

# Sertifikat

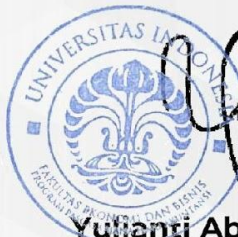


**Litdia**

As Participant

**“Tax Research Sharing Session”**

Faculty Economic and Business Universitas Indonesia,  
Depok, March 31, 2021



**Yulianti Abbas, M.E., Ph.D**

Director  
Graduate Program In Accounting, FEB UI



**Christine Tjen, S.E., Ak., M.Int.Tax., CA.**

Coordinator  
Tax Education and Research Center



**EVALUATION OF GOVERNMENT REFORM  
IN TAX ADMINISTRATION:  
EVIDENCE FROM MICRO SMALL-MEDIUM  
ENTERPRISES (MSMES) IN INDONESIA**

**THINK BIG**

START SMALL

LEARN FAST

# TEAM



Fauziah  
Mahabbatussalma

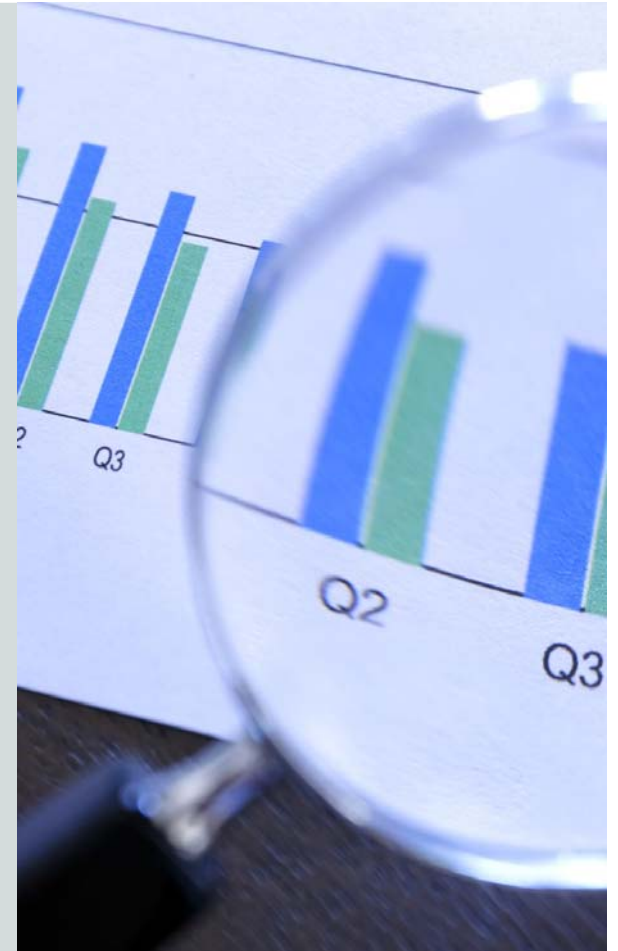


Siti  
Nuryanah

The authors acknowledge research funding from Universitas Indonesia and the assistance of Tax Education Research Centre (TERC) LPEM FEB UI in distributing the surveys to MSMEs through its networking. The authors also acknowledge ADBI examiners for the valuable feedbacks.

# AGENDA

1. Introduction
2. Theoretical Framework and Literature Review
3. Data Collection Process
4. Results and Discussions
5. Conclusion, Implications of The Study, Policy Recommendations and Suggestions for Future Studies



# INTRODUCTION

- Tax is the most important revenue source for all countries around the world (>80%)
- In many developing countries, however, as argued by Brautigam et al. (2008), tax administration is weak.
- Overall tax compliance levels are a low and a large proportion of the informal sector of the economy escaping from footing the bill for public spending (Brautigam et al., 2008)

## INTRODUCTION

---

The informal sector represented by small-medium enterprises (SMEs) play an important role as it represents about 90% of businesses and more than 50% of employment worldwide (IFC, 2013).

Agenda in improving the administration of SMEs that leads to an increase in tax compliance of SMEs and finally enables the government to collect tax revenue from this potential sector.

No particular study evaluating the sector's tax compliance in the context of tax regulation implementation specific to the industry as one of the tax reform agendas of a country.

## HOW IS THIS STUDY DIFFERENT TO PREVIOUS STUDIES?

- Conducted in an emerging economy i.e. Indonesia since its tax revenue accounts for more than 82% of the total revenue budget (Indonesia, 2020), in spite of its much lower tax ratio to GDP than other developing economies (OECD, 2020).
- Indonesia has conducted a tax reform one agenda of which is increasing tax revenue from potential tax contributors: MSMEs. This sector contributes very significantly to about 60% of the country's GDP (Aldin, 2018).
- Previous studies overlooked the current Indonesian tax administration reform on MSMEs.

## HOW DOES THIS STUDY FILL THE RESEARCH GAP?

01

Evaluating the tax administration reform in the MSME sector using four canons of taxation framework measuring equity, certainty, convenience, and economy.

02

Providing more general evidence as it is based on 518 MSMEs from different areas of the country while many other Indonesian studies are local studies focused on a specific region.



## MAIN FINDINGS

Examining the perceptions of 518 MSMEs on new tax rate and related tax administration as stated in Government Regulation No. 23/2018 enacted recently in 2018, this study found that the majority of the respondents agreed that the new regulation regarding income tax for MSMEs met the canons of equity, certainty, convenience, and economy, and hence it is regarded as a good tax administration system.

# THEORETICAL FRAMEWORK

## Principles of Good Tax Administrative Systems (Smith (1776) in du Preez and Stiglingh (2018))

- **Equity principle** → contribute in accordance with the proportion of income they enjoy under the protection of the State; Tax collection must be fair and equitable, in accordance with the benefits received by the taxpayer. → the benefit principle and the ability principle.
- **Certainty** → tax must be certain in amount and not based on certain arguments or opinions; time of payment, method of payment, and the amount of tax that must be paid.
- **Convenience** → taxes must be charged and paid at the time that the taxpayer is comfortable making payments; The collection system is pay as you earn.
- **Economy**, the costs incurred to meet tax obligations must be as small as possible; related to fulfilling tax obligations such as the need for a greater number of tax officials so that tax revenue is used to pay the tax authorities; considerations related to incentives for industry; tax collection should not make investors fail to open new businesses because the taxes paid are large so the unemployment rate cannot be reduced.

## Presumptive Tax Regime and Tax Regulation for MSMEs in Indonesia

- In tax administration process, the normal procedures to determine tax base for calculating tax payable is bookkeeping.
- This ideal condition not always met due to some constraints such as limited capabilities of the tax subject in terms of administration, and bookkeeping. → the presumptive taxation is one of the approaches applied to measure the “desired” base for taxation.
- It covers a number of direct and indirect procedures/methods of reconstructing income for determining the tax base (Thuronyi, 1996).
- This approach has been widely used around the world to facilitate small business tax compliance

## Previous Tax Compliance Literature on MSMEs

- Factors explaining the awareness and compliance of taxpayers.
- Fischer et al. (1992) identified three categories of variables explaining direct tax compliance behavior.
- Theories commonly used in explaining tax compliance: Prospect Theory, Deterrence Theory, Cognitive Structural Theory, Agency Theory, Allingham and Sandmo (1972) Model, Institutional Anomie Theory, and The Theory of Planned Behavior (Marandu et al., 2015; Richardson & Sawyer, 2001).

## RESEARCH PROPOSITION

“The new Indonesian MSMEs the tax administration reform is argued to be effective since fulfilling the criteria of a good tax administration system.”



This study conducts a survey examining perceptions of micro, small and medium business sector on the quality of the new MSMEs tax regulation using the four canons of taxation framework related to equity, certainty, convenience, and economy.

## DATA COLLECTION PROCESS

- The survey was conducted using questionnaires that were validity-tested in previous studies (Silkana, 2014).
- Several amendments were made following a pilot study to ensure the ease of response.
- The questionnaire consists of 22 closed questions using a 6-point Likert Scale to measure the perception of the respondents (level of agreement where 1 represents total disagreement while 6 represents total agreement) on the quality of the new MSMEs tax regulation using the four canons of taxation framework related to equity, certainty, convenience, and economy.

- Data collected in two periods of time which is in 2019 (October to November) and in 2020 (August to September).
- In 2019, before the pandemic, the questionnaires were distributed in two ways: directly to the respondents by meeting the taxpayers at the Tax Office Jakarta Tanah Abang Dua and indirectly by using the communication medium of WhatsApp application. The area of Primary Tax Service Office: Jakarta Tanah Abang Dua is chosen because it is the tax office responsible for overseeing tax administration for the 2 biggest MSMEs business district locations in Indonesia, namely Tanah Abang Market and Thamrin City.
- In 2020, due to the pandemic, the questionnaires were distributed using of WhatsApp targeting all the tax registered and unregistered MSMEs all around Indonesia.

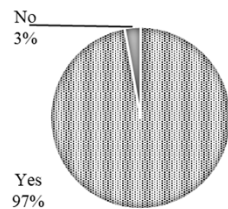
Table 1. Sampling Process

Participation of respondents	2019	2020	Total
Responding to questionnaires	88	479	567
Fail questionnaires	24	25	49
Total eligible questionnaires for analysis	64	454	518

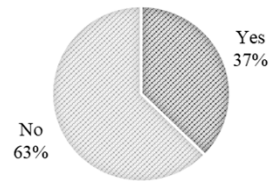


# RESULTS AND DISCUSSIONS

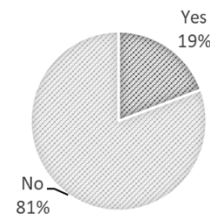
**TAX ID NUMBER**



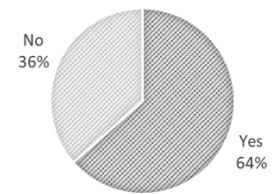
**ATTENDING TAX CLASS/SOCIALISATION**



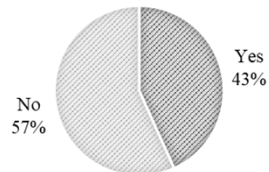
**TAX CONSULTANT ASSISTANCE**



**KNOW THE NEW RATES**



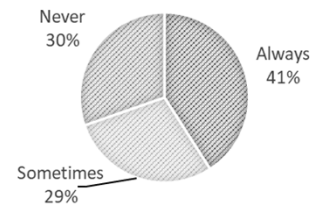
**IMPLEMENTING NEW TAX RATE**



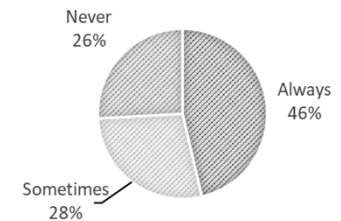
**IMPLEMENTING NEW TAX RATE**



**PREPARING BALANCE SHEET**



**PREPARING INCOME STATEMENT**



## TAX COMPLIANCE AND ADMINISTRATION OF MSMES

TABLE 2: PERCEPTION OF EQUITY

No.	Statements	Score Total	Maximum Score	Agreement Level
1	Currently, I am able to prepare my business financial statements.	2133	3108	68.63%
2	The validity period of the MSME tax rate of 0.5% (7 years for individuals and 3-4 years for entities) gives me enough time to be able preparing financial statements (balance sheet and income statement).	2089	3108	67.21%
3	This new tax rate (0.5%) is in accordance with the condition of my business.	2128	3108	68.47%
4	I received a complete and clear guidance for calculating and reporting MSMEs tax (0.5%).	2103	3108	67.66%
5	The imposition of a tax rate of 0.5% is appropriate (neither too high nor too low) for MSMEs.	1965	3108	63.22%
	Total	10418	15540	67.04%



