



EFFECT OF FINANCIAL PERFORMANCE, AUDIT QUALITY, INDEPENDENT COMMISSIONER ON *EFFECTIVE TAX RATE*

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ABSTRACT

This study aims to analyze the influence of financial performance, quality audit, independent commissioner to the effective tax rate. By using a sample of 30 real estate & property company listed in Indonesia Stock Exchange in the year 2015 to 2018 the number of data 71 after deducting the data outlier. The method used is multiple linear regression. The results of this analysis, the variable size of the company does not affect the effective tax rate, leverage does not affect the effective tax rate, profitability affect the effective tax rate, capital intensity ratio does not affect the effective tax rate, inventory capital ratio affect the effective tax rate, quality audit affect the effective tax rate, independent commissioner affect the effective tax rate. Based on the test of the coefficient of determination (R²) equal to 27.3% of the variable effective tax rate can be explained by the variable firm size, leverage, profitability, capital intensity ratio, inventory capital ratio, quality audits, independent commissioner while 72.7% are influenced by variables other.

Keywords: *financial performance; KAP; Independent Commissioner; ETR*

1. INTRODUCTION

Indonesia is a developing country that has a high potential of taxation. With the tremendous growth in the number of companies in Indonesia which is one of the real estate sector and property to make the government hopes the tax in Indonesia is also increasing as well. Given the importance of the role of taxes for the government. The government has tried to be no escape from paying taxes. However, it betolak back to the company trying to manage taxes in order to reduce the tax burden paid for not too much parse profits.

The company's growth in Indonesia to make the government in

2008 did make up about taxation in a revised Law No.36 with a decreased incentive tax rates for corporate taxpayers. But there are still a lot of tax evasion practices in Indonesia. For example, in 2019 the DGT studying case Adiro Energy Tbk PT suspected cult of transfer pricing with a subsidiary in Singapore to sell coal at a bargain price to a subsidiary and then resold at a higher price. Through the company Global Witness discovered the potential tax payments lower than it should be worth \$ 125 million US to the Indonesian government. (Kompas.com).

There gap research in this study the variables of variable size

companies with *effective tax rate* is the research conducted by Batmomolin (2018) which states the size of the company affect the ETR while research Rahmawati and Mildawati (2019) states that the size of the company does not affect the ETR. Variable leverage with the ETR is the research conducted by the Earth et al (2018) demonstrate that the leverage effect on the ETR. Batmomolin (2018) stated leverage does not affect the ETR. Variable profitability with effective tax rate is the research conducted by the Women and Gunawan (2017) stated that profitability affects the ETR. While the research conducted by Ambarukmi and Diana (2017) states otherwise. variable *capital intensity ratio* the effective tax rate is the research conducted by Ambarukmi and Diana (2017) proved that *capital intensity ratio* affects the ETR while research conducted by Batmomolin (2018) states *capital intensity ratio* does not affect the effective tax. Inventory variable capital ratio with effective tax rate is the research conducted by Pertiwi et al (2018) states that *inventory capital ratio*

affect the effective tax rate, while research conducted by Batmomolin (2018) suggest otherwise. The variable quality of the audit with the effective tax rate is the research done Salaudeen and Akano (2018) stated that the quality of audits affect the effective tax rate, while research conducted by Wang et al (2014) state that does not affect the quality audit *effective tax rate*, variable independent commissioner with *effective tax rate* research conducted by Wulansari et al (2015) states that an independent commissioner affect the effective tax rate, while research conducted by susiliwati et al (2018) showed no effect on the independent commissioner *effective tax rate*,

Much research has been done on factors that may affect the effective tax rate, but the results are found to be varied accordingly authors conducted a study using variables has the writer explained above. So in this research, we examined the back the effect of financial performance, quality audit, an independent commissioner to effective tax rate.

2. LITERATURE REVIEW

2.1. Agency Theory

Agency theory explains that pemisahaan between management functions (management) with the function of ownership in a company (shareholders).

2.2. Effective Tax Rate

Effective tax rate which is the ratio between the real tax we pay

with commercial profit before tax (Richardson and Lanis, 2007).

2.3. size of company

The size of the company is a benchmark used to determine the size of the company's operations. The bigger the company led to the company becoming victims of greater regulation by the government.

