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Factors Impact Tax Compliance on Mining Companies

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ABSTRACT: The research examines the factors that significantly impact tax compliance in mining companies from 2017 to 2021. The factors are firm size, Corporate Social Responsibility, Good Corporate Governance, and liquidity.

The study uses the audited financial statement of mining companies. It has used a purposive sampling technique. We have collected the data from idx.co.id and journals based on the variables.

Partially, CSR has not impacted Tax compliance; however, Firm Size, GCG, and liquidity significantly impact Tax Compliance. Finally, the result shows that Firm size, CSR, GCG, and liquidity significantly impact Tax Compliance. The determination coefficient is 79.36%.

KEYWORDS: Firm Size, CSR, GCG, Liquidity, Tax

I. INTRODUCTION

Every country should have a source of funds, and the means of the fund is taxation. Tax is a payment of contribution to countries by individual or legal bodies, by getting no rewards directly. The function of tax is to fulfill the state's expenditure to make the country's people feel safe and comfortable (Sumarsan, 2017). Through the tax authorities, the government has educated people about tax through schools and universities.

However, many companies still try to use the downturns of the tax laws to minimize their tax payment (Hantoyo et al., 2016).

Although many factors affect tax compliance, we discuss firm size, CSR, GCG, and liquidity here.

CSR is a company's contribution that continues to commit to the broader community or local community from economic development (Pratama and Widarjo, 2022).

The GCG consists of people, processes, and the planet. If the companies implement GCG carefully and consistently, it will minimize the risks (Hasanah, 2021, Noveliana et al. 2022). We have used the total assets for the firm size (Sumarsan, 2020). The greater the assets, means the firms are big. Management will be more complex in operating larger companies.

Liquidity is the ability of the company to meet its current liabilities (Goh, et al. 2022, Novelina et al. 2022). The company has to take care of its cash flow to pay people on time.

Mining is an activity that begins with the search, discovery, extraction, processing, and commercialization of minerals. The mining industry is widely known to be high-risk due to its business being based on non-renewable resources and a more economic activity defined by highly seasonal markets. The title of this research is **The Impact of Firm Size, CSR, GCG, and Liquidity on Tax Compliance on Mining companies.**

Based on the above explanation, the problem formulation is as follows:

1. Does Firm Size impact Tax Compliance in Mining companies?
2. Does CSR impact Tax compliance in Mining companies?
3. Does GCG impact Tax compliance in Mining companies?
4. Does liquidity impact Tax compliance in Mining companies?
5. DoFirm Size, CSR, GCG, and Liquidity impact Tax compliance in Mining companies?

II. LITERATURE REVIEW

TaxCompliance

Tax is the source of funds for a country. It is used to fund all expenditures and to regulate in some states. Companies should prepare well to comply with tax laws and regulations (Darussalam and Septriadi, 2009). The compliance is to pay tax on time and file it on time, not just on time, but to report their sales correctly and clearly.

According to Sumarsan (2017), tax planning is a legal activity. The companies try to conform with the tax laws in order to prevent sanctions or tax penalties.

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Taxes for companies are a burden to be paid and will reduce profits clean. The difference in the interests of the tax authorities receives large tax revenues and, of course, the opposite of the continuous interests of companies that want minimum tax payment.

Firm Size

Firm size shows the picture of a company. We can measure the size from the total assets, total sales, and the number of workers (Goh et al, 2022).

CSR

According to Lanis and Richardson (2012), CSR is one of the critical factors for a company's survival.

Increased concern for the quality of life and social harmony, and this environment also influences the activities of the business world; hence, a lawsuit was born against the company's role to have social responsibility. This is one of the benefits companies can get from CSR activities.

GCG

GCG is a system of control and regulation company which can be seen from the mechanism of the relationship between the various parties taking care of the company, as well as from the values contained in that management alone. The structure of GCG in a corporation is influenced by factors such as the corporate theory adopted, culture, and the legal system applied to a country.

Liquidity

Liquiditymeasures a company's ability to pay all short obligations. Liquidity is the level of debt used by the company in meeting the current debt. The higher the liquidityin a company, the company can pay the tax on time, thus, the company will reduce the sanctions.