**TABLE 3: PERCEPTION OF CERTAINTY**

No.	Statements	Score Total	Maximum Score	Agreement Level
1	The MSMEs tax rules provide assurance that I am eligible to use the 0.5% rate for my business.	2324	3108	74.77%
2	The 0.5% tax rate gives a certain amount of tax that I have to pay.	2250	3108	72.39%
3	I know that I have to pay MSMEs tax every 15th of the following month.	2118	3108	68.15%
4	I know that I have to make a tax filling regarding the recapitulation of my MSMEs tax payments through the Annual Tax Return once a year in March or April	2216	3108	71.30%
5	I know that the tax rate of 0.5% can be utilized for 7 years for Individual Taxpayers and 3 or 4 years for Corporate/Entities (for certain period).	2029	3108	65.28%
6	I know that after a certain period of time, I have to make financial reports.	2138	3108	68.79%
7	I know that after a certain period of time, I will be charged the normal tax rate for my business.	1962	3108	63.13%
	Total	15037	21756	69.12%

**TABLE 4: PERCEPTION OF CONVENIENCE**

No.	Statements	Score Total	Maximum Score	Agreement Level
1	Recording related to business turnover required by the tax authorities makes me easy to calculate the taxes that I have to pay (tax payable).	2260	3108	72.72%
2	I find it easy to determine the taxes I have to pay because the tax rate is flat.	2310	3108	74.32%
3	The existing tax payment facility makes me easy to pay 0.5% MSME taxes such as by using e-billing, EDC machines, payments via ATM / internet banking, etc.	2401	3108	77.25%
4	Annual Tax Report which is submitted only once a year make me easy to fulfil my tax obligations.	2424	3108	77.99%
	Total	9395	12432	75.57%

**TABLE 5: PERCEPTION OF ECONOMY**

No.	Statements	Score Total	Maximum Score	Agreement Level
1	I can afford to pay MSMEs tax.	2095	3108	67.41%
2	The MSMEs tax imposed does not hinder my business development.	2136	3108	68.73%
3	I do not need to pay additional fees (such as consultant fees) to carry out my tax obligations.	2348	3108	75.55%
4	The provision of assistance from the Tax Office in the form of Business Development Service and Tax Class can help develop my business.	2287	3108	73.58%
5	By having a TIN ID, I can easily obtain loans from banks or other financial institutions.	1952	2724	71.66%
6	Overall, the benefits I get by complying to tax are greater than the taxes I pay to the government.	1912	3108	61.52%
	Total	12730	18264	69.70%

## CONCLUSION

- MSMEs perceived, with the agreement level more than 61%, that the new MSME tax regulation is qualified to be met with the four canons of taxation, which are equity, certainty, convenience, and economy.
- In total, convenience aspect reaches the highest agreement level (75.57%) while equity aspect reaches the lowest agreement (67.04%).
- The highest agreement level is 77.99% related to statement of convenience aspect, about the easiness of tax return that is only once a year.
- The lowest agreement level (61.52%) that is related to the economic aspect of that tax benefits was argued to be higher than the tax burden

# IMPLICATIONS OF THE STUDY AND POLICY RECOMMENDATIONS

- Implications to the academic literature → providing an evaluation of tax reform in regard to taxing MSMEs in an emerging country.
- Practical contribution to MSMEs which are still reluctant to comply with the MSMEs tax regulation.
- Practical policy recommendations:
  - a. Provide incentives for MSMEs to conduct bookkeeping
  - b. Provide digitalization for MSME database



## LIMITATIONS

- A large minority (30 to 40% of respondents) did not agree with the statements related to the four canons cannot be answered in this study. → further study needs to be conducted to explore this disagreement regarding the effective reforms that lead to a better tax administration system.
- An empirical analysis to examine whether characteristics of MSME taxpayers influence taxpayer compliance



THANK  
YOU

*Email:*

[siti.nuryanah@ui.ac.id](mailto:siti.nuryanah@ui.ac.id)

[uzisalma@gmail.com](mailto:uzisalma@gmail.com)

**PERANAN MANAJEMEN RISIKO  
PAJAK DAN CORPORATE  
GOVERNANCE PADA HUBUNGAN  
ANTARA PRAKTIK PENGHINDARAN  
PAJAK INTERNASIONAL DENGAN  
KUALITAS LABA**



**INDAH MASRI**

**DOSEN FAKULTAS EKONOMI DAN BISNIS UNIVERSITAS PANCASILA  
ALUMI PASCASARJANA ILMU AKUNTANSI FEB UNIVERSITAS INDONESIA**

# RESEARCH GAP & CONTRIBUTION

## Pengembangan Konstruk Penelitian



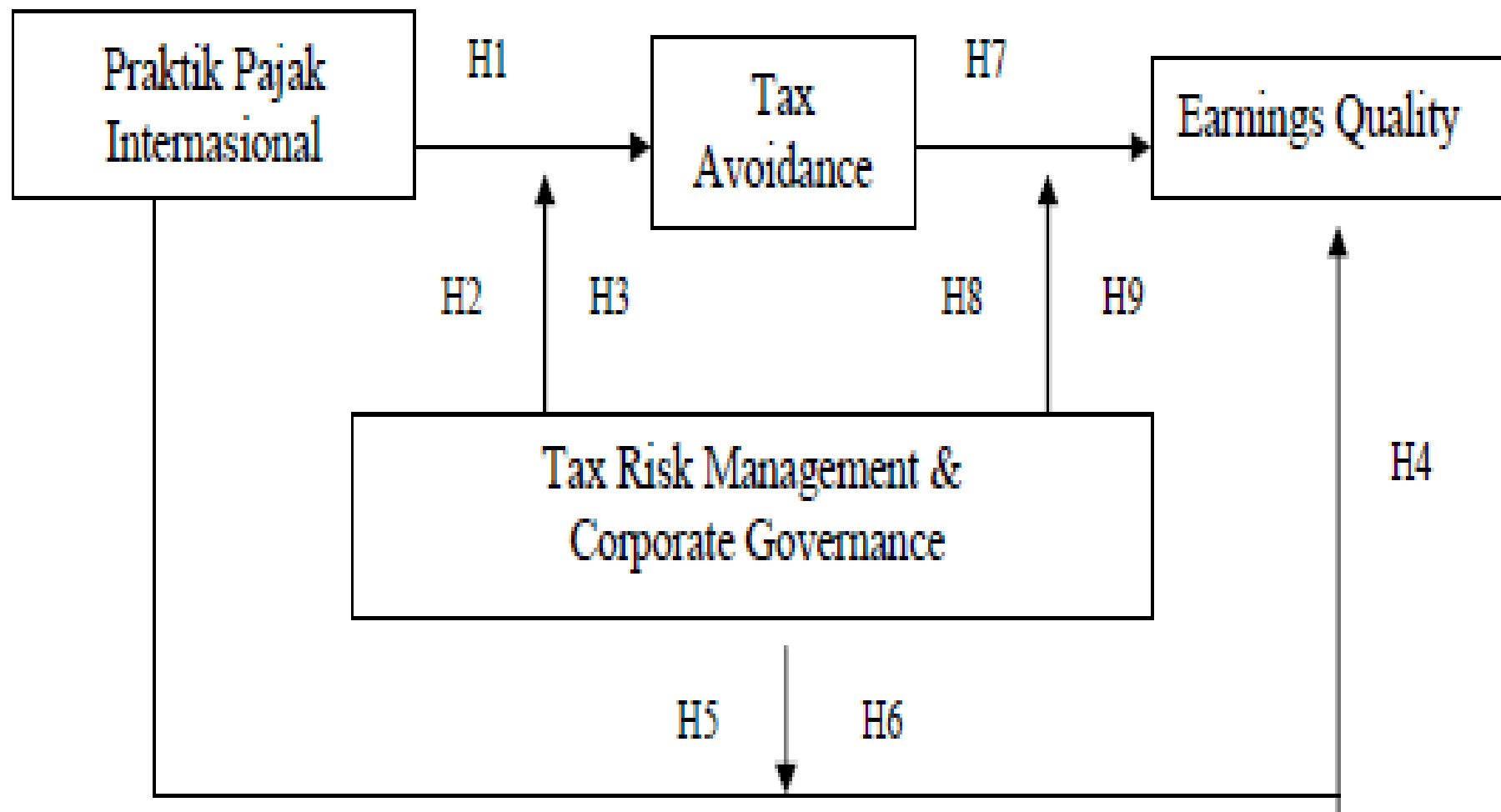
**Konteks Perusahaan Multinasional di ASEAN**

**Peranan Manajemen risiko pajak dan *Corporate Governance***

**Peranan Praktik Pajak Internasional terhadap Kualitas Laba**

**Peranan *Tax Avoidance* sebagai Variabel Intervening**

# RERANGKA KOSEPTUAL PENELITIAN



# DATA



## Jenis dan Sumber Data

Jenis data yang digunakan adalah laporan keuangan tahunan dan laporan tahunan perusahaan multinasional (parent company) dari tahun 2010 sd. 2016 atas perusahaan publik multinasional yang terdaftar di negara ASEAN

**Dari pengamatan penulis terdapat 4 negara ASEAN yang digunakan dalam sampel penelitian ini yaitu Indonesia, Malaysia, Singapura, dan Philipina.**

**Negara Thailand dan Vietnam dikeluarkan dari sampel karena tidak mengungkapkan deferred tax (tidak menerapkan IAS 12) pada tahun pengamatan penelitian**

**Negara ASEAN lainnya tidak mempunyai pasar modal (Brunei) atau baru mempunyai pasar modal (Laos, Myanmar, Camboja) pada sampel pengamatan penelitian**

## Kriteria sampel yang digunakan adalah:

- Perusahaan multinasional atas perusahaan induk yang melakukan konsolidasi laporan keuangan perusahaan anak yang berada diluar negeri.
- Laporan keuangan menggunakan bahasa inggris
- Mengecualikan industri keuangan, real estate dan utilitas karena industri ini memiliki aturan akuntansi, karakteristik operasi, dan pendanaan utang yang berbeda.
- Tahun buku yang berakhir 31 Desember, dalam hal ini untuk keseragaman dalam periode pembukuan
- Perusahaan telah menerapkan IAS 12, memperhitungkan besaran pajak tangguhan, dalam hal ini sebagai salah satu proksi untuk mengukur proksi dari perilaku pajak agresif.
- Perusahaan yang mempunyai data yang relevan sesuai dengan pengukuran variabel.

