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REVIEW ON TAX AVOIDANCE WITH REPUTATED JOURNAL LITERATURE

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Abstract

Tax avoidance is a way to minimize payments made by companies. The existence of gray tax regulations can provide an opening for legal tax evasion. Tax avoidance practices are always followed by good governance, indicating that companies that have good governance will do tax avoidance effectively and efficiently. It is assumed that tax avoidance can affect stock prices and increase firm value. Researchers realize that tax avoidance is an important thing to develop research related to this matter. Where minimal tax avoidance research in Indonesia is very likely to be developed for further research. Researchers reviewed several existing journals, both journals from Sinta journals and from reputable journals Scopus.

Keywords: tax avoidance, corporate governance, and firm value

INTRODUCTION

Basically, a company that is established will have added value in carrying out its operations, one of the goals of the company is to manage existing assets to generate the highest profit or profit in order to increase company value. Thus the price of shares that have been traded both to the public and non-public will have a high selling value. Thus, the company will be sued by the regulator with higher tax payments as a result of the company's activities. Taxes are the biggest contribution in financing the APBN every year, this is very helpful in carrying out the development of the country and the infrastructure therein. However, starting from the company,

Tax avoidance is a tax avoidance activity for the purpose of minimizing the tax burden by exploiting loopholes that exist in taxation provisions in a country (Violeta & Serly, 2020). Tax avoidance that occurs can cause state losses, this will result in a tax gap which at the same time weakens the tax power in state revenue(Wibawa et al., 2016). The existence of this attitude is because management can reduce profits to a minimum so that the payments made are quite small. However, this will be different from the principal who wants the highest profit with the hope of a high rate of return. However, tax avoidance is an aggressive tax strategy carried out by companies in minimizing tax burdens, so that these activities will have an impact on the company's risk of fines and the company's bad reputation in the eyes of the public.(Annisa, 2008)

Jensen & Meckling, (1976)states that there is a non-harmonious relationship between the owner of capital (Principal) and management (Agent) in running the

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company. The principal suspicion of management that there is fear of fraud by the agent, then there is a dispute that creates agency theory or agency theory. So in this case the agent will obey what the principal wants by obtaining the maximum possible income at the minimum possible cost. For this tendency, management hopes that the performance will increase with what is expected by the principal, so that this will lead to management behavior in tax avoidance.

The existence of high incentives for managers will have an impact on the company to do tax avoidance, this is because managers are motivated by large returns. The expectation for the manager's behavior is that it will have an impact on the high share price value. According toFadillah, (2019) The smaller the burden incurred by the company, the greater the profit after tax (EAT) the company will get, so this will increase the interest of investors in the company's shares, which is reflected in the profit.

Tax avoidance is a company action to avoid paying taxes legally based on the applicable tax law by exploiting existing loopholes without having to commit fraud. So that companies can maximize tax payments to the minimum possible without having to commit violations in existing tax provisions.(Anita Wijayanti, Endang Masitoh, 2018) which states that minimizing the tax burden can be done in various ways, from those that are still within the framework of taxation regulations to those that violate tax regulations.

(Dewi, Ni Nyoman Kristiana; Jati, 2014)argues that companies that have cross-country operations will have a higher tendency to take tax avoidance than companies that operate domestically, this is due to the act of transferring profits to companies located in other countries with lower tax rates than other countries. It is normal for companies to take various tax avoidance methods, this is done by means of effective tax planning, so that they can avoid fines and sanctions in the future.

Good corporate governance is corporate governance in running a business based on principles by prioritizing the interests of stakeholders. That corporate governance provides accountable and transparent governance for stakeholders and other stakeholders in providing information to ensure business investment. Whereas with this, it is hoped that the relationship between shareholders, management, creditors, employees and other parties can provide a path that is in line with the company's goals. Because if a problem occurs from one of the parties, it will create obstacles and disruptions to the company's operation network.

Fadhilah (2014), stated that Corporate Governance is one of the mechanisms that regulate and control the company through the relationship between shareholders, company management, creditors, government, employees and other stakeholders. It is hoped that this corporate governance will provide a narrow scope for opportunistic management which can harm several parties. However, good corporate

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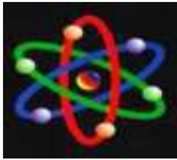
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governance will result in effective tax avoidance in taxation.

Every company that has gone public has a goal that is reflected in the goal of maximizing the value of the company where this is used as a benchmark for the success of the company because an increase in company value will bring prosperity to both the owner or shareholder, so this will have an impact on the increase in the company's share price. (Kristianto et al., 2017). Company value can be seen from how many shares are owned by investors, this benchmark provides an illustration of the more shares owned, the higher the company value with the hope that the company's performance has gone well in accordance with investors' expectations.Violeta & Serly, (2020) that the high share price also makes the company value too high.

