The Influence of Tax Planning, Tax Avoidance, and Deferred Tax Assets on the Value of Financial Sector Companies

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Abstract

The primary objective of this research is to investigate the impact of tax planning, tax avoidance, and deferred tax assets on the valuation of enterprises operating within the financial industry. The used dataset comprises panel data obtained from firms that are publicly listed on the Indonesia Stock Exchange (IDX) during a certain timeframe. The used statistical technique for analysis is multiple linear regression. The findings indicated that the factors of tax planning, tax avoidance, and deferred tax assets did not have a statistically significant impact on the company's worth when considered collectively. However, it is worth noting that the impact on the company's value is mostly influenced by deferred tax assets, whereas tax planning and tax avoidance do not have a substantial effect.

Keywords: Tax planning, Tax avoidance, Deferred tax assets

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Introduction

The advancement of technology and the rapid expansion of society have a direct influence on the economic system, which in turn affects companies involved in supplying consumer goods. The growth of the economy will undoubtedly lead to an increase in consumer demand for goods and services, motivating companies to meet diverse consumer needs. Furthermore, it is inevitable that each firm will engage in competition with one another in order to capture a larger portion of the market and attract a larger customer base, all with the objective of optimizing financial gains. In order to attain this objective, it is important for corporations to implement a range of modifications, including the expansion and augmentation of production capacity, with the aim of satisfying customer demand and establishing competitiveness against analogous enterprises. The company's performance influences the evaluation provided by external parties. The company's value serves as a standard for formulating policies by managers, shareholders, and potential investors. The rising value of the company directly affects the perception and profitability of the shareholders.

Enhanced corporate management is positively correlated with increased profitability and heightened investor interest in the organization. Taxation is one of the several aspects that may be used to enhance the worth of a business. Taxation plays a crucial role in the financial framework of nations worldwide as it serves to bolster a country's income budget (Di John, 2007; Besley & Persson, 2014). Hence, taxation serves as the fundamental source of governmental income (Maryantika & Wijaya, 2022; Khaltar, 2024). Nevertheless, when seen through the lens of corporate governance, the act of tax payment becomes an onerous obligation that has the potential to diminish the net profit acquired by the organization. The firm's management holds the belief that tax payments will diminish the net profit generated, hence

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the corporation endeavors to minimize the payment of its outstanding tax obligations. Tax planning is the first stage in effectively managing a company's tax obligations. Tax avoidance is a viable strategy for tax planning. Krieg & Li (2021) expressly address tax reductions. The corporation incurs direct costs associated with tax evasion, including expenses related to implementation, harm to reputation, legal risks, and other related expenses. Companies should use more caution when engaging in tax planning to prevent tax avoidance from being categorized as tax evasion, which is a criminal act. Furthermore, the company's objectives might be influenced by tax planning and tax avoidance strategies, namely via the use of deferred tax assets. Machdar & Nurdiniah (2021) define deferred tax assets as assets that arise when a positive adjustment due to time difference leads to a tax burden that is lower than the actual tax burden, as determined by commercial accounting. The presence of deferred tax assets may be attributed to the future recovery of income tax, which arises from transitory disparities between deductible and residual loss compensation. Based on the business's tax burden, it is evident how the firm conducts its operations. The transparency of a company is a crucial factor that investors evaluate when deciding to trust and collaborate with a company. Siregar (2021).

Within the company's operations, several tasks will be overseen to determine the budget allocation for tax expenditures. According to Kohlhase and Wielhouwer (2023), the tax burden incurred by a corporation is a factor that diminishes its earnings. This is due to the inverse relationship between the amount of responsibility assumed by a firm and the magnitude of its profit. Tax planning refers to the strategic management of taxpayers' tax obligations with the aim of minimizing their tax liabilities, as determined by Estiasih & Saraswati (2021). Companies achieve tax efficiency via tax planning, which enables them to enhance their production and work capacity for survival. Effective tax planning directly correlates with the company's worth. By generating profits via reduced tax payments, the firm may achieve substantial financial gains, so demonstrating a growth in the company's worth.

Methods

The present investigation used a quantitative methodology, using multiple linear regression analysis techniques. The data used in this study consists of panel data obtained from firms operating in the financial sector that are listed on the Indonesia Stock Exchange (IDX). The factors under investigation include tax planning, tax avoidance, deferred tax assets, and corporate value. The process of data collecting involves doing literature reviews and gathering secondary data from the financial accounts of the firm. The methods used for data analysis include conventional assumption tests such as normality, multicollinearity, autocorrelation, and heteroscedasticity, as well as multiple linear regression analysis, simultaneous testing (F test), and partial tests (t test).