# OPERASIONAL PENGUKURAN VARIABEL INDEPENDEN



## Income Shifting

- *Income shifting dalam penelitian ini menggunakan pengukuran atas tax incentive untk menggeser penghasilan dengan mengurangi pajak staturer di perusahaan induk MNC dengan tarif pajak luar negeri (Collins et al, 1998; Mills dan Newberry, 2004)*

## Transfer Pricing

- Mengukur adanya transfer pring adalah dengan Metode Laba Bersih Transaksional (*Transactional Net Margin / TNMM*) --- dipertimbangkan dalam metode pemilihan PLI atas tingkat pengembalian penjualan, biaya dan asset berdasarkan industri (OECD, 2017)

# OPERASIONAL PENGUKURAN VARIABEL INDEPENDEN



## Multinationality

- *Multinationality* dapat diukur berdasarkan proporsi pendapatan luar negeri dibagi dengan total pendapatan secara keseluruhan. Pengukuran ini berdasarkan penelitian-penelitian sebelumnya Rego (2003), Mills dan Newberry (2004) dan Taylor dan Richardson (2012).
- Selain itu pengukuran multinationality juga dapat dilakukan dengan melihat banyak nya jumlah anak perusahaan di luar negeri. Jika perusahaan memiliki anak perusahaan lebih dari 4 negara maka dianggap merupakan perusahaan multinasional



# OPERASIONAL PENGUKURAN VARIABEL INDEPENDEN



## Tax Haven

- Pengukuran *tax havens* berdasarkan OECD tahun 2000, terus dikembangkan lagi dalam OECD 2006, GAO 2008 yang dinyatakan oleh Gravelle (2015) terdapat 50 daftar negara yang memperoleh *tax havens* berdasarkan lokasi geografis. *Tax havens* ini cenderung terkonsentrasi di daerah-daerah tertentu, termasuk daerah Karibia dan West Indies dan Eropa, dimana lokasinya dekat dengan negara-negara maju yang besar.
- Pengukurannya digunakan adalah variabel dummy yaitu 1 untuk perusahaan multinasional yang mempunyai 2 anak perusahaan di negara yang memperoleh fasilitas *tax haven*, dan 0 sebaliknya (Nuraini & Marsono, 2014)

# OPERASIONAL PENGUKURAN VARIABEL INDEPENDEN



## Thin Capitalization

Penelitian ini menggunakan pengukuran yang dilakukan oleh Taylor & Richardson (2012) yaitu dengan menghitung SHDA (Safe Harbour Debt Amount)

$$= (\text{rata-rata total aset} - \text{Non IBL}) \times 75\%$$

Non IBL adalah kewajiban yang non-interest perusahaan

Selanjutnya dihitung MAD (Maximum Allowance Debt) Rasio

$$= \text{Average Debt} / \text{SHDA}$$

Jika MAD rasio diatas 1, maka perusahaan diperkirakan melakukan Thin Capitalization, dan sebaliknya

# OPERASIONAL PENGUKURAN VARIABEL MODERASI



## Manajemen Risiko Pajak

- Pengukuran manajemen resiko pajak berdasarkan tax risk yang dikembangkan oleh oleh Minnick dan Noga's (2010), Assidi (2015), Guenther et.al (2013 dan 2017) yaitu standar deviasi cash ETR tahunan untuk lima tahun kebelakang.
- Penelitian ini mengembangkan pengukuran manajemen resiko pajak dengan menjadikan variabel dummy yaitu 1 apabila standar deviasi cash ETR berada di bawah median standar deviasi cash ETR berdasarkan sektor industri dan 0 sebaliknya
- Pengembangan pengukuran manajemen resiko pajak ini berdasarkan asumsi apabila standar deviasi cash ETR perusahaan berada dibawah nilai median berdasarkan sektor industri dianggap bahwa perusahaan tersebut telah melakukan manajemen resiko pajak dengan baik.

## Corporate Governance

- indeks corporate governance yang dikeluarkan oleh Thomson reuters eikon yaitu ESG Score, tetapi lebih fokus pada corporate governance pillar score.

# OPERASIONAL PENGUKURAN VARIABEL INTERVENING



- Penelitian ini mengembangkan pengukuran *tax avoidance* berdasarkan pengembangan pengukuran *tax avoidance* yang dilakukan oleh Desai dan Dharmapala (2006, 2009) dan Lim et. al (2011), yang memisahkan komponen *financial reporting aggressive* dengan *tax avoidance* terhadap *book tax difference*.

# OPERASIONAL PENGUKURAN VARIABEL DEPENDEN



## Keinformatifan Laba

- Perusahaan yang melaporkan laba diketahui mempertimbangkan konten informasi (Ball dan Brown, 1968), yang mana frekuensi penggunaan earnings response coefficients (ERS) sebagai proksi dari kualitas laba.
- Menurut Collins dan Kothari (1989) dan Wang (2006), ERC diukur atas reaksi harga saham terhadap perubahan laba yang diharapkan

## Persistensi Laba

- Persistensi laba merupakan revisi laba yang diharapkan di tahun mendatang, berdasarkan inovasi laba ditahun berjalan (Hanlon, 2005; Blaylock *et al.*, 2012; Tang *et al.*, 2012; dan Wang, 2006).

# OPERASIONAL PENGUKURAN VARIABEL CONTROL



## Variabel Kontrol Negara

- **DummyWGI** : Merupakan salah satu indikator yang dikeluarkan oleh Tata Kelola Dunia (WGI).
- **GDP** : Merupakan total nilai produksi barang dan jasa di dalam suatu negara selama satu tahun.
- **TXENV** : Variabel dummy untuk negara dengan lingkungan pajak yang kompetitif berdasarkan penelitian yang dilakukan oleh Oktavia (2017) dapat dilihat berdasarkan tax basis, pengenaan pajak penghasilan atas deviden, periode kompensasi kerugian fiskal, dan book tax conformity atas tingkat keselarasan dengan aturan perpajakan dengan standar akuntansi keuangan.

# OPERASIONAL PENGUKURAN VARIABEL CONTROL



## Variabel Kontrol Tax Avoidance

- **SIZE** : Diukur dengan menggunakan natural logaritma dari total aset pada perusahaan  $i$  pada tahun  $t$ . Size dapat berpengaruh positif atau negatif terhadap tax avoidance
- **LEV** : Diukur dengan menggunakan total debt dibagi dengan total equity. Terdapat hubungan positif antara lev dengan tax avoidance
- **CINT** : Diukur dari net PPE dibagi dengan total aset tahun sebelumnya. Diasumsikan terdapat hubungan positif antara CINT dan tax avoidance
- **INVENT** : Diukur dengan total inventory dibagi dengan total aset tahun sebelumnya. Terdapat hubungan negatif antara INVENT dan tax avoidance
- **ROA** : Diukur dengan laba sebelum pajak dibagi dengan total aset. ROA dapat berpengaruh positif atau negatif terhadap tax avoidance

# OPERASIONAL PENGUKURAN VARIABEL CONTROL



## Model Penelitian atas Keinformatifan Laba

- GROWTH : Tingkat pertumbuhan rata-rata perusahaan dari laba bersih. Berpengaruh positif terhadap kualitas laba
- LEV : Diukur dengan menggunakan total debt dibagi dengan total equity. Terdapat hubungan negatif antara lev dengan kualitas laba

## Model Penelitian atas Persistensi Laba

- LOSS : Diukur dengan menggunakan variabel dummy yaitu 1 apabila laba bersih negatif (mengalami kerugian) dan 0 sebaliknya. Tingkat kerugian menunjukkan adanya hubungan negatif dengan kualitas laba
- ROA : Diukur dengan laba sebelum pajak dibagi dengan total aset. ROA dapat berpengaruh positif atau negatif terhadap kualitas laba



# GAMBARAN UMUM DAN SAMPEL PENELITIAN



## Data Perusahaan Publik Multinasional

No	Negara	Jumlah Perusahaan Publik (Non Keuangan, Utilitas dan Real Estate)	Perusahaan Multinsional Parent	Data tidak lengkap dan Outlier	Data final
1	Indonesia	375	64	3	61
2	Malaysia	751	197	16	181
3	Phillipina	144	52	15	37
4	Singapore	559	237	40	197
Total data		1829	550	74	476

# ANALISIS DATA



## Analisis Regresi Data Panel

Pengujian pengaruh langsung menggunakan Ordinary Least Square (OLS) dan pengujian pengaruh tidak langsung menggunakan Two Stage Least Square (2SLS)

## Uji Regresi

Melakukan uji normalitas, multikolinearitas, heteroskedastisitas dan autokorelasi

# HASIL PENELITIAN DAN KESIMPULAN



## Model Penelitian atas Pengaruh Praktik Pajak Internasional terhadap Tax Avoidance

Secara umum menerima H1 mendukung penelitian Taylor dan Richardson (2012). Praktik pajak internasional meningkatkan besaran penghindaran pajak

Secara umum menolak H2, signifikan beda arah untuk praktik transfer pricing, mendukung Blouin (2014) dan Dryeng et al (2008) yang menunjukkan bahwa perusahaan yang mempunyai tingkat resiko telah dikelola dengan baik, cenderung akan tetap melakukan agresivitas pajak terutama melalui praktik transfer pricing

Secara umum menolak H3, signifikan beda arah untuk praktik thin capitalization, CG meningkatkan praktik thin cap dgn tujuan untuk penghindaran pajak.

Praktik thin capitalization untuk jangka waktu yang panjang memiliki tingkat resiko yang lebih rendah karena sudah terdapat kontrol dari pemerintah atas batas maksimal pendanaan dan debt covenant mecanism dari kreditor

# HASIL PENELITIAN DAN KESIMPULAN



## Model Penelitian atas Pengaruh langsung Praktik Pajak Internasional terhadap Kualitas Laba

Secara umum menerima H4 – mendukung Penelitian Krull (2004) dan Omar dan Zulkafil (2015) bahwa praktik pajak internasional mengandung diskresi manajemen menurunkan kualitas laba

Secara umum menolak H5 karena signifikan dan beda arah, konsisten dengan hasil H2 mendukung Blouin (2014) dan Dryeng et al (2008). Perusahaan perusahaan yang melakukan manajemen resiko pajak yang lebih baik cenderung merasa lebih aman untuk melakukan praktik transfer pricing dan tax haven antar grup perusahaan sehingga akan menurunkan kualitas laba

Mempunyai bukti yang lemah untuk menerima H6 karena hanya satu praktik yang menerima yaitu TCAP karena terkait untuk menjaga batas maks resiko atas rasio utang. Berhasil membuktikan peran corporate governance dapat mengurangi pengaruh negatif praktik thin capitalization terhadap kualitas laba baik ERC maupun persisten laba.