Hypothesis

H_1: Firm Size has a significantimpact on TaxCompliance inMiningCompanies period 2017 –2021

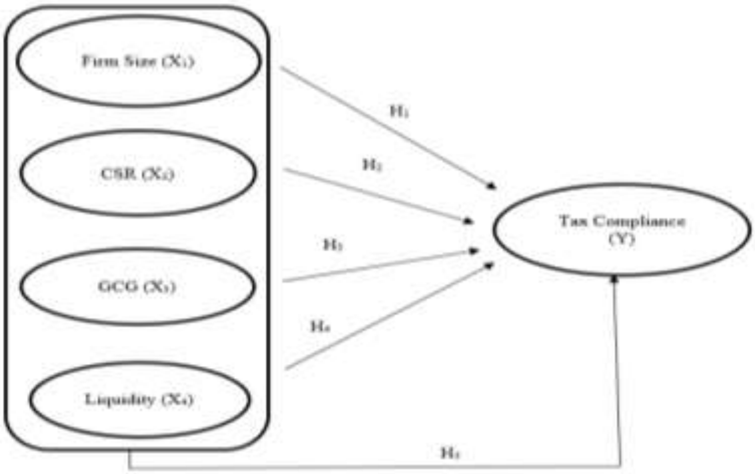
H_2: CSR hasa significant negative impact on Tax Compliance in Mining Companies period 2017 – 2021

H_3: GCG has a significant impact on Tax Compliance in Mining Companies period 2017 – 2021

H_4: Liquidityhas a significant impact on Tax Compliance in Mining Companies period 2017 –2021

H_5: Firm Size, CSR, GCG, and Liquidity have a significant impact on Tax Compliance of Mining Companies period 2017 – 2021

The research model establishes the relationship between thevariables compiled from the various theories that have been described.It will be analyzed critically and systematically to establishthe relationship between the study variables.In this research, the research model is illustrated as follows:



Source : Authors' work (2023)

Figure 1. Research Model

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III. METHODOLOGY

ResearchDesign

This research conducted a quantitative descriptive method, which is used to analyze the method that collects, classifies, analyzes, and presents data objectively. This research is done to know the impact of Firm Size, CSR, GCG, and Liquidity on Tax Compliance in Mining Companies registered inIndonesia Stock Exchange (2017- 2021).

Population andSample

The population is the whole object of research. This study's population is all mining companies registered in the IDX for 2017-2021. We have used a purposive sampling method for this study, and the samples are nine companies.

Data CollectionMethod

The data collection method in this study is from the Indonesia Stock Exchange (IDX) online website and the journal relating to the variables.

IV. RESEARCH RESULTS AND DISCUSSION

Descriptive Statistics

Descriptive analysis is an analytical method in which existing data are collected, classified, and interpreted objectively. Here, it shows the data's minimum, maximum, average, and standard deviation.

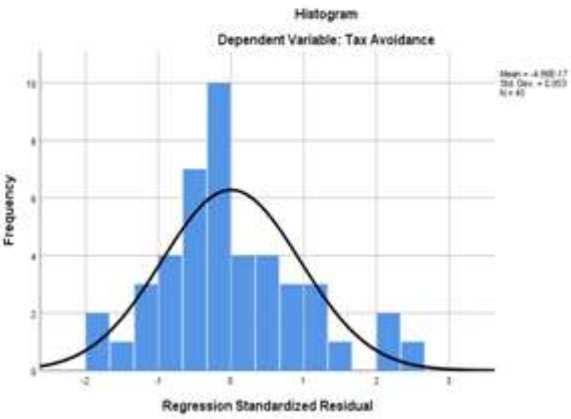
	N	Min	Max	Mean	Std. Deviation
CSR	45	.050	.310	.16600	.057144
GCG	45	3.000	4.000	3.08889	.287799
Firm Size	45	16.580	30.250	25.52467	5.153369
Leverage	45	.110	1.910	.81000	.488658
Tax Avoidance	45	.047	.653	.31891	.136702
Valid N (listwise)	45				

TABLE 1.Descriptive Statistics

Source: Authors' work (2023)

Normality Test

The normality test aims to check whether the data is distributed normally or not.In thisresearch, the Normality test is done by using the Kolmogorov-Smirnov test. Also, the normality test with statistics used in this research is by testing the residualnormality through the non-parametric statistical Kolmogorov-Smirnov test (K-S). The result ofAsymp.Sig (2-tailed) is 0.100, which shows that the significantvalue of 0.100 is greater than (>) the significant level (α) 0.05 and also means that the data are normally distributed.



Source: Data Process (2023)

Figure 2. Normality Test

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The histogram gives information that the data are probably normal.