Results and Discussion

Classical Assumption Test

Normality Test

The normality test is a valuable tool for assessing the normal distribution of obtained data. The present research used Kolmogorov-Smirnov's One Sample test for the purpose of assessing normalcy. The data distribution in this research was determined using the normality test using Kolmogorov Smirnov's One Sample approach. The study focused on one model, namely the relationship between Tax Planning, Tax Avoidance, Deferred Tax Assets, and Company Value. The normalcy test results are shown in the table below:

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Table 1. Normality Test Results Before Outliers

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		69
Normal Parametersa,b	Mean	,0000000
	Std. Deviation	22386,7496209
Most Extreme Differences	Absolute	,481
	Positive	,481
	Negative	-,432
Test Statistics		,481
Asymp. Sig. (2-tailed)		,000c
a. Test distribution is Normal.		
b. Calculated from data.		
c. Lilliefors Significance Correction.		

Source: Processed Data, 2024

According to Table 1, the results of the data normality test indicate that the data does not follow a normal distribution, with a significance level of 0.000 < 0.05. Outliers may be used in statistics to handle data that does not follow a normal distribution. Consequently, researchers do data analysis on outliers. Outlier tests are often conducted on data that exhibit distinct features that deviate significantly from the rest of the observations. These outliers manifest as extreme values, either for a single variable or a combination of variables.

The results of the normality test conducted on the data obtained from the Outlier Test are shown below.

Table 2. Normality Test Results After Outlier Test

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		45
Normal Parametersa,b	Mean	8562372,0239
	Std. Deviation	1284502,67554
Most Extreme Differences	Absolute	,081
	Positive	,069
	Negative	-,081
Test Statistics		,129
Asymp. Sig. (2-tailed)		,200c,d
a. Test distribution is Normal.		
b. Calculated from data.		
c. Lilliefors Significance Correction.		
d. This is a lower bound of the true significance.		

Source: Processed Data, 2024

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Table 2 presents the results of the normality test, indicating a significant value of 0.200, which above the threshold of 0.05. This suggests that the data used in this investigation have a normal distribution.

Multicollinearity Test

The purpose of the multicollinearity test is to determine whether the regression model has identified any association among the independent variables. A desirable characteristic of a regression model is the absence of correlations among its independent variables. The presence of multicollinearity in the regression model may be assessed by examining the tolerance value and Variance Inflation Factor (VIF). If the tolerance value exceeds 0.10 or the VIF is less than 10.00, it indicates the absence of multicollinearity among the independent variables. The results of the multicollinearity assessment are shown in the following table.

Table 3. Multicollinearity Test Results

Coefficientsa			
Type		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Tax Planning	,994	1,006
	Tax Avoidance	,999	1,001
	Deferred Tax Assets	,993	1,007
a. Dependent Variable: Income Smoothing			

Source: Processed Data

In Table 3. it is obtained that all independent variables have a *Tolerance* value above 0.1 and a VIF value below 10. Thus in this model there is no problem of Multicollinearity.

Autocorrelation Test

The autocorrelation test is conducted to see whether there is a connection between the residual errors in period t and the residual errors in the preceding period (t-1) in the linear regression model. Autocorrelation should not arise in a well-constructed regression model. The Run Test test is used to do autocorrelation testing on regression models. The autocorrelation findings obtained from the Run Test are shown in the following table:

Table 4.Autocorrelation Test Results

Runs Test	
	Unstandardized Residual
Test Valuea	26,55386
Cases < Test Value	20
Cases >= Test Value	20
Total Cases	40
Number of Runs	18
Z	-,801
Asymp. Sig. (2-tailed)	,423
a. Median	

Source: Processed Data, 2024

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Table 4. shows the value of *Asymp.Sig.* (2-tailed) of 0.423 > 0.05 so that it can be concluded that the research data used does not occur autocorrelation.