# HASIL PENELITIAN DAN KESIMPULAN



## Model Penelitian atas Pengaruh tidak langsung Praktik Pajak Internasional terhadap Kualitas Laba

Menerima hipotesis 7 bahwa besaran penghindaran pajak (Tax Avoidance) yang telah dipengaruhi praktik pajak internasional terbukti menurunkan kualitas laba. TA terbukti sebagai variabel intervening

Menolak H8 karena menunjukkan hasil yang signifikan dan beda arah konsisten dengan hasil H2 dan H5 mendukung Blouin (2014) dan Dryeng et al (2008)

Perusahaan yang melakukan manajemen risiko pajak yang baik akan menekan volatilitas pembayaran pajaknya sehingga menurunkan kualitas labanya

Menolak H9 karena menunjukkan hasil tidak sig dan sig beda arah

Perusahaan yang menerapkan dan memperoleh indeks corporate governance yang baik oleh lembaga survey, Ketika tetap melakukan praktik penghindaran pajak cenderung untuk mempertahankan reputasi sehingga menurunkan kualitas laba

# IMPLIKASI PENELITIAN



## Bagi Pengembangan Ilmu Pengetahuan

1. Berkontribusi Mengembangkan konstruk penelitian atas MNC di negara ASEAN-4 yang melihat prean TRM dan CG serta pengaruh langsung dan tidak langsung praktik pajak internasional thd kualitas laba
2. Konsistensi pengujian 2 model kualitas laba

## Bagi Investor

1. Penelitian ini membuktikan adanya adanya praktek manajemen laba untuk tujuan meminimalkan pembayaran pajak (*tax avoidance*) yang dilakukan perusahaan dalam pelaporan keuangannya
2. Penelitian ini membuktikan penerapan manajemen resiko pajak dan corporate governance yang baik tidak menjamin bahwa perusahaan bebas dari melakukan agresivitas pajak

## Bagi Regulator

1. Menunjukkan tingginya praktik pajak internasional di negara berkembang, sehingga perlu mendorong segera terlaksananya tax treaty dan Anti BEPS
2. Terkait dengan TRM perlu adanya kontrol dan pengawasan dari regulator, serta perlu adanya ketersediaan informasi yang tepat sasaran, tepat waktu dan komprehensif
3. Terkait CG perlu adanya penilaian CG dari sisi perpajakan

# KETERBATASAN DAN SARAN PENELITIAN SELANJUTNYA



## Keterbatasan Penelitian

- Pengukuran INCS masih lihat tarif pajak luar negeri secara total karena terbatas data, tidak dapat melihat secara detail penggeseran laba ke masing-masing anak perusahaan yang ada di LN
- Proksi MULTI hanya berdasarkan jumlah anak perusahaan di LN, tidak terlalu menggambarkan transaksi multinationality oleh perusahaan
- Proksi TCAP berdasarkan Penelitian Taylor dan Richardson, tidak dapat melihat secara detail ke aturan masing-masing di negara sampel karena sebagian besar di negara sampel belum menerapkan aturan mengenai TCAP pada tahun pengamatan penelitian
- Pengukuran TRM berdasarkan proksi Tax risk dengan asumsi tax risk rendah berarti perusahaan melakukan manajemen resiko pajak yang baik, proksi ini tidak terlalu kuat, karena adanya keterbatasan data dalam mengukur proksi TRM dari rendahnya tingkat pengungkapan manajemen resiko pajak dalam laporan tahunan perusahaan

## Saran untuk Penelitian Selanjutnya

- Menggunakan pengukuran proksi INCS yang benar-benar melihat tarif pajak luar negeri pada masing-masing perusahaan anak sehingga detail penggeseran laba dapat dijlaskan, diperlukan data yang lengkap untuk informasi laba pada masing-masing anak perusahaan
- Menggunakan proksi MULTI berdasarkan besar pendapatan LN yang lebih mencerminkan transaksi multinasional pada perusahaan MNC
- Jika setiap negara sampel mempunyai aturan yang jelas mengenai TCAP dapat mengacu pada aturan masing-masing negara sehingga lebih menggambarkan apakah perusahaan benar-benar telah melakukan TCAP
- Menggunakan proksi TRM berdasarkan tingkat pengungkapan manajemen resiko pajak dalam laporan tahunan yang dilakukan oleh perusahaan



TERIMA KASIH 😊



# DETECTING TAX AVOIDANCE: DO EXISTING MEASURES CONSISTENT WITH THE TAX AUTHORITY'S ASSESSMENT?

**SUBAGIO EFENDI (UTS)**

**ROBERT CZERNKOWSKI (UTS)**

**DAVID BOND (UTS)**

**ELIZABETH MORTON (RMIT)**

BREAKING | 3,307 views | Jul 15, 2020, 11:22am EDT

# Apple Wins €13 Billion Tax Avoidance Case Against EU Antitrust Regulator



Siladitya Ray Forbes Staff  
Business

Covering breaking news and tech policy stories at Forbes.

**TOPLINE** Apple won a major legal battle against the European Union as the region's second-highest court ruled in favor of the company, dismissing a €13 billion (\$14.8 billion) tax bill issued by the bloc's antitrust regulator.



## Tax Policy Reforms 2020 OECD AND SELECTED PARTNER ECONOMIES



## JUST TAXES BLOG Tax Avoidance: Nike "Just Did It" Again, Moving \$1.5 Billion Offshore Last Year



July 21, 2017

The Nike Corporation's annual financial disclosure of income tax payments is always notable for two recurring trends: the Oregon-based company's steady shifting of profits into offshore tax havens, and Nike's apparent effort to conceal how it's achieving this tax avoidance. This year's report, released earlier this week, is no exception.

Nike now holds \$12.2 billion of its profits offshore as "permanently reinvested earnings," up from \$10.7 billion last year. Designating its profits this way allows the company to avoid paying even a dime of U.S. income taxes on these profits until they are repatriated to the U.S.



Matthew Gardner Senior Editor



## Everything You Need To Know About The Tax Cuts And Jobs Act

## Google, Amazon, Starbucks: The rise of 'tax shaming'

By Vanessa Barford & Gerry Holt  
BBC News Magazine

© 21 May 2013



ICIJ INTERNATIONAL CONSORTIUM OF INVESTIGATIVE JOURNALISTS

INVESTIGATIONS INSIDE ICIJ DATA JOURNALISTS ABOUT LEAK TO US



### Mauritius Leaks

Multinational companies use the tiny tax haven Mauritius to avoid paying taxes to countries in Africa, Asia, the Middle



## Action Plan on Base Erosion and Profit Shifting

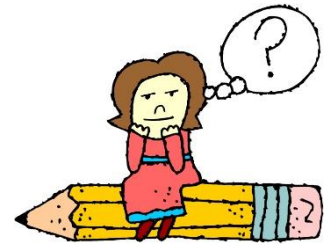
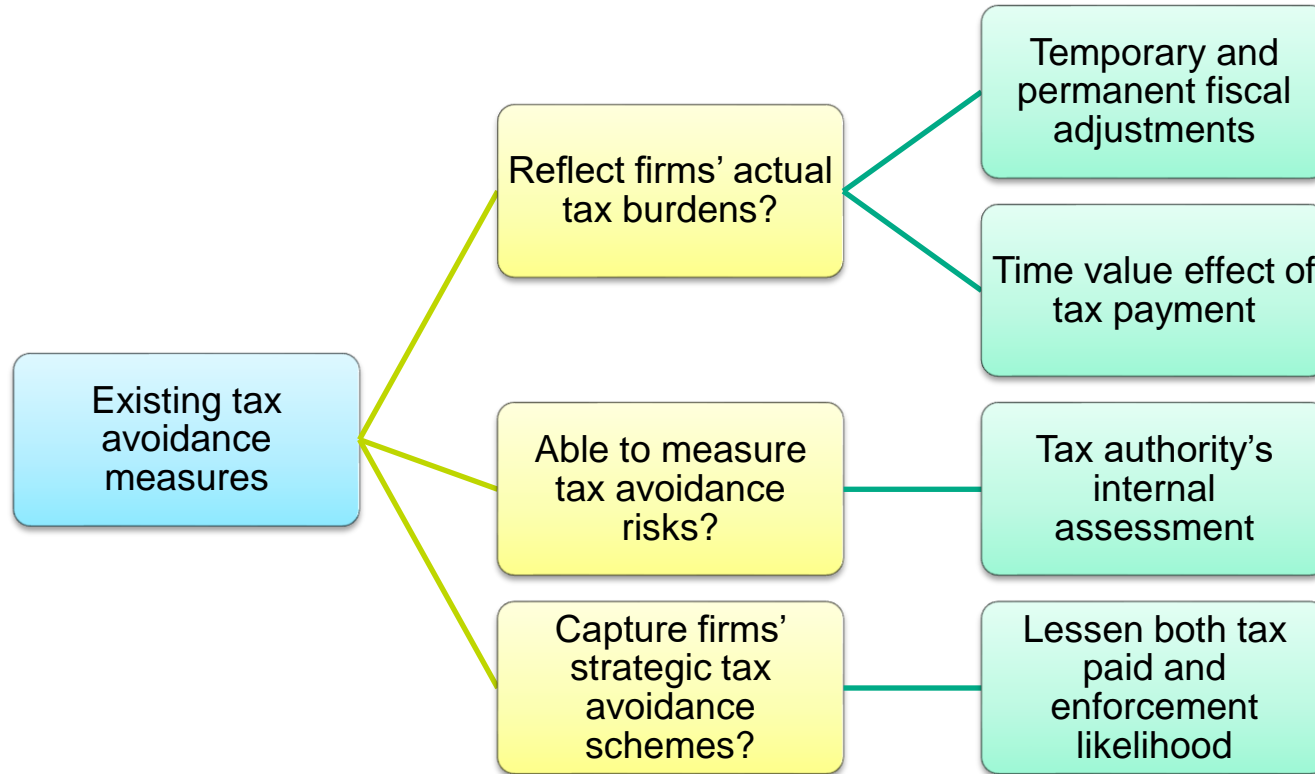


Global firms such as Starbucks, Google and Amazon have come under fire for avoiding paying tax on their British sales. There seems to be a growing culture of naming and shaming

In today's Magazine

'Could I have stopped my

# THE RESEARCH IDEA



# BACKGROUND AND MOTIVATIONS

- The sole focus of voluminous tax studies in explaining determinants and consequences of corporate tax avoidance yet overlooked the relative ability of their financial statement based-tax measures in delineating tax avoidance risks and actual income tax burdens (Plesko, 1999; Blouin, 2014);
- Extending existing literature which seeks to validate the reliability of alternative tax avoidance measures using tax return data and resolving mixed evidence around their reliability (e.g., Zimmerman, 1983; Plesko, 1999; Plesko, 2003; Lisowsky, 2010; Lisowsky et al., 2013);
- The availability of a large sample of Indonesian firms' confidential tax return data and tax authority's audit selection index which provides a unique venue for rigorous examination on existing tax avoidance measures in a developing country setting (UNCTAD, 2015);
- The escalating concerns of tax administrators and policymakers in inferring the nature of corporate tax compliance especially after Covid-19 pandemic.