Harventy, (2016) states that the greater the value of Tobin Q, which has a sign that the greater the value of the company and can indicate the company has good prospects, reflects the market value of the company's assets which is greater than the book value of the company's assets, which indicates that investors will sacrifice more expenses to own the company. the.

RESEARCH METHODS

This study uses a qualitative research method which is included in descriptive research. To obtain the expected data, this research will be carried out in several ways, such as. Literature study in which researchers conduct by studying from sources of books, papers, journals and other relevant media in supporting research to obtain the framework and objectives of the researcher. It is also supported by a reviewer of applicable tax regulations and a deep understanding of the researcher's problems.

RESULTS AND DISCUSSION

Tax avoidance can run well when the corporate governance that exists in the company has been carried out well too, but on the other hand, when the company does not have good corporate governance, it will not be effective in implementing tax avoidance. (Wibawa et al., 2016)provides the result that the audit committee has an influence on tax avoidance, it provides a response if the board commits abuse of authority, the composition or increase in the number of audit committee personnel. The audit committee as an intermediary directly provides oversight as well as a bridge for tax reporting from the manager to the owner. In the corporate governance guidelines, it has been stated that the committee is an independent board of commissioners. (Dewi; Jati, 2014) The existence of high audit quality can reduce tax avoidance practices, large accounting firms are proven to be able to detect tax avoidance by management. The competence possessed by KAP in the class of The Big Four has a lot of knowledge related to financial statement manipulation and tax avoidance by management.

Managers do good clamming by doing tax avoidance which is supported by good governance, so that it can affect the

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relationship between tax avoidance and firm value. (Chen et al., 2014). However different things by(Karimah & Taufiq, 2016)Institutional ownership does not strengthen the relationship between tax avoidance and firm value, there is poor supervision from the tax authorities so that companies can hide these activities into good governance. Tax avoidance is expected to be an effective measure in maximizing company value by saving in tax payments. However, not all literature supports this.(Apsari & Setiawan, 2018)Tax avoidance activities that have been carried out by the company will have a bad impact and can reduce the value of the company. This is because investors think that the company does not comply with the existing tax regulations, if an audit is found later, it will cause quite a lot of costs.

(Dewi Kusuma), tax avoidance is seen by both investors and creditors as not having an influence on firm value, with the practice of tax avoidance it is still acceptable and within the limits of meeting applicable tax regulations. So that tax avoidance is considered to comply with tax regulations and will not reduce the interest of investors and creditors in investing in companies regardless of the practices carried out by the company. The existence of an independent board of commissioners will be able to increase the value of the company, this is due to the high independence of each board. So that this independence can reduce the relationship with management which will limit the tax avoidance policy can be suppressed.Juliartha Nugraha & Ery Setiawan, (2019) Providing empirical results that company value will increase with the transparency of information for investors to pay attention to management's opportunistic behavior in tax avoidance, so that this condition will give a good message to outsiders as well as potential investors and this can help increase company value.

CONCLUSION

From some of the literature above, related to tax avoidance, it means that tax avoidance is not a single determinant in decision making by investors and creditors. In doing tax avoidance it is also influenced by the executive(Dyreng et al., 2010)The executive plays an important role in determining the level of tax avoidance carried out by the company, where tax avoidance is generally positively related to the executive. Tax avoidance is a function of corporate governance which shows that there are managerial efforts to divert shareholder value(Herron & Nahata, 2020). Independent commissioners from outside the company will have a level of effectiveness in monitoring and controlling the management of the company which is carried out by management(Annisa, 2008). The role of the independent commissioner can dampen earnings management, so that the manipulation of financial statements by management can be minimized.

Transparency of information will reduce the risk of tax avoidance, this will be a positive signal for investors to invest their capital and can increase corporate value. (Juliartha Nugraha & Ery Setiawan, 2019).

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The information needed by outsiders really supports the company in finding new investors, with this transparency it will also provide tax avoidance policies that have been carried out within normal limits or vice versa.

Basically, the measurement of tax avoidance is still an estimate that has not become a definite number due to the fundamental reason because obtaining the actual tax paid is quite difficult and measurement in several previous studies is still under debate and therefore still looking for alternative proxies in measuring tax avoidance. The existence of tax avoidance activities carried out by the company can be tolerated as in this treatment it does not violate existing provisions based on applicable tax regulations.

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