Heteroscedasticity Test

The purpose of the heteroscedasticity test is to examine if there exists a disparity in variance across the residuals of different observations inside a regression model. Homoscedasticity refers to the condition where the variance of the residual between observations stays constant, whereas heteroscedasticity refers to the situation where the variance differs. The present research used the Park test to assess heteroscedasticity. The Park test is conducted by adjusting the residual and then using the natural logarithm transformation, followed by doing regression analysis on the independent variable. An effective regression model is characterized by the absence of heteroscedasticity. Here are the outcomes of the heteroscedasticity test:

Table 5. Heteroscedasticity Test Results

Coefficientsa						
Type		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	15,981	,202		78,981	,000
	Tax Planning	-,078	,030	-,308	-2,613	,011
	Tax Avoidance	,406	,491	,097	,827	,411
	Deferred Tax Assets	-,044	,099	-,052	-,441	,661
a. Dependent Variable: LN_RES						

Source: Processed Data, 2024

In Table 5. it is obtained that all variables in this study have a significance value of > 0.05 which means that there are no symptoms of heteroscedasticity.

Linearity Test

The Lagrange Multiplier is used in the linearity test to assess the linearity or lack thereof of the investigated data, specifically the relationship between the independent variable and the dependent variable. The primary objective of the Lagrange Multiplier test is to derive the computed c2 value, which is equivalent to the product of n and R2. The hypothesis asserting a linear model is rejected if the count of c^2 is greater than the count of c^2 in the table, and vice versa. The table displays the outcomes of the linearity test computation.

Table 6. Linearity Test Results

Model Summary				
Type	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.062a	,004	-,042	22897,53967
a. Predictors: (Constant), Deferred Tax Assets, *Tax Avoidance, Tax Planning* b. Dependent Variable: Company Value				

Source: Processed Data, 2024

Table indicates an R2 value of 0.004 for an observation n value of 69. Therefore, the magnitude of the C value2 count is calculated as 69 multiplied by 0.004, resulting in a value of 0.276. The

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resultant value is compared to the C2 table with a degree of freedom (df) of 69 and a significance threshold of 0.05. Consequently, the C2 count is less than the C2 table value of 0.276, which is 89.391. Therefore, it may be inferred that the model used is representing a linear relationship.

Statistical Test

Multiple Linear Regression Analysis

The utilization of multiple linear regression analysis is used to investigate the collective impact of independent factors on the dependent variable. This research used multiple linear regression analysis to investigate the impact of Tax Planning, Tax Avoidance, and Deferred Tax Assets on Company Value. The table shown below displays the outcomes of the multiple linear regression analysis conducted in this research.

Table 7. Multiple Linear Regression Results

Coefficientsa						
Type		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	2742,903	3986,780		,688	,494
	Tax Planning	-60,503	591,014	-,013	-,102	,919
	Tax Avoidance	661,585	9671,498	,008	,068	,946
	Deferred Tax Assets	923,292	1947,923	,059	,474	,637
a. Dependent Variable: Company Value						

Source: Processed Data, 2024

Based on table 4.11, it can be seen that the constant value (α value) is 2742.903 and for *Tax Planning* (β value) is -60.503.

So that the multiple linear regression equation can be obtained as follows:

Y = 2742.903+ -60.503X1 + 661.585X2 + 923.292X3 + ε

The constant value (A) is 2742.903, which is positive. The presence of a positive sign indicates a unidirectional relationship between the independent variable and the dependent variable. This demonstrates that in the absence of any changes in the independent variables, such as Tax Planning (X1), Tax Avoidance (X2), and Deferred Tax Assets (X3), the Company Value is estimated to be 2742,903.

The coefficient value for the Tax Planning (X1) variable in the regression analysis is -60.503. There is a negative correlation between the variables of Tax Planning and Company Value, indicating an adverse impact. This implies that a 1% rise in the Tax Planning variable will result in a corresponding loss of 60,503 in the Company Value variable. In the event that the other variables stay unchanged.

The coefficient of the regression model for the Tax Avoidance (X2) variable is 661.585, indicating a positive relationship. This finding indicates that a 1% rise in Tax Avoidance is associated with a corresponding gain of 661,585 in Company Value, while holding other

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independent factors constant. The presence of a positive sign indicates a unidirectional relationship between the independent variable and the dependent variable.

The coefficient of the regression model for the variable Deferred Tax Asset (X3) is 923.292. This finding indicates that a 1% rise in Deferred Tax Assets is associated with a corresponding increase of 923,292 in Company Value, while holding all other independent variables constant. The presence of a positive sign indicates a unidirectional relationship between the independent variable and the dependent variable.

Correlation Coefficient Analysis (R Test)

The primary objective of the correlation coefficient (R) test is to quantify the magnitude of the linear link between two variables. The value of r varies from 0 to 1. A value closer to 1 indicates a stronger association, while a number closer to 0 indicates a weaker link. The correlation coefficient data are shown in the following table.

Table 8. Correlation Coefficient Results

Model Summary				
Type	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.062a	,004	-,042	22897,53967

Predictors: (Constant), Deferred Tax Assets, Tax Avoidance, Tax Planing Source: Processed Data, 2024

According to the data presented in Table 4.12, the correlation coefficient between Tax Planning, Tax Avoidance, and Deferred Tax Assets is 0.062. This value falls within the range of "0.00 – 0.199" as per the guidelines for interpreting correlations. Consequently, the level of relationship between Tax Planning, Tax Avoidance, Deferred Tax Assets, and Company Value can be classified as Very Weak.

Coefficient of Determination Analysis (R^2)

The coefficient of determination, denoted as R^2, is a statistical measure that quantifies the degree of determination. Coefficient of determination quantifies the extent to which a model can account for the variability seen in the dependent variable. The determination value ranges from zero to one. A low R2 value indicates that the independent variables have a limited capacity to account for the variance in the dependent variable. A proximity to unity indicates that the independent variables provide a substantial amount of information necessary for forecasting the fluctuations in the dependent variable.

The coefficient of determination (R2) or R Square derived in Table 4.12 is 0.004. This indicates that Tax Planning, Tax Avoidance, and Deferred Tax Asset factors account for 0.4% of the explanation or effect, whereas the remaining 99.6% is affected by other variables not included in this research.

Simultaneous Test (Test F)

The concurrent impact test examines whether all independent variables included in the model collectively have an effect on the dependent variable. The table below displays the calculated results of the F test.

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Table 9. Simultaneous Test Results (Test F)

Type		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	129463402,364	3	43154467,455	,082	.969b
	Residuals	34079325984,096	65	524297322,832		
	Total	34208789386,459	68			
a. Dependent Variable: Company Value						
b. Predictors: (Constant), Deferred Tax Assets, Tax Avoidance, Tax Planing						

Source: Processed Data, 2024

Table 9 demonstrates that the collective influence of the independent factors has a statistically significant impact on the dependent variable. This can be shown by the probability value (Sig) of 0.969, which is more than the significance level of 0.05. This indicates that the variables Tax Planning, Tax Avoidance, and Deferred Tax Assets do not together impact Company Value.

Partial Test (Test t)

The t-test quantifies the extent to which a single explanatory or independent variable affects the variance in the dependent variable. The t-test is used to assess the partial impact of each independent variable. One possible approach to doing this test is comparing the t count with the t table or examining the significant column associated with each t count.

Table 10. Partial Test Results (Test t)

Type		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	2742,903	3986,780		,688	,494
	Tax Avoidance	-60,503	591,014	-,013	-,102	,919
	Cash Holding	661,585	9671,498	,008	,068	,946
	Debt To Equity Ratio	923,292	1947,923	,059	,474	,637
a. Dependent Variable: Company Value						

Source: Processed Data, 2024

Table 10 displays the impact of Tax Planning, Tax Avoidance, and Deferred Tax Assets variables on Company Value. This phenomenon may be characterized as follows: The probability value (sig) of 0.919 for the Tax Planning variable on the Company Value variable is greater than 0.05, indicating that Tax Planning does not have a statistically significant impact on Company Value. The Tax Avoidance variable has a probability value (sig) of 0.946, which is more than the significance level of 0.05. This indicates that Tax Avoidance does not have a statistically significant impact on Company Value. The probability value (sig) of 0.637 for the Deferred Tax Asset variable versus the Company Value variable is more than 0.05, indicating that the Deferred Tax Asset has a statistically significant impact on the Company Value.

Conclusion

Based on the results of the study, it was found that deferred tax assets have a significant positive influence on the value of companies in the financial sector on the Indonesia Stock Exchange (IDX), indicating that companies with larger deferred tax assets tend to have higher market

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values. However, tax planning and tax avoidance practices do not have a statistically significant effect on company value, highlighting the complexity of the relationship between tax practices and corporate market valuation in Indonesia. Therefore, the study provides valuable insights for practitioners and decision makers, emphasizing the importance of considering the broader context in financial analysis and taxation to make smarter and informed decisions.

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