# RESEARCH QUESTIONS AND CONSTRUCTS

618 Laporan Dewan Komisaris dan Direksi  
Report from the Board of Commissioners  
and the Board of Directors

Profil Perusahaan  
Corporate Profile

Analisis & Pembahasan Manajemen  
Management Discussion & Analysis

**antram** PT ANEKA TAMBANG TEK  
DAN ENTITAS ANUANSANG SUBSIDIARIES

**pwc**

Lampiran 1/1 Schedule

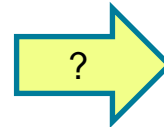
LAPORAN POSISI KEUANGAN  
KONSOLIDASIAN  
31 DESEMBER 2016 DAN 2017  
(Diungkapkan dalam ribuan Rupiah, kecuali dinyatakan lain)

CONSOLIDATED STATEMENTS OF  
FINANCIAL POSITION  
DECEMBER 31, 2016 AND 2017  
(Expressed in thousands of Rupiah, unless otherwise stated)

	Catatan Notes		2016	2017	
<b>ASET</b>					<b>ASSETS</b>
<b>ASET LANCAR</b>					<b>CURRENT ASSETS</b>
Kas dan setara kas	6	4,296,098,385	5,550,677,020		Cash and cash equivalents
Piutang usaha, bersih					Trade receivables, net
- Piutang usaha		822,789,874	969,023,598		Trade receivables
- Piutang usaha, neto		1,562,380	21,532,568		Trade receivables, net
- Piutang usaha, neto	8	1,562,380	488,185,056		Other receivables, net
- Piutang usaha, neto	7	2,027,719,541	1,207,788,082		Prepaid expenses
- Piutang usaha, neto					Other assets
- Piutang usaha, neto	17a	1,083,958,024	564,961,956		Prepaid expenses
- Piutang usaha, neto		24,220,753	85,945,965		Other current assets
- Piutang usaha, neto		88,527,875	227,488,182		
Jumlah aset lancar		6,898,442,426	9,081,928,729		Total current assets

## Tax avoidance measures:

- Effective tax rates
- Book-tax differences
- Abnormal book-tax gap
- Tax arbitrage
- Tax shelter
- DTAX
- Tax subsidy on equity
- Conform tax
- Delta



1771/\$

ANNUAL INCOME TAX RETURN FOR CORPORATE  
FOR CORPORATE PERMITTED TO MAINTAIN BOOKS OF ACCOUNT IN ENGLISH  
LANGUAGE AND US DOLLAR CURRENCY

MINISTRY OF FINANCE OF THE  
REPUBLIC OF INDONESIA  
DIREKTORAT JENDERAL KEUANGAN  
ATTENTION: \*PLEASE PRINT/TYPE ON THE BACKING  
\*PRINT OR TYPE WITH CAPITAL LETTER OR BLACK INK  
\*WRITE "X" IN THE APPROPRIATE BOX

TAXABLE YEAR  
20

AMENDED RETURN

IDENTITY

TAXPAYER'S NAME  
BUSINESS CLASSIFICATION  
TELEPHONE NUMBER  
ACCOUNTING PERIOD

APPROVAL TO MAINTAIN BOOKS OF ACCOUNT IN US DOLLAR CURRENCY  
NUMBER DATE STARTING TAXABLE YEAR

FINANCIAL STATEMENT  
 AUDITED  AUDIT OPINION  UNAUDITED

NAME OF PUBLIC ACCOUNTANT FIRM  
TIN OF PUBLIC ACCOUNTANT FIRM  
NAME OF CPA  
TIN OF CPA  
NAME OF TAX CONSULTANT FIRM  
TIN OF TAX CONSULTANT FIRM  
NAME OF TAX CONSULTANT  
TIN OF TAX CONSULTANT

TAXABLE INCOME  
1. FISCAL  
2. FISCAL  
3. TAXABLE  
4. INCOME

ADJUSTED  
B. INCOME

## Tax authority's assessment:

- Audit case selection index
- Actual income tax burdens:
  - Effective fiscal rate
  - Under-over rate



H-1: Existing tax avoidance measures have partial abilities in explaining variations of actual income tax burdens

- Some tax avoidance measures are, theoretically, proxies of income tax burdens (i.e., Effective tax rates, Conform tax).

H-2: Existing tax avoidance measures yield different corporate tax avoidance risks' ranking compared with the tax authority's audit case selection index

- Tax authority's assessment capture more revealed tax avoidance schemes compared to the existing tax avoidance measures.

H-3: The tax authority's audit case selection index are inversely associated with the existing tax avoidance measures

- The existing measures are capable of revealing firms' strategic tax avoidance schemes in lowering both tax paid and the probability of detections.



# ESTIMATION METHODS

- Wilcoxon signed-rank tests (*Hypothesis 2*)
- Univariate and multivariate OLS and fixed effect-panel data regressions ( $i = \text{firms } 1 - 4,422$  and  $t = 2010 - 2017$ , *Hypothesis 1 & 3*)

$$TAX_{it} = \alpha + \beta TAM_{it} + \Sigma \delta_k CONTROLS_{it} + \Sigma \theta_l INDUSTRY_{lt} + \Sigma \gamma_m YEAR_{mt} + \varepsilon_{it} \quad (1)$$

$$Audit_{it} = \alpha + \beta TAM_{it} + \Sigma \delta_k CONTROLS_{it} + \Sigma \theta_l INDUSTRY_{lt} + \Sigma \gamma_m YEAR_{mt} + \varepsilon_{it} \quad (3)$$

$$Audit_{it} = \alpha + \beta_{1-20} TAM_{it} + \Sigma \delta_k CONTROLS_{it} + \Sigma \theta_l INDUSTRY_{lt} + \Sigma \gamma_m YEAR_{mt} + \varepsilon_{it} \quad (4)$$



# DEPENDENT VARIABLE: ACTUAL INCOME TAX BURDENS

Table 3 Corporate income tax calculation in Indonesia

Items	Descriptions	Value (IDR/US\$)
1	Domestic commercial net income (h)	XXXX
	a. Gross revenues	
	b. Cost of goods sold	
	c. Other operating expenses	
	d. Net income from main business (a-b-c-d)	
	e. Other income	
	f. Other expenses	
	g. Net other income (e-f)	
	h. Total commercial net income (d+g)	
2	Foreign commercial net income	XXXX
3	Total commercial net income (1+2)	XXXX
4	Non-taxable income and income subject to final income tax	(XXXX)
5	Positive fiscal adjustments:	XXXX
	a. expenses charged for the personal benefit of shareholders, partners, or members.	
	b. excessive compensation paid to shareholders or other associated parties for service rendered.	
	c. formation or accumulation of accounting allowances.	
	d. remuneration related to employment in the form of a benefit in kind.	
	e. gifts, aid, and donations.	
	f. income taxes.	
	g. administration penalties.	
	h. commercial depreciation over fiscal depreciation.	
	i. commercial amortisation over fiscal amortisation.	
	j. deferred expenses.	
	k. other positive fiscal adjustments.	
6	Negative fiscal adjustments:	(XXXX)
	a. commercial depreciation under fiscal depreciation.	
	b. commercial amortisation under fiscal amortisation.	
	c. deferred income.	
	d. other negative fiscal adjustments.	
7	Investment allowance for capital-intensive pioneering industries	(XXXX)
8	Fiscal net income (3-4+5-6-7)	XXXX
9	Fiscal loss carried forward	(XXXX)
10	Taxable income (8-9)	XXXX
11	Income tax payable (taxable income x applicable statutory corporate income tax rate)	XXXX
12	Income tax borne by the government (i.e., foreign aid projects)	(XXXX)
13	Domestic tax credits (i.e., domestic withholding income taxes)	(XXXX)
14	Foreign tax credits (i.e., individual country limitation is applied)	(XXXX)
15	Monthly instalment income taxes	(XXXX)
16	Income tax under/over payment (11-12-13-14-15)	XXXX

$$\text{Effective fiscal rate} = \frac{\text{Income tax payable (11)}}{\text{Fiscal net income (8)}}$$

$$\text{Under – over rate} = \frac{\text{Income tax under/over payment (16)}}{\text{Fiscal net income (8)}}$$





# DEPENDENT VARIABLE: AUDIT CASE SELECTION INDEX (DGT, 2018)

## *Audit*

$$= 0.05 * profit + 0.15 * int.shift + 0.1 * dom.shift + 0.1 * loss.shift + 0.1 * thin.cap \\ + 0.15 * trans.price + 0.10 * speci.tp + 0.10 * routine.tp + 0.15 * loss$$

- **5% Profitability:** high risk (1) if a firm's net or gross profit margin ratio is more than 10 per cent below its industry's average or 0 otherwise.
- **15% International profit shifting:** high risk (1) if a firm reports related-party transactions with entities located in tax haven or country with a lower statutory income tax rate compared to Indonesia or 0 otherwise.
- **10% Domestic profit shifting:** high risk (1) if more than 50 per cent of a firm's total domestic revenue comes from related-party transactions or 0 otherwise.
- **10% Fiscal loss shifting:** high risk (1) if a firm reports related-party transactions with domestic entities that have fiscal loss compensation or 0 otherwise.
- **10% Thin capitalisation:** high risk (1) if a firm's debt to equity ratio is greater than 4 or 0 otherwise.
- **15% Magnitude of related-party transactions:** high risk (1) if a firm's total related-party transaction is greater than 30 per cent of its total revenues or 0 otherwise.
- **10% Specific related-party transactions:** high risk (1) if a firm reports specific related-party transaction(s) (e.g., intra-group services, royalties, cost contribution arrangement) or 0 otherwise.
- **10% Non-routine related party transactions:** high risk (1) if a firm reports non-routine related-party transaction(s) (e.g., transfer of fixed assets, transfer of intangible properties, transfer of shares, mergers and acquisitions) or 0 otherwise.
- **15% Sustained fiscal loss:** high risk (1) if a firm reports fiscal loss for three years or more within five-year periods or 0 otherwise.

<=20% Low Risk  
21-50% Medium Risk  
>50% High Risk



# INDEPENDENT VARIABLE: EXISTING TAX AVOIDANCE MEASURES

Table 1 Alternative measures of corporate tax avoidance

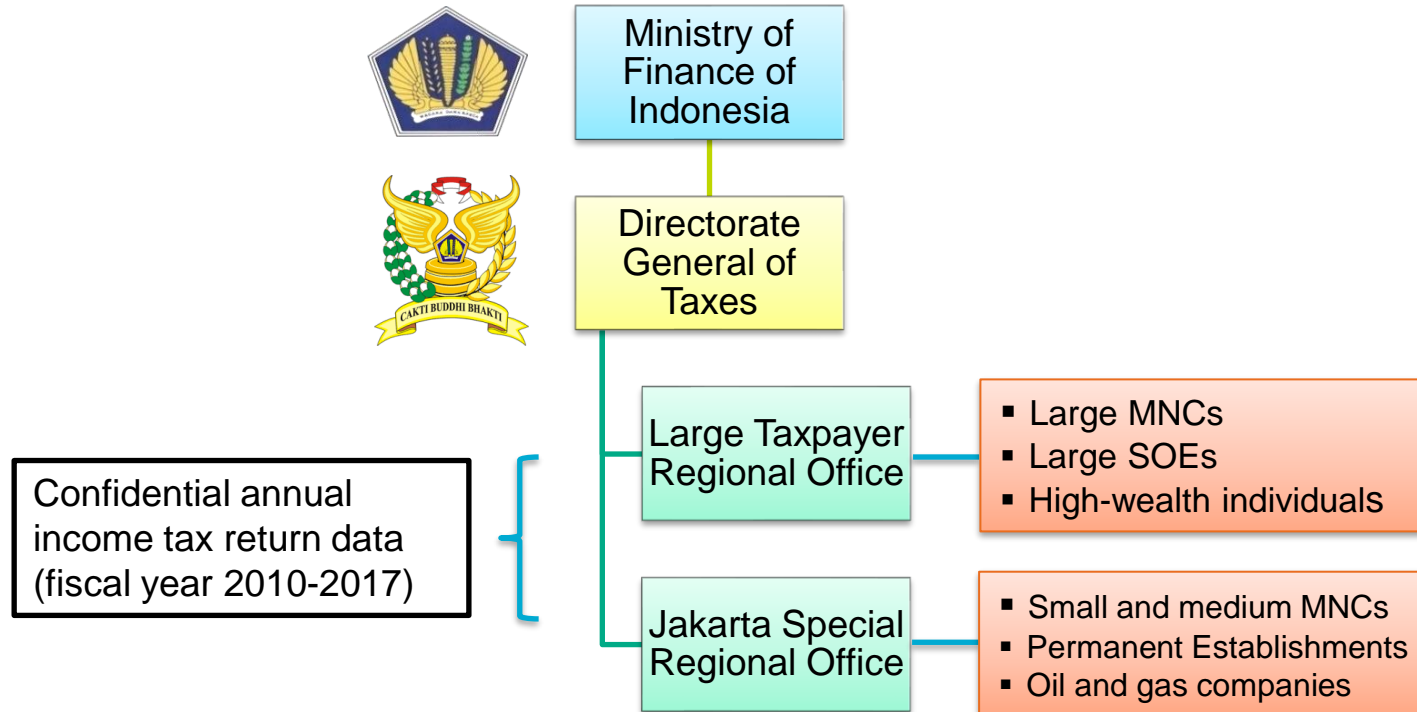
Measure	Description	Reference(s)	Inclusion in the analysis*
Cash ETR	$\frac{\text{Worldwide cash income tax paid}}{\text{Worldwide total pretax accounting income}}$	Gupta and Newberry (1997); Dyreng et al. (2008); Dyreng et al. (2010); Chen (2010); Hanlon and Heitzman (2010); McGuire et al. (2012); Badertscher et al. (2013); Kubick et al. (2015); Higgins et al. (2015); Huang et al. (2016); Dyreng et al. (2017); Gallemore and Labro (2015).	Yes
Cash ETR3	$\frac{\sum_{i=1}^3 \text{Worldwide cash income tax paid}}{\sum_{i=1}^3 \text{Worldwide total pretax accounting income}}$	Hoopes et al. (2012); Blouin (2014); Brown and Drake (2014).	Yes
Cash ETR5	$\frac{\sum_{i=1}^5 \text{Worldwide cash income tax paid}}{\sum_{i=1}^5 \text{Worldwide total pretax accounting income}}$	Dyreng et al. (2008); Rego and Wilson (2012); Huang et al. (2016); Kubick et al. (2015); Gallemore and Labro (2015).	Yes
Cash ETR10 (Long-run ETR)	$\frac{\sum_{i=1}^{10} \text{Worldwide cash income tax paid}}{\sum_{i=1}^{10} \text{Worldwide total pretax accounting income}}$	Dyreng et al. (2008); Hanlon and Heitzman (2010).	Excluded from the analysis because of insufficient data to construct the variable.
Lagged cash ETR	$\frac{\text{Worldwide cash income tax paid}_{t-1}}{\text{Worldwide total pretax accounting income}_{t-1}}$	Lisowsky (2010); Lisowsky (2013).	Yes
Current ETR	$\frac{\text{Worldwide current income tax expense}}{\text{Worldwide total pretax accounting income}}$	Gupta and Newberry (1997); Hanlon and Heitzman (2010); Huang et al. (2016).	Excluded from the analysis because the measure provides similar inference with Cash ETR.
GAAP ETR	$\frac{\text{Worldwide total income tax expense}}{\text{Worldwide total pretax accounting income}}$	Dyreng et al. (2008); Dyreng et al. (2010); Hanlon and Heitzman (2010); Hoopes et al. (2012); McGuire et al. (2012); Badertscher et al. (2013); Kubick et al. (2015); Higgins et al. (2015); Dyreng et al. (2017).	Yes

Tax avoidance measures (Table 1):

- 33 measures are identified from reviewing prior studies;
- 13 measures are excluded from the analysis due to duplication and data unavailability;
- 20 individual measure is assigned as the independent variable in the regression analysis.



# DATA AND SAMPLE SELECTIONS



# DATA AND SAMPLE SELECTIONS

Table 5 Sample composition

Industry description*	Frequency (%)	Number of firms	Firm-years (2010-2017)
<b>Panel B: Industry classification</b>			
Agriculture	2.35	96	622
Automotive manufacturing	2.92	110	773
Basic chemicals manufacturing	6.54	248	1,728
Clothing and apparels	2.96	139	782
Electronic and optical parts manufacturing	2.59	109	686
Foods manufacturing	5.47	208	1,447
Management services	3.75	176	992
Metal products manufacturing	2.60	104	687
Non-automotive wholesale trading	13.70	599	3,622
Oil and gas	11.21	610	2,965
Oil and gas services	3.26	171	861
Operating leases	2.03	99	537
Rubber and plastic products manufacturing	4.07	166	1,077
Textile manufacturing	2.97	123	784
Warehouse and transportation services	2.30	109	608
Other**	31.28	1,355	8,269
Total	100.00	4,422	26,440

\* according to standard industry classification developed by the Indonesia's Central Bureau of Statistics (2015).

\*\* Other industries are manufacturing, mining, trading, and services with less than two percent frequency.

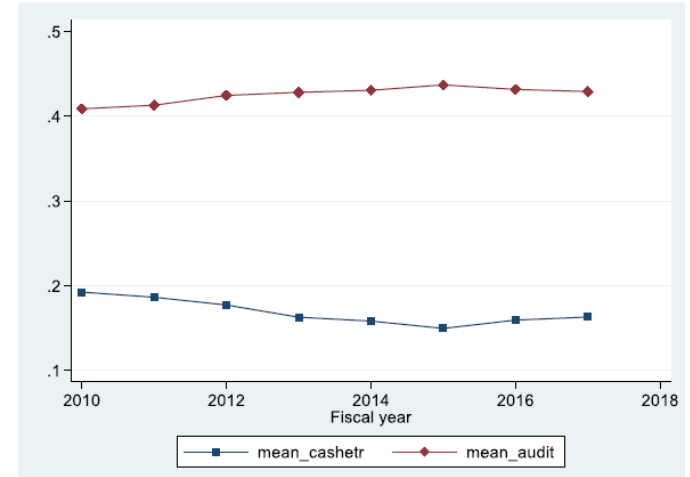
Sample selection criteria	Firm-years (2010-2017)
<b>Panel A: Sample selection summary</b>	
All firms administered at Large Taxpayers Office One, Large Taxpayers Office Two, and Jakarta Special Regional Tax Office	48,564
Less:	
Loss-making firms (Cash ETR<0)	2,608
Firms with excessive income tax payments (Cash ETR>1)	1,199
Small and medium firms	8,845
Coal and mineral mining firms which sign their contract of works before 2010	145
Oil and gas firms which sign their production sharing contracts before 2010	757
Geothermal firms	174
Firms that subject to final income tax (e.g. construction services, real estates, shipping, financial brokerages, travel agents)	7,541
Financial services firms	714
Firms which apply incorrect statutory income tax rates	141
Final sample	26,440



# DESCRIPTIVE STATISTICS

Table 6 Descriptive statistics

Variable	N	Mean	Standard deviation	Min.	p.25	Median	p.75	Max.
Effect. fiscal rate	22,338	0.1589	0.1152	0.0000	0.0000	0.2499	0.2500	0.2547
Under-over rate	21,616	0.0097	0.1639	-0.9994	0.0000	0.0002	0.0483	0.9994
Audit select index	26,440	0.4259	0.1530	0.0000	0.3500	0.4500	0.5500	0.8500
Size	16,928	25.4294	2.3484	10.5372	24.2053	25.5276	26.9609	32.7391
Return on assets	15,335	0.0712	0.1783	-0.9997	0.0058	0.0584	0.1466	0.9990
Leverage	16,333	0.1224	0.1928	0.0000	0.0000	0.0341	0.1539	1.0000
Capital intensity	16,824	0.2544	0.2322	0.0000	0.0508	0.2001	0.3989	1.0000
Inventory intensity	16,919	0.1611	0.1702	0.0000	0.0087	0.1180	0.2541	1.0000
Foreign operate	16,924	0.0001	0.0018	0.0000	0.0000	0.0000	0.0000	0.0868
Fiscal loss	26,440	0.0752	0.2638	0.0000	0.0000	0.0000	0.0000	1.0000
Delta loss	15,899	-0.0004	0.0423	-0.9782	0.0000	0.0000	0.0000	0.9796
Cash ETR	26,440	0.1674	0.1840	0.0000	0.0000	0.1665	0.2761	1.0000
Lagged cash ETR	23,252	0.1698	0.1784	0.0000	0.0000	0.1878	0.2794	1.0000
Cash ETR3	16,764	0.2070	0.1741	0.0000	0.0000	0.2447	0.2950	0.9957
Cash ETR5	10,227	0.2303	0.1737	0.0000	0.0781	0.2532	0.3057	0.9979
GAAP ETR	15,792	0.1689	0.1743	0.0000	0.0000	0.1912	0.2678	1.0000
Cash flow ETR	9,799	0.1672	0.2314	0.0000	0.0000	0.0389	0.2797	0.9987
EBIT ETR	10,766	0.1153	0.1259	0.0000	0.0000	0.0931	0.1846	0.9976
Deferred ETR	11,478	0.2070	0.1621	0.0000	0.0713	0.2439	0.2659	0.9963
BTD	15,630	-0.0280	0.1246	-1.0000	-0.0414	-0.0090	0.0053	0.9622
Total BTD	15,297	-0.0520	0.1364	-1.0000	-0.0654	-0.0124	0.0000	0.9622
Temporary BTD	15,405	-0.0219	0.0952	-0.9972	-0.0207	-0.0000	-0.0000	0.8717
BTG	15,310	-0.0304	0.1473	-1.0000	-0.0457	-0.0033	0.0062	0.9630
SPREAD	15,621	-0.0549	0.1289	-1.0000	-0.0859	-0.0354	-0.0039	0.9603
Tax arbitrage	346	-0.1229	0.0706	-0.2500	-0.1500	-0.1499	-0.0980	0.2511
TSE	16,561	-0.0035	0.1158	-0.9921	-0.0152	-0.0018	0.0077	0.9761
Tax shelter	14,620	14.0398	1.8732	0.3122	13.0914	14.1081	15.2039	24.5307
Abnormal BTG	7,695	0.0000	0.0618	-0.8289	-0.0173	0.0000	0.0120	0.9395
DTAX	11,608	-0.0074	0.1007	-0.9792	-0.0303	-0.0009	0.0184	1.0489
Delta	16,775	0.0098	0.0613	-0.8492	-0.0014	0.0020	0.0096	0.9685
Conform tax	13,528	-0.0000	0.0351	-0.6173	-0.0167	-0.0035	0.0095	0.6347



# RESULTS: HYPOTHESIS-1

Table 8 Comparative ability of the existing tax avoidance measures in explaining actual income tax burdens

Tax measures (1)	Predicted sign (2)	Ordinary least squares regressions		Fixed effects-panel data regressions	
		Univariate (3)	Multivariate (4)	Univariate (5)	Multivariate (6)
<i>Panel A Tax liability measure: Effective fiscal rate (income tax paid/fiscal net income)</i>					
Cash ETR	+	0.4829 (72.73)*** N=22,338 R <sup>2</sup> =59.75	0.3464 (52.62)*** N=13,958 R <sup>2</sup> =73.03	0.3679 (130.70)*** N=22,338 (3,861) R <sup>2</sup> =59.75	0.3119 (94.38)*** N=13,958 (2,732) R <sup>2</sup> =71.28
Cash ETR3	+	0.4026 (44.09)*** N=15,494 R <sup>2</sup> =39.22	0.2418 (27.90)*** N=10,849 R <sup>2</sup> =58.33	0.1451 (27.91)*** N=15,494 (3,480) R <sup>2</sup> =39.22	0.1074 (18.64)*** N=10,849 (2,540) R <sup>2</sup> =51.65
Cash ETR5	+	0.2888 (23.89)*** N=9,421 R <sup>2</sup> =20.54	0.1466 (14.51)*** N=6,952 R <sup>2</sup> =48.90	-0.0463 (-5.31)*** N=9,421 (2,857) R <sup>2</sup> =20.54	-0.0452 (-4.79)*** N=6,952 (2,118) R <sup>2</sup> =21.76
Lagged cash ETR	+	0.4016 (56.64)*** N=19,891 R <sup>2</sup> =38.85	0.2288 (32.21)*** N=13,285 R <sup>2</sup> =56.91	0.1549 (37.05)*** N=19,891 (3,734) R <sup>2</sup> =38.85	0.0929 (19.26)*** N=13,285 (2,690) R <sup>2</sup> =50.98
GAAP ETR	+	0.2462 (31.35)*** N=15,221 R <sup>2</sup> =16.13	0.1446 (26.45)*** N=13,061 R <sup>2</sup> =51.19	0.1389 (32.15)*** N=15,221 (2,957) R <sup>2</sup> =16.13	0.1249 (30.55)*** N=13,061 (2,702) R <sup>2</sup> =46.99
Cash flow ETR	+	0.3317 (61.55)*** N=9,321 R <sup>2</sup> =41.85	0.1807 (36.05)*** N=8,664 R <sup>2</sup> =60.35	0.1211 (38.30)*** N=9,321 (2,620) R <sup>2</sup> =41.85	0.1221 (27.79)*** N=8,664 (2,531) R <sup>2</sup> =56.53
EBIT ETR	+	0.5198 (32.60)*** N=10,397 R <sup>2</sup> =35.54	0.3351 (27.42)*** N=9,477 R <sup>2</sup> =59.65	0.4322 (53.93)*** N=10,397 (2,470) R <sup>2</sup> =35.54	0.3286 (42.45)*** N=9,477 (2,316) R <sup>2</sup> =52.96
Deferred ETR	+	0.2780 (29.01)*** N=11,081 R <sup>2</sup> =16.92	0.1738 (26.60)*** N=10,414 R <sup>2</sup> =53.15	0.1487 (27.59)*** N=11,081 (2,679) R <sup>2</sup> =16.92	0.1252 (25.82)*** N=10,414 (2,568) R <sup>2</sup> =47.81
Conform tax	+	0.9717 (11.19)*** N=12,952 R <sup>2</sup> =9.57	-0.1326 (-2.82)*** N=12,106 R <sup>2</sup> =46.19	0.5011 (19.14)*** N=12,952 (2,543) R <sup>2</sup> =9.57	-0.0372 (-1.28) N=12,106 (2,442) R <sup>2</sup> =41.35

Existing tax avoidance measures have partial abilities in explaining variations of actual income tax burdens

Tax measures	Predicted sign	Ordinary least squares regressions		Fixed effects-panel data regressions	
		Univariate	Multivariate	Univariate	Multivariate
<i>Panel B Tax liability measure: Under-over rate (income tax underpaid or overpaid/fiscal net income)</i>					
Cash ETR	-	-0.1129 (-14.43)*** N=21,616 R <sup>2</sup> =1.60	-0.1734 (-15.20)*** N=13,547 R <sup>2</sup> =6.56	-0.1860 (-20.54)*** N=21,616 (3,858) R <sup>2</sup> =1.60	-0.2315 (-20.50)*** N=13,547 (2,724) R <sup>2</sup> =4.43
Cash ETR3	-	0.0088 (0.98) N=15,014 R <sup>2</sup> =0.01	-0.0101 (-0.80) N=10,556 R <sup>2</sup> =3.30	0.1089 (7.65)*** N=15,014 (3,463) R <sup>2</sup> =0.01	0.0959 (5.64)*** N=10,556 (2,526) R <sup>2</sup> =1.17
Cash ETR5	-	0.0218 (2.05)** N=9,138 R <sup>2</sup> =0.05	0.0169 (1.19) N=6,773 R <sup>2</sup> =0.05	0.1009 (3.98)*** N=9,138 (2,838) R <sup>2</sup> =0.05	0.0883 (3.13)*** N=6,773 (2,108) R <sup>2</sup> =0.63
Lagged cash ETR	-	-0.0131 (-1.79)* N=19,254 R <sup>2</sup> =0.02	-0.0669 (-6.44)*** N=12,912 R <sup>2</sup> =15.45	0.0440 (4.26)*** N=19,254 (3,729) R <sup>2</sup> =0.02	-0.0349 (-2.73)*** N=12,912 (2,682) R <sup>2</sup> =1.80
GAAP ETR	-	-0.0706 (-8.94)*** N=14,849 R <sup>2</sup> =0.69	-0.0866 (-9.69)*** N=12,725 R <sup>2</sup> =4.06	-0.0859 (-8.59)*** N=14,849 (2,946) R <sup>2</sup> =0.69	-0.1114 (-10.02)*** N=12,725 (2,691) R <sup>2</sup> =2.18
Cash flow ETR	-	-0.0468 (-7.29)*** N=8,976 R <sup>2</sup> =0.46	-0.0866 (-10.52)*** N=8,332 R <sup>2</sup> =7.60	-0.0333 (-2.97)*** N=8,976 (2,601) R <sup>2</sup> =0.46	-0.0579 (-4.97)*** N=8,332 (2,513) R <sup>2</sup> =5.40
EBIT ETR	-	-0.1092 (-7.69)*** N=10,100 R <sup>2</sup> =0.74	-0.1854 (-9.77)*** N=9,201 R <sup>2</sup> =5.96	-0.1122 (-5.19)*** N=10,100 (2,445) R <sup>2</sup> =0.74	-0.2046 (-8.70)*** N=9,201 (2,295) R <sup>2</sup> =2.98
Deferred ETR	-	-0.0680 (-6.44)*** N=10,751 R <sup>2</sup> =0.47	-0.0894 (-7.85)*** N=10,098 R <sup>2</sup> =3.17	-0.0702 (-5.36)*** N=10,751 (2,662) R <sup>2</sup> =0.47	-0.0943 (-6.97)*** N=10,098 (2,552) R <sup>2</sup> =1.73
Conform tax	-	0.1309 (3.47)*** N=12,563 R <sup>2</sup> =0.08	0.3117 (5.29)*** N=11,740 R <sup>2</sup> =3.73	0.5019 (8.35)*** N=12,563 (2,534) R <sup>2</sup> =0.08	0.6435 (8.50)*** N=11,740 (2,434) R <sup>2</sup> =1.60

Control variables:

- Size
- Return on assets
- Leverage
- Foreign operation
- Capital intensity
- Inventory intensity
- Fiscal loss dummy
- Changes in fiscal loss
- Year fixed effect (OLS)
- Industry fixed effect (OLS)



# RESULTS: HYPOTHESIS-2

Table 9 Comparative corporate tax avoidance risk's ranking by the existing tax avoidance measures

Tax measures	N	Wilcoxon-signed rank z-score	Effect size
Cash ETR	26,440	-110.932***	0.6822
Cash ETR3	16,764	-76.441***	0.5904
Cash ETR5	10,227	-52.379***	0.5179
Lagged cash ETR	23,252	-103.161***	0.6765
GAAP ETR	15,792	-75.420***	0.6002
Cash flow ETR	9,799	-52.907***	0.5345
EBIT ETR	10,766	-77.102***	0.7431
Deferred ETR	11,478	-56.918***	0.5313
Book-tax differences	15,630	-107.543***	0.8602
Total BTD	15,297	-106.761***	0.8632
Temporary BTD	15,405	-107.222***	0.8639
Book-tax gap	15,130	-105.662***	0.8590
SPREAD	15,621	-107.701***	0.8617
Tax arbitrage	346	-16.120***	0.8666
Tax subsidy on equity	16,561	-110.327***	0.8573
Tax shelter	14,620	104.716***	0.8660
Abnormal BTG	7,695	-85.649***	0.8610
DTAX	11,608	-92.552***	0.8590
Delta	16,775	-111.650***	0.8620
Conform tax	13,522	-100.572***	0.8649

This table reports Wilcoxon sign-rank test outcomes of whether each existing tax avoidance measure yields identical corporate tax avoidance risk's ranking with the tax authority's audit case selection index. Tax avoidance measures' definitions are provided in Table 1. Effect size is calculated by scaling absolute value of z-score with square root of matched observations as suggested by Cohen (1988) also Corder and Foreman (2014). TSE, BTD, Total BTD, Temporary BTD, BTG, SPREAD, and Delta are censored to -1 and 1. Similarly, all ETRs are censored to 0 and 1. The asterisk (\*) indicates the statistical significance of the coefficients at 1 per cent (\*\*\*), 5 per cent (\*\*), and 10 per cent (\*) significance level, respectively.