The pattern in the scatterplot graph exercise does not produce a wavy, wide, and narrow pattern because the spread of data points shouldnot form a wavy pattern, wide and narrow. It shows no heteroscedasticity in the model.experience simultaneously influencing audit opinion. Simultaneous test results can be seen in the table below:

The multiple linear regression model is as follows.

$$\mathbf{Y = -0.369 - 0.232\,X_1 + 0.319\,X_2 + 0.008\,X_3 + 0.083\,X_4}$$

Note :
Y = Tax Compliance
X1 = Firm Size
X2 = CSR
X3 = GCG
X4 = Liquidity

The meaning of the result above is as follows:

1. The constant value (a)

A constant amount of – 0.369 shows that if the Firm Size, CSR, GCG, and liquidity are zero, thetax compliance will be – 0.369.

2. Coefficient of Regression Firm Size (b_1)

The regression coefficient of Firm Size is -0.232, which means that if each Firm size is increased by 1 unit, it will cause tax compliance to decrease by 0.232

3. Coefficient of Regression CSR (b_2)

The regression coefficient of CSR is 0.319, which means that if each CSR is increased by 1 unit, it will cause tax compliance to increase by 0.319.

4. Coefficient of Regrission GCG (b_3)

The regression coefficient of GCG is 0.008, which means that if each GCG is increased by 1 unit, it will cause tax compliance to increase by 0.008

5. Coefficient of Regression Liquidity (b_4)

The regression coefficient of liquidity is 0.083, which means that if each liquidity is increased by 1 unit, it will cause tax compliance to increase by 0.083.

This study uses a t-test to ensure whether independent variables individually impact dependent variables significantly.Theresult of test results shows :

1. The impact of Firm Size on tax compliance

The t-value of the X_1 variable is -2.315, so the t_{count} is bigger than the t table (-2.315 < 2.021) with a significance value of 0.02. It can be concluded that Firm Size significantly impacts tax compliance in mining companieslisted on Indonesia StockExchangebecause the significant value is 0.02 (0.02 < 0.05). The higher the asset of the company and the higher the sales of the company will make the company more compliant in submitting their tax return. The result supports the work of Alviyani (2016) and Putri & Putra (2017)work that firm size impacts tax compliance significantly.

2. The impact of CSR on tax compliance

The t-value of the X_2 variable is 1.117, so the t_{count} is more than the t_{table} (1.117 < 2.021) with a significance value is 0.082. It can be concluded that CSR has no impact on Tax compliance in mining companies registered at Indonesia StockExchange because the significant value is 0.082 (0.082 > 0.05).Financial conditions alone do not guarantee the company's value to grow sustainably. The company's sustainability will only guarantee if the company pays attention to the social and environmental dimensions. The contribution and construction of the company's Corporate Social Responsibility (CSR) are directly proportional to the government's community development goals.

3. The impact of GCG on tax compliance

The t-value of the X_2 variable is 2.875, so the t_{count} is more than the t_{table} (2.875 > 2.021) with a significance value is 0.002. It can be concluded that CSR significantly impacts Tax Compliance in mining companies registered at Indonesia StockExchange because the significant value is 0.002 (0.002 < 0.05).Multinational companies are more likely to carry out tax policies through good planning. They have to comply with the local rules and regulations. If they do not comply with the regulation, therefore their head office can be in a problem.

4. The impact of Liquidity on Tax Compliance

The t-value of the X_4 variable is 3.278, and the $t_{count}$is more than the t_{table}(3.278<2.021), with a significance value, is 0.000. It can be concluded that Liquidity impact significantly taxes compliance in mining companies registered at Indonesia StockExchange because the significant value is 0.000 (0.000 < 0.05).

Whereas simultaneously, Firm Size, CSR, GCG, and Liquidity significantly impact Tax Compliance in mining companies registered in Indonesian Stock Exchange.

The coefficient of determination (Adjusted R^2) value is 0.7936. It means that 79.36% of

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variation or changes in tax compliance can be explained by firm size, CSR, GCG, and liquidity, and the remaining 20.64 % can be explained by other factors that are not included in this research.

V. CONCLUSION

This research concludes that CSRhas no significant impact on tax compliance, Firm Size, GCG, and Liquidity significantly impact tax compliance. Simultaneously, Firm Size, CSR, GCG, and Liquidity significantly impact Tax Compliance. The coefficient of determination is 79.36% showing a strong relationship between the independent variables towards dependent variables.

SUGGESTION

Some suggestions are the following authors can add more variables, a longer period of observations, and other sectors as the research object.

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