2.4. leverage

leverage is a ratio used to measure a company's ability to pay all its obligations, both short- and long-term if the company is dissolved (Kashmir, 2017).

2.5. Profitability

Profitability is the ratio used to assess the ability of a company to seek profit or profit in a particular period. Profitability can be measured by OA.

2.6. Intensity Capital Ratio

Capital Intensity Ratio is the investment activities undertaken by the company related to investments in fixed assets (fixed asset intensity).

2.7. Intensity capital ratio

The ratio between the amount of inventory to total assets of the

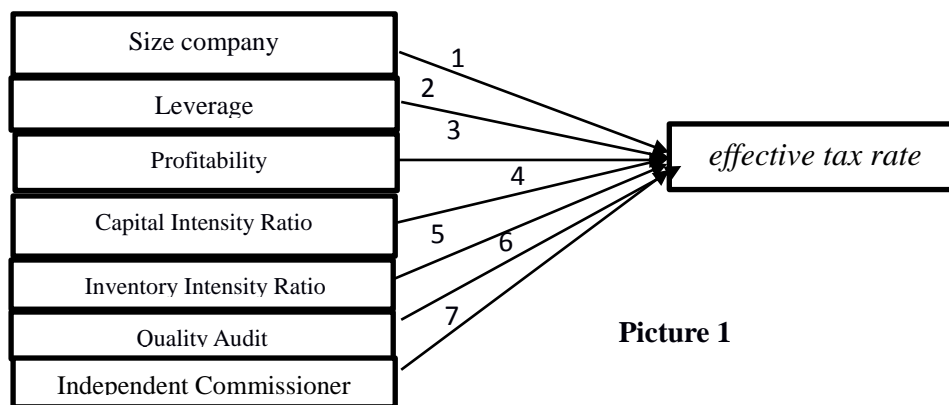
company. Costs incurred because of their large inventory could reduce corporate profits.

2.8. Quality audits

Audit quality is the performance of auditors in the audit process in accordance with professional standards of public accounting (SPAP), audit expertise, and code of conduct of public accounting profession.

2.9. Independent commissioner

Independent commissioners are outsiders who do not have the internal relationships in companies either directly or indirectly. The management board of commissioners will be difficult to make cheating on taxes to be paid.



Picture 1

2.3. Formulation Of Hypotheses

- H1 = Size companies affect the effective tax rate
- H2 = Leverage affect the effective tax rate
- H3 = Profitability affect the effective tax rate
- H4 = Capital intensity ratio affect the effective tax rate
- H5 = Inventory capital ratio affect the effective tax rate

- H6 = Quality audits affect the effective tax rate
- H7 = independent Commissioner affect the effective tax rate

3. RESEARCH METHODS

This research is classified by associative causal research that aims

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to determine the causal relationship between two or more independent variables and the dependent variable (Gurawati, 2013).

3.1. Data collection technique

This study uses secondary data in the form of annual report taken from the Indonesia Stock Exchange www.idx.com and on the official website of real estate companies and property.

3.2. Operational definition of variables

Depended variable used is the effective tax rate while the dependent variable in this study are Size company, Leverage, Profitability, Capital intensity ratio, capital ratio

Inventory, Quality audits, independent.

3.3. Sample collection techniques

The population in this study real estate and property company listed on the Stock Exchange in 2015-2018. To determine the sample using purposive sampling. The sample in this study 30 real estate companies and properties listed on the Stock Exchange in the year 2015 to 2018 with the amount of data the data outlayer 49 120 minus the data so the processed data are 71 Data

3.4. Data analysis technique

Data analysis technique used is multiple linear regression

4. RESULTS AND DISCUSSION

4.1. Descriptive Statistics

Descriptive statistical analysis is used to illustrate the mean value,

maximum value, minimum value, standard deviation.

Table 1: Descriptive statistics

variable	N	noodles	max	mean	Std. devia
DER	71	27.84	31.58	29.75	0.98
ROA	71	0.06	3.70	0.76	0.61
CIR	71	0.01	0.26	0.07	0.05
ICR	71	0,00	0.70	0.09	0.14
KA	71	0,00	0.73	0.24	0.20
KI	71	0,00	1.00	0.26	0.44
ETR	71	0.25	0.67	0.39	0.08
	71	0,00	0.04	0.01	0.01

Source: Descriptive statistics

4.2. Classic Assumption Test

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Normality Test

Table 2: One Sample KS-Test

	Sig	Std	Information
Asymp.Sig. (2-tailed)	0.06	> 0.05	Normal

Source: results of data processing SPSS 22

Table 2, the high sign = 0.06, if used the 0.05 significance level, it can be concluded that the variable effective tax rate has normally distributed data.

