INFLUENCE OF DEBT TO EQUITY RATIO, RETURN ON ASSETS AND EARNING MