ratio has a significant and positive effect on Company Value as proxied by PBV (price book value). Sihotang and Saragih (2017), and Musabbihan and Purnawati (2018), find that dividend policy has a significant and positive effect on Company Value. The higher the DPR (Dividend Payout Ratio) determined by the company, the higher the amount of profit that will be paid as dividends to shareholders.

On the other hand, the results of the research proposed by Onanjiri and Korankye (2014) show that the dividend payout ratio harms company performance. Companies that seek to increase profits will always try to rationalize the number of dividend payments because companies tend to withhold profits to finance profitable investments or projects to increase sales. Different results were obtained by Somantri and Sukardi (2018), Ayem and Tia (2019), Jesilia and Purwaningsih (2020) which stated that the dividend policy variable had no significant effect on Company Value.

Based on the differences in the results of previous studies, it can be identified the possibility of other factors moderating the relationship between tax avoidance and dividend policy on a Company Value that cause inconsistencies in research results. The existence of the role of profitability as a moderating variable in research has not been widely tested by previous researchers. Therefore, it is necessary to try to add a profitability variable as a moderating variable that serves to influence (strengthen or weaken) the relationship between tax avoidance and dividend policy on Company Value.

Profitability in this study uses a Return On Equity (ROE) proxy which shows the ability of capital invested in total equity to be considered before deciding to determine the number of dividends to be paid to shareholders. The higher the Return On Equity (ROE), the greater the possibility of dividend distribution (Sartono, 2010).

The research is focused on manufacturing companies in the various industrial sectors listed on the IDX in the period 2017 to 2019. The reason for choosing manufacturing companies in the various industries sector is because all sub-sectors in the various industries sector are producers of products for basic consumer needs. The products produced are consumptive and people like it so that the producers in this industry have a high level of sales which also affects the growth of this industrial sector.

Based on the description above, the objectives to be achieved in this research are:

1) To analyze the effect of tax avoidance variable on Company Value.
2) To analyze the effect of dividend policy variables on Company Value.
3) To analyze the effect of tax avoidance on Company Value with profitability as a moderating variable in manufacturing companies in the various industrial sectors listed on the Indonesia Stock Exchange for the 2017-2019 period.

4) To analyze the effect of dividend policy on Company Value with profitability as a moderating variable in various industrial sector manufacturing companies listed on the Indonesia Stock Exchange for the 2017-2019 period.

LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

According to the signal theory of tax avoidance activities that have been carried out, it is expected to provide a positive signal to investors which will have an impact on increasing the value of the company. Because basically the value of the company can be said to be good, one of which is indicated by an increase in stock prices. According to the traditional perspective expressed by Chen, et al. (2016), tax avoidance is a tool for transferring wealth from the Government to shareholders to maximize shareholder's value. Tax avoidance can be done by minimizing tax payments so that the company's profitability increases. Tax evasion is used to fulfill proper tax obligations,

Research conducted by Herdiyanto & Ardiyanto (2015), Oyyemi et al. (2016), and Pratiwi (2018) state that tax avoidance can increase Company Value, so tax avoidance has a positive effect on Company Value. Companies that carry out tax avoidance activities can increase the value of their company shares because the profits generated by large companies tend to attract investors to invest in these companies. Investors generally pay attention to the profitability of a company when they want to invest. Based on the description above, the hypothesis is formulated as follows:

H1: The higher the Tax Avoidance, the higher the Company Value

According to the bird in hand theory, investors prefer to receive cash dividends in the present compared to receiving capital gains in the future, because cash dividends received in the present are more certain than capital gains that will be received in the future. Thus, companies that distribute high dividends will attract other investors to invest in the company, so that the value of the company increases, along with the increase in the company's share price. In addition, according to signal theory, dividends are a form of positive signal for shareholders, where when the company is distributing large amounts of dividends, it gives a signal that the company is earning high after-tax profits (Saskia and Andyarini, 2020).

Based on the test results conducted by Prastuti and Sudiarta (2016) it is said that dividend policy has a positive and significant effect. The market perception of an increase in dividends is a signal of an increase in the company's current and future performance with the value of the company. This is in line with the signal theory, which is an action taken by the company's management to provide an overview to investors about the company's prospects in the future. The results of the same study were presented by M'Rabet and Boujjat (2016) which showed that dividend payments had a significant positive effect on Company Value. This shows that dividend policy is an important factor that affects company performance and shows that dividend policy is relevant. Based on the description above, the hypothesis is formulated as follows:

H2: The higher the Dividend Policy, the higher the Company Value

Companies that have high profits will certainly cause companies to bear a high tax burden. Company management can take tax avoidance measures to reduce the tax burden. According to the signal theory of tax avoidance activities that have been carried out, it is expected to provide a positive signal to investors which will have an impact on increasing the value of the company. From a traditional perspective by doing tax avoidance, the company has transferred wealth from the government to shareholders, this will certainly attract investors to invest in the company so that the company's stock market price will increase and have an impact on increasing company value (Chen et al. al., 2016). This is in line with the research conducted by Laurel and Meita (2017) who found that profitability has sufficient evidence to strengthen the effect of tax avoidance on company performance (Tobins'Q) in manufacturing companies in Indonesia. Based on the description above, the following hypothesis is formulated:

H3: The higher the profitability, the stronger the effect of Tax Avoidance on Company Value

Profitability in this study is proxied by Return on Equity (ROE) which describes the company's ability to generate profits by utilizing its equity. This profit will be the basis for the distribution of company dividends, whether cash dividends or stock dividends. The higher the profitability (ROE) owned by the company, the greater the opportunity for the company to pay high dividends to shareholders. This is in line with the signal theory which states that an increase in dividends can be a positive signal for investors to invest.

Based on the results of research conducted by Octaviani and Astika (2016) it was found that increasing profitability will also increase dividend income. This shows that companies with a high DPR level get good appreciation from investors so that the company's stock price becomes high and ultimately increases the value of the company. Based on the description above, the following hypothesis is formulated:

H4: The higher the profitability, the stronger the influence of the Dividend Policy on Company Value

CONCEPTUAL FRAMEWORK

The relationship between variables in this study has been described based on concepts and theories as well as empirical data, so the conceptual framework can be described as follows:

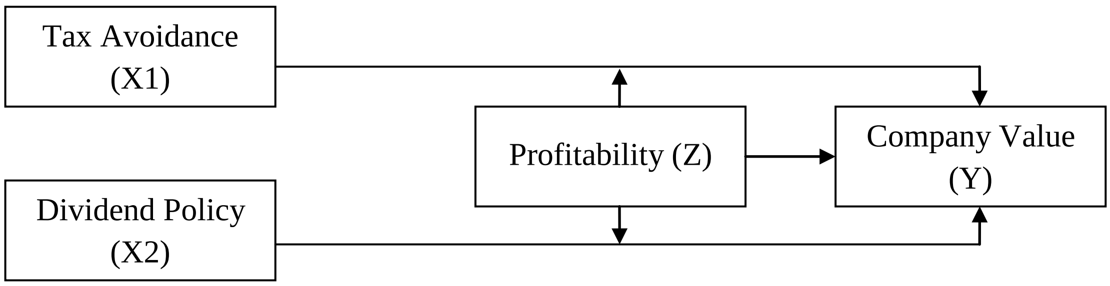

Figure 1. Conceptual Framework

The conceptual framework above describes the relationship between tax avoidance and Company Value. Tax avoidance is considered capable of influencing Company Value. When tax avoidance is high, it will increase Company Value. The relationship between dividend policy and Company Value. When the dividends distributed are high, the stock price which is a reflection of the value of the company tends to increase so that the value of the company will also be high.

The conceptual framework above also describes the relationship between tax avoidance and dividend policy on Company Value which is moderated by profitability, profitability is considered capable of influencing the relationship between tax avoidance and dividend policy on Company Value. It is suspected that profitability will strengthen the relationship between tax avoidance and dividend policy on Company Value.

METHODS

This type of research is causal associative. Causal associative research is research that is intended to reveal problems that are causal in nature between two or more variables(Sugiyono, 2019). This study aims to determine the effect of the independent variable tax avoidance and dividend policy on the dependent variable of Company Value with profitability as a moderating variable in various industrial sector manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the period 2017 to 2019.

The data collection method used in this research is the survey sample method. The population in this study are all manufacturing companies in the various industrial sectors listed on the Indonesia Stock Exchange (IDX) for the period 2017 to 2019, with 42 companies listed during that period.

The sample in this study was selected by non-probability sampling method with purposive sampling technique. The purposive sampling technique is a sampling technique with certain considerations(Sugiyono, 2019). The purpose of using purposive sampling is that the results obtained are more representative following predetermined criteria.

The criteria used in determining the sample of this study are as follows:

1) Various industrial sector manufacturing companies listed on the Indonesia Stock Exchange during the 2017-2019 research period.
2) Companies that publish audited financial statements that can be accessed through the IDX website (www.IDX.co.id) or from the company's official website during the 2017-2019 research period.
3) Companies that present financial statements in rupiah currency, so there is no difference because the exchange rate continues to change when presented in other currency units.
4) Companies that have positive pre-tax profits or no losses during the 2017-2019 research period
5) Companies that always distribute dividends during the 2017-2019 research period.

The sampling process based on the five criteria above resulted in the number of companies that met the research sample criteria of 12 companies. The sources of data used in this study are secondary data. Secondary data is a source of data obtained indirectly through media intermediaries, usually in the form of evidence, reports, or notes arranged in archives, both published and unpublished (Hastuti, 2013). In this research, the secondary data is in the form of a report that has been published by the Indonesia Stock Exchange through www.IDX.co.id and the official website of each sample company.

Data analysis is a process after the data has been collected to be further processed through the stages and described according to the analytical procedures that will be used so that the data is easy to understand and to test hypotheses. Data analysis in this study used the SPSS 25 software program.

Moderation regression analysis was used to examine the profitability variables in moderating the respective effects of tax avoidance and dividend policy on Company Value. The direct relationship of tax avoidance to Company Value and dividend policy to Company Value uses multiple linear regression. Meanwhile, to examine the interaction effect of the profitability moderating variables that support the respective effects of tax avoidance and dividend policy on Company Value, Moderated Regression Analysis (MRA) is used.

Moderated Regression Analysis (MRA) or interaction test is a special application of linear regression in which the regression equation contains interaction elements ETR*ROE and DPR*ROE (multiplication of two or more independent variables). The multiplication variable is also moderate because it describes the moderating effect of the ROE variable on ETR or DPR on the Tobins' Q variable (Liana, 2009).

RESULTS

This simple and moderate regression analysis was processed using the SPSS 25 software program. The results of the regression analysis in this study can be seen in the following table:

Table 1. Results of Linear Regression Analysis

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	0.843	0.349		2.412	0.026
	TA	-0.253	0.542	-0.024	-0.466	0.646
	DPR	0.001	0.003	0.042	0.548	0.590

Dependent Variable: TOBINS

1) Tax avoidancehas a significance value of 0.646 and a regression coefficient value of -0.253. Because the significance of the value of is greater than 5% (0.646 > 0.05), the tax avoidance (TA) variable has a negative but not significant effect on Company Value (Tobins'Q).
2) Dividend policy has a significance value of 0.590 and a regression coefficient value of 0.001. Because the significance of the value of is greater than 5% (0.590 < 0.05), the dividend policy variable (DPR) has a positive but not significant effect on Company Value (Tobins'Q).

The results of the Moderated Regression Analysis (MRA) can be seen in the table below,

Table 2. Results of Linear Regression Analysis Equation 2

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	0.931	0.972		0.958	0.346
	TA	-0.697	1.308	-0.067	-0.533	0.598
	DPR	0.002	0.004	0.050	0.442	0.661
	ROE	0.102	0.160	1.040	0.641	0.526
	TA*ROE	-0.101	0.205	-0.804	-0.491	0.627
	DPR*ROE	0.001	0.000	0.708	3.675	0.001

a. Dependent Variable: TOBINS

The interaction variable regression coefficient (TA*ROE) is -0.101. The regression coefficient figure of -0.101 means that if the interaction variable (TA*ROE) decreases, the Company Value will increase assuming other variables are constant. The interaction variable (TA*ROE) has a significance value of 0.627 and a regression coefficient value of -0.101. Because the significance of the value is greater than 5% (0.627 > 0.05), the interaction variable (TA*ROE) has a negative and insignificant effect on Company Value (Tobins'Q).

TA and ROE to Tobins'Q show that the significance value of the ROE variable is 0.000. This value is smaller than 0.05, which means that the ROE variable has a significant effect on Tobins'Q. In conclusion, because the ROE value is significant and the TA*ROE value is not significant, it can be said that the ROE variable is a moderating predictor.

The regression coefficient of the interaction variable (DPR*ROE) is 0.001. The regression coefficient figure of 0.001 means that if the interaction variable (DPR*ROE) increases, the Company Value will increase assuming other variables are constant.

The interaction variable (DPR*ROE) has a significance value of 0.001 and a regression coefficient value of 0.001. Because the significance of the value is less than 5% (0.001 < 0.05), the interaction variable (DPR*ROE) has a positive and significant effect on Company Value (Tobins'Q).

The ROE variable has a significant effect on Tobins'Q and the significance value of the DPR*ROE variable is 0.001 meaning that because the ROE value and the DPR*ROE value are both significant, it can be said that the ROE variable is a quasi-moderation.

DISCUSSION

The Effect of Tax Avoidance on Company Value

Tax avoidance has a positive and insignificant coefficient, this means that tax avoidance is directly proportional to the value of the company. If tax avoidance increases, the value of the company will also increase. The results of this study support the signal theory, tax avoidance activities that have been carried out are expected to provide a positive signal to investors which will have an impact on increasing Company Value. Because basically the value of the company can be said to be good, one of which is indicated by an increase in stock prices. Companies that carry out tax avoidance activities can increase the value of their company shares because the profits generated by large companies tend to attract investors to invest in these companies. Investors generally pay attention to the profitability of a company when they want to invest.