Test Multicollinearity

Table 3: Test Results Multicollinearity

	Tolerance	Std	VIF	Std	Information
SIZE	0.634	> 0.1	1,577	<10	No Multicollinearity
DER	0.719	> 0.1	1.392	<10	No Multicollinearity
ROA	.784	> 0.1	1.275	<10	No Multicollinearity

From the table above it can be seen that the value of all the variables have more tolerance value

CIR	0.657	> 0.1	1,522	<10	No Multicollinearity
CR	0.693	> 0.1	1,443	<10	No Multicollinearity
KA	0.678	> 0.1	1.475	<10	No Multicollinearity
KI	.750	> 0.1	1,333	<10	No Multicollinearity

Source: results of data processing SPSS 22

of 0.10 and VIF is less than 10, so we can conclude all independent variables multicollinearity.

Autocorrelation Test

Table 4: Test results autocorrelation

	Test Run	Std	Information
Asymp.Sig. (2-tailed)	.189	> 0.05	Non autocorrelation

Source: results of data processing SPSS 22

Based on Table 4 it can be seen that the value of the test run 0.189 more than 0.05 so that it can be concluded that the residual random (random) or free of autocorrelation

Heteroscedasticity Test

Table 5: Heroscedasticity

Model	Sig.	Std	Information
SIZE	0.679	> 0.05	Non heteroskedastisitas
KA	0.797	> 0.05	Non heteroskedastisitas
KI	0,900	> 0.05	Non heteroskedastisitas

Source: results of data processing SPSS 22

DER	.920	> 0.05	Non heteroskedastisitas
ROA	0.661	> 0.05	Non heteroskedastisitas
CIR	0.403	> 0.05	Non heteroskedastisitas
ICR	.738	> 0.05	Non heteroskedastisitas

Based on the above table that sig on the independent variable is more than 0.05. So it can be concluded that in this study are free of heteroskedastitas

4.3. Regression analysis

Table 6

Test Results Multiple Linear Regression

variables	Coefficients
	unstandardized
	B
(Constant)	-0.51
SIZE	0,002
DER	0,000
ROA	-0.052
CIR	-0.002
ICR	0,016
KA	0.007
KI	-0.027

Source: results of data processing SPSS 22

The regression equation :

$$Y = -0.51 + 0.002 X1 X2 + 0.000 + 0.016 - 0.052 X3 X4 X5 - 0.002 - 0.027 + 0.007 X6 X7$$

This means:

1. Without increasing the size of the company, leverage, profitability, capital intensity ratio, capital ratio inventory, audit quality, the value of the independent commissioner

effective tax rate will decrease by -0.51

2. The size of the company rose 1 point will increase effective tax rate amounted to 0,002
3. Leverage rose 1 point will increase effective tax rate amounted to 0,000 times.
4. Profitability rose 1 point will decrease effective tax rate amounted to -0.052 times
5. Capital intensity ratio rose 1 point will decrease effective tax rate amounted to -0.002 times.
6. Inventory capital ratio rose 1 point will increase effective tax rate amounted to 0.016 times
7. Quality audits rose 1 point will increase effective tax rate amounted to 0.007 times
8. Independent commissioner rose 1 point will decrease effective tax rate amounted to -0.027 times.

Test The Feasibility Of The Model (Test F)

Table 7
F Test Results

Ket	Fhit	Ftabel	Sighit	Sig.	result
F Test	4,455	> 2.16	0,000	<0.05	Eligible models

Source: results of data processing SPSS 22

Hypothesis Test (T Test)

Table 8
T Test Results

Hypo	t	Ttabel	Sig.	Std	Information
SIZE	1.838	1,998	0.07	0.05	Rejected
DER	-0.191	-1.998	0.84	0.05	Rejected
ROA	-2.226	-1.998	0.03	0.05	Accepted
CIR	-0.261	-1.998	0.79	0.05	Rejected
ICR	2.652	1,998	0.01	0.05	Accepted
KA	2,451	1,998	0.01	0.05	Accepted
KI	-2.015	-1.998	0.04	0.05	Accepted

Source: results of data processing SPSS 22

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Discussion

The Effect Of Company Size To Effective Tax Rate

Company size does not affect the effective tax rate. This means that the lower or the higher the size of a company does not affect the effective tax rate, the research results are in line with research Rahmawati and Mildawati (2019) which states that the size of the company does not affect the effective tax rate. Companies that have a large size with assets that can be managed to generate profits. But the company can not take advantage of their assets to increase its profit.