Existing tax avoidance measures yield different corporate tax avoidance risks' ranking compared with the tax authority's audit case selection index



# RESULTS: HYPOTHESIS-3

Table 10 Comparative associations of the existing tax avoidance measures with the tax authority's audit case selection index

Tax avoidance measures (1)	Predicted sign (2)	Ordinary least squares regressions		Fixed effects-panel data regressions	
		Univariate (3)	Multivariate (4)	Univariate (5)	Multivariate (6)
Cash ETR	-	-0.3271 (-36.64)*** N=26,440 R <sup>2</sup> =15.49	-0.1113 (-12.93)*** N=14,558 R <sup>2</sup> =27.34	-0.0218 (-5.79)*** N=26,440 (4,422) R <sup>2</sup> =15.49	-0.0087 (-1.60) N=14,558 (2,816) R <sup>2</sup> =3.86
Cash ETR3	-	-0.2886 (-25.20)*** N=16,764 R <sup>2</sup> =11.11	-0.1206 (-10.97)*** N=11,219 R <sup>2</sup> =25.66	-0.0001 (-0.35) N=18,672 (3,871) R <sup>2</sup> =0.03	0.0013 (0.16) N=11,219 (2,600) R <sup>2</sup> =9.06
Cash ETR5	-	-0.2433 (-17.31)*** N=10,227 R <sup>2</sup> =8.01	-0.0924 (-6.80)*** N=7,227 R <sup>2</sup> =23.68	0.0001 (0.67) N=12,028 (3,352) R <sup>2</sup> =0.00	0.0192 (1.46) N=7,227 (2,177) R <sup>2</sup> =11.55
Lagged cash ETR	-	-0.3422 (-35.21)*** N=23,252 R <sup>2</sup> =15.69	-0.1208 (-12.74)*** N=13,871 R <sup>2</sup> =27.39	-0.005 (-1.20) N=23,252 (4,305) R <sup>2</sup> =15.69	-0.0016 (-0.25) N=13,871 (2,782) R <sup>2</sup> =3.48
GAAP ETR	-	-0.1860 (-18.95)*** N=15,792 R <sup>2</sup> =5.46	-0.0706 (-8.22)*** N=13,415 R <sup>2</sup> =7.35	-0.0149 (-2.94)*** N=15,792 (3,027) R <sup>2</sup> =5.46	-0.0069 (-1.24) N=13,415 (2,747) R <sup>2</sup> =3.35
Cash flow ETR	-	-0.2368 (-28.75)*** N=9,799 R <sup>2</sup> =14.61	-0.1131 (-14.33)*** N=9,076 R <sup>2</sup> =30.09	-0.0237 (-4.44)*** N=9,799 (2,683) R <sup>2</sup> =14.61	-0.0122 (-2.15)** N=9,076 (2,589) R <sup>2</sup> =5.58
EBIT ETR	-	-0.2942 (-16.99)*** N=10,776 R <sup>2</sup> =7.03	-0.1076 (-7.31)*** N=9,747 R <sup>2</sup> =23.70	-0.0334 (-3.23)*** N=10,766 (2,606) R <sup>2</sup> =7.03	-0.0118 (-1.05) N=9,747 (2,412) R <sup>2</sup> =1.39
Deferred ETR	-	-0.1618 (-15.20)*** N=11,478 R <sup>2</sup> =3.53	-0.0772 (-8.39)*** N=10,708 R <sup>2</sup> =25.45	-0.0085 (-1.38) N=11,478 (2,766) R <sup>2</sup> =3.53	-0.0075 (-1.17) N=10,708 (2,625) R <sup>2</sup> =4.51
BTD	-	-0.1899 (-15.99)*** N=15,630 R <sup>2</sup> =2.82	0.0634 (3.63)*** N=14,510 R <sup>2</sup> =25.77	-0.0261 (-3.68)*** N=15,630 (2,937) R <sup>2</sup> =2.82	0.0129 (1.10) N=14,510 (2,807) R <sup>2</sup> =3.51

The tax authority's audit case selection index are inversely associated with the existing tax avoidance measures

#### Control variables:

- Size
- Return on assets
- Leverage
- Foreign operation
- Capital intensity
- Inventory intensity
- Fiscal loss dummy
- Changes in fiscal loss
- Year fixed effect (OLS)
- Industry fixed effect (OLS)





# RESULTS: HYPOTHESIS-3

Tax measures	Predicted sign	Ordinary least squares regressions		Fixed effects-panel data regressions	
		Univariate	Multivariate	Univariate	Multivariate
Temporary BTD	-	0.1031 (6.76)*** N=15,405 R <sup>2</sup> =0.50	0.0193 (1.33) N=14,509 R <sup>2</sup> =25.68	0.0015 (0.18) N=15,405 (2,915) R <sup>2</sup> =0.50	-0.0053 (-0.61) N=14,509 (2,811) R <sup>2</sup> =3.50
		-0.0739 (-6.22)*** N=15,310 R <sup>2</sup> =0.61	-0.0039 (-0.37) N=14,488 R <sup>2</sup> =25.67	-0.0107 (-1.90)* N=15,310 (2,908) R <sup>2</sup> =0.61	-0.0044 (-0.72) N=14,488 (2,807) R <sup>2</sup> =3.21
SPREAD	-	-0.0877 (-7.50)*** N=15,621 R <sup>2</sup> =0.64	0.0504 (3.51)*** N=14,503 R <sup>2</sup> =25.77	-0.0128 (-1.85)* N=15,621 (2,936) R <sup>2</sup> =0.64	0.0076 (0.79) N=14,503 (2,807) R <sup>2</sup> =3.83
		0.0193 (0.16) N=346 R <sup>2</sup> =0.01	-0.1737 (-0.79) N=184 R <sup>2</sup> =30.82	0.0423 (0.45) N=346 (152) R <sup>2</sup> =0.01	0.1161 (0.66) N=184 (86) R <sup>2</sup> =0.02
Tax arbitrage	-	-0.0023 (0.19) N=16,561 R <sup>2</sup> =0.00	-0.0123 (-1.04) N=14,325 R <sup>2</sup> =25.20	-0.0251 (-4.13)*** N=16,561 (3,016) R <sup>2</sup> =0.00	-0.0225 (-3.18)*** N=14,325 (2,802) R <sup>2</sup> =0.70
		-0.0276 (-28.15)*** N=14,620 R <sup>2</sup> =14.01	0.0095 (3.63)*** N=14,507 R <sup>2</sup> =25.76	-0.0058 (-7.33)*** N=14,620 (2,815) R <sup>2</sup> =14.01	0.0019 (1.08) N=14,507 (2,807) R <sup>2</sup> =3.54
Abnormal BTG	-	0.0469 (1.84)* N=9,895 R <sup>2</sup> =0.06	0.1207 (4.83)*** N=9,740 R <sup>2</sup> =17.48	0.0026 (0.14) N=9,895 (2,283) R <sup>2</sup> =0.06	0.0131 (0.64) N=9,740 (2,257) R <sup>2</sup> =1.56
		-0.0981 (-7.60)*** N=11,608 R <sup>2</sup> =0.51	0.0065 (0.51) N=11,040 R <sup>2</sup> =25.56	-0.0156 (-1.91)* N=11,608 (2,619) R <sup>2</sup> =0.51	-0.0021 (-0.23) N=11,040 (2,532) R <sup>2</sup> =8.23
Delta	-	0.3158 (12.84)*** N=16,755 R <sup>2</sup> =1.94	-0.2848 (-4.55)*** N=14,547 R <sup>2</sup> =25.83	0.0691 (4.61)*** N=16,755 (3,022) R <sup>2</sup> =1.94	-0.0304 (-0.72) N=14,547 (2,815) R <sup>2</sup> =1.63
		-0.7401 (-7.67)*** N=13,522 R <sup>2</sup> =3.41	-0.0181 (-0.31) N=12,600 R <sup>2</sup> =24.57	-0.1187 (-4.01)*** N=13,528 (2,622) R <sup>2</sup> =3.41	0.0826 (2.33)** N=12,600 (2,516) R <sup>2</sup> =6.58

The tax authority's audit case selection index are inversely associated with the existing tax avoidance measures

#### Control variables:

- Size
- Return on assets
- Leverage
- Foreign operation
- Capital intensity
- Inventory intensity
- Fiscal loss dummy
- Changes in fiscal loss
- Year fixed effect (OLS)
- Industry fixed effect (OLS)



# RESULTS: HYPOTHESIS-3

Table 11 Multivariate regression analysis on associations of the existing tax avoidance measures with the tax authority's audit case selection index

Variable	Predicted sign	Ordinary least squares		Fixed effect-panel data	
		Coefficient	t-statistic	Coefficient	t-statistic
Cash ETR	-	0.0826	2.47**		
Cash ETR3	-	-0.0565	-1.13		
Cash ETR5	-	0.1093	2.36**		
Lagged cash ETR	-	-0.0454	-1.50		
GAAP ETR	-	0.0353	1.03		
Cash flow ETR	-	-0.0656	-3.99***	-0.0054	-0.88
EBIT ETR	-	0.0028	0.10		
Deferred ETR	-	-0.0495	-1.42		
BTD	-	0.2012	2.41**		
SPREAD_residual	-	-0.5171	-1.55		
Tax subsidy on equity	-			-0.0260	-3.08***
Tax shelter_residual	-	-0.0099	-0.60		
Abnormal BTG_residual	-	4.3743	1.18		
Delta_residual	-	-0.3644	-0.98		
Conform tax	-			0.0736	1.54
Size	±	-0.0131	-5.86***	0.0037	1.51
Foreign	+	1.4545	1.51	0.8858	0.80
Capital intensity	+	-0.0213	-1.07	0.0014	0.13
Inventory intensity	-	-0.0016	-0.06	-0.0211	-1.41
Return on assets	+	0.0143	0.27	-0.0530	-5.84***
Fiscal loss	+	-0.0161	-0.58	-0.0097	-2.35**
Changes in loss	+	-0.0565	-0.41	0.0551	2.37**
Constant		0.6254	9.92***	0.2702	4.25***
Industry fixed effect		Yes		No	
Year fixed effect		Yes		No	
N (groups)		1,912		8,038 (2,336)	
R <sup>2</sup>		17.07		1.64	

The tax authority's audit case selection index are inversely associated with the existing tax avoidance measures



## Sensitivities

The existing tax avoidance measures are capable of controlling variations of Effective fiscal rate and Under-over rate.

Cash ETR is the most informative proxy in explaining both Effective fiscal rate and Under-over rate.

Applying lead-lag specifications reveal a significant relationship between the subsequent year's Audit case selection index with the individual tax avoidance measure. Additionally, Cash ETR5 and Cash flow ETR are the most informative proxies in explaining between firm's variations of subsequent year's tax authority's assessment.

Employing quantile regression shows Cash flow ETR is the most informative proxy in reflecting tax authority's enforcement for firms with a low level of tax avoidance (i.e., the left tail of the audit case selection's distribution) while Cash ETR5 and EBIT ETR are more meaningful for those in the extreme level of tax authority's assessments.



# CONCLUSIONS

- This study finds evidence of the existing tax avoidance measures' reliability in describing cross-sectional variations of firms' actual income tax burdens. However, these measures are unable to yield similar tax avoidance's risk ranking with the tax authority's internal assessment indicating different tax avoidance constructs are being predicted by these proxies contrary to the tax authority's focus;
- Relative to other measures, **Cash flow ETR** presents the most concordance with the tax authority's assessment in detecting corporate tax avoidance. Additionally, **Tax subsidy on equity** is able to capture firm's strategic tax minimisation methods that, simultaneously, lessen both income tax paid and the likelihood of tax authority's enforcement over time;
- Supplementing the internal risk assessments with the existing public measures may provide added value to tax authorities when firms, strategically, 'game' the tax and financial reporting processes.



# COMMENT & QUESTIONS..??



**UTS BUSINESS SCHOOL**