According to the traditional perspective expressed by Chen, et al. (2016), tax avoidance is a tool for transferring wealth from the Government to shareholders to maximize shareholder's value. Tax avoidance can be done by minimizing tax payments so that the company's profitability increases. Tax avoidance is used to fulfill the right tax obligations but seeks to take advantage of various opportunities that exist in tax policies that benefit the company and are carried out in a legal way (Saskia and Andyarini, 2020).

These results are in line with research by Herdiyanto & Ardiyanto (2015), Oyeyemi et al. (2016), and Pratiwi (2018) which state that tax avoidance can increase Company Value, so tax avoidance has a positive effect on Company Value.

The Effect of Dividend Policy on Company Value

Dividend policy has a positive and significant coefficient, this means that dividend policy is directly proportional to Company Value. If dividend payments increase, the value of the company will also increase. This study supports the bird in the hand theory which states that investors prefer the company's profits to be distributed in the form of dividends compared to retained earnings because dividend distribution can reduce uncertainty and reduce risk. Following the signal theory, an increase in dividend payments is a positive signal given by the company to investors that the company's prospects will be better, dividends distributed to investors are an indicator that the company has the opportunity to grow in the future.

The results of this study are in line with the results of research conducted by Senata (2016), Prastuti and Sudiarta (2016), Sihotang and Saragih (2017), and Musabbihan and Purnawati (2018) in line with the results of research by M'Rabet and Boujjat (2016) who found dividend policy has a positive and significant effect on Company Value.

The Effect of Tax Avoidance on Company Value with Profitability as Moderating Variable

The results of this study state that profitability cannot moderate the relationship of tax avoidance to Company Value, because it can be indicated that companies that are more efficient and have high profits pay lower tax burdens (Gimilang, in Sidanti and Cornaylis, 2018). The way that companies do to optimize profits is not only by taking illegal or unlawful tax savings actions but also by making efficient use of the company in a legal way so that it does not have an impact on the company's stock price (Sidanti and Cornaylis, 2018).

The results of this study are in line with research conducted by Jonathan and Tandean (2016) and Sidanti and Cornaylis (2018) which found that profitability cannot moderate the effect of tax avoidance on Company Value.

The Effect of Dividend Policy on Company Value with Profitability as Moderating Variable

In the results of this study, ROE shows the company's performance is getting better because the rate of return on investment is getting bigger. Return received by investors can be in the form of dividend income. Increasing ROE will also increase dividend income. This is in line with the signal theory which states that an increase in dividends can be a positive signal for investors to invest. This also shows that companies with a high DPR level get good appreciation from investors so that the company's stock price becomes high and therefore the value of the company also becomes high.

The results of this study are in line with research conducted by Oktaviani and Astika (2016) and Wulandari et al. (2020) who found that profitability was able to moderate the effect of dividend policy on Company Value. Based on the results of this study, it can be concluded that the company can generate profits to increase shareholder value by utilizing its equity. Profits that deserve to be distributed to shareholders are profits after interest and taxes.

CONCLUSION

Based on the results of the analysis and discussion that have been described previously, the following conclusions can be drawn:

1) Tax avoidance has a positive and insignificant effect on Company Value, which means it shows that the higher the tax avoidance activities carried out by the company, the higher the Company Value. This happens because companies that carry out tax avoidance activities can increase the value of their company shares. After all, the profits generated by large companies tend to attract investors to invest in these companies. Investors generally pay attention to the profitability of a company when they want to invest.
2) Dividend policy has a positive and significant effect on Company Value, which means an increase in dividend payments can increase Company Value. The increase in dividend payments is a signal given by the company to investors that the company's prospects will be better, so investors are interested in buying company shares, a high increase in stock demand will be in line with high stock prices, with high stock prices it will increase the value of the company.
3) Profitability is not able to moderate the effect of tax avoidance on Company Value, because it can be indicated that companies that are more efficient and have high profits pay lower tax burdens. The way the company does to optimize profits is not only by taking tax savings actions but also by making efficient use of the company in a legal way so that it does not have an impact on the company's stock price.
4) Profitability can moderate the effect of dividend policy on Company Value, meaning that an increase in the profitability of the company will have an impact on increasing the company's cash flow which is a source of funds for dividend payments to investors. An increase in dividend payments can be a positive signal for investors and also shows that a company with a high DPR level gets a good appreciation from investors so that the company's stock price is high and therefore the value of the company is also high.

RECOMMENDATION

Based on the results of the research and the conclusions that have been given, several suggestions are proposed as follows:

1) For investors, it is hoped that the results of this study can provide information for consideration and contribution of thoughts in making decisions, especially those related to company value. The results of this study are expected to be useful as a consideration to make investment decisions.
2) For further research, it can be used as a reference when researching the effect of tax avoidance and dividend policy on Company Value with profitability as a moderating variable. This research can develop using different variables as independent, dependent, and moderating.

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