The Effect Of Leverage To Effective Tax Rate

Leverage does not affect the effective tax rate. This means that the higher or even lower leverage does not affect the effective tax rate. Only leverage level will only affect the funding of the company instead of how companies generate profits. This is in line with research Ambarukmi and Diana (2017).

The effect of Profitability to Effective Tax Rate

Profitability affect the effective tax rate. This means that the higher the profitability of the resulting lower effective tax rate value and vice versa companies with low profitability, the value higher effective tax rate. Companies that have a large profit will be in focus

for the government so that the company will easily get lobbying to the government so that the tax burden is reduced. This study is in line with research conducted by Putri and Gunawan (2017),

The Effect Of Capital Intensity Ratio To Effective Tax Rate

Capital intensity ratio does not affect the effective tax rate. This means that the higher or lower capital intensity ratio does not affect the effective tax rate of a company. This study is in line with research conducted by Batmomolin (2018). Assets have an important role for the company's operations in order to gain profit.

The effect of Inventory capital ratio to Effective Tax Rate

Inventory capital ratio affect the effective tax rate. This means that the higher the value of inventory capital ratio higher the value of the effective tax rate. vice versa the lower the value of inventory capital ratio the lower the value of the effective tax rate. The company will invest a fortune on supplies. This makes the value of the effective tax rate will also increase. This study is in line with research conducted by Ambarukmi and Diana (2017).

The Effect Of Quality Audits To Effective Tax Rate

Quality audits affect the effective tax rate. This means that the higher the quality audit, the higher the effective value tax rate. vice versa the lower the lower the quality audit effective tax rate value. Quality audits can be seen from public accounting firms that audit. Public

accounting firms are required to their transparency and accurate disclosure of truth. Companies audited by the big four accounting firm is more trusted than non-big four accounting firm. KAP big four would reduce tax avoidance measures. This study is in line with research conducted by Salaudeen and Akano (2018) states that affect the quality audit *effective tax rate*

The Effect Of Independent Commissioner To Effective Tax Rate

Independent commissioner affects the effective tax rate. This means that any increase or decrease in independent board affect the effective tax rate. Commissioners are one form of good governance in a **The coefficient of determination**

company that is responsible for controlling and monitoring the company's management in making decisions for the company. The Board of Commissioners also oversees the company's management to comply with and implement the law taxation applicable in Indonesia. This study is in line with research conducted by Wulansari et al (2015) which prove that the commissioners affect the effective tax rate. This study contradicts the studies conducted by Marita et al (2013) which states that the independent board does not affect the tax effective rate.

Table 9
Coefficient Determination Test Results

Model	Adjusted R Square	Information
1	0.273	variable firm size, leverage, profitability, capital intensity ratio, inventory capital ratio, quality audits, independent commissioner simultaneously affect the variable <i>effective tax rate</i> 27,3%

Source: results of data processing SPSS 22

5. CONCLUSION

Based on research that has been done, it can be concluded that:

1. Variable size of the company does not affect the effective tax rate. This research is in line with research Rahmawati and Mildawati (2019).
2. Variable leverage does not affect the effective tax rate. This study is in line with research Batmomolin (2018).
3. Profitability variables affect the effective tax rate. The study was consistent with research daughter and Gunawan (2017).
4. Variable capital intensity ratio does not affect the effective tax rate. This study is in line with research Batmomolin (2018).
5. Capital intensity ratio variables affect the effective tax rate. This study is in line with research Pertiwi et al (2018).
6. Variables affect the quality audit of the effective tax rate. This

study is in line with research Salaudeen and Akano (2018).

7. Independent commissioner variables affect the effective tax

rate. This research is in line with research from Wulansari et al (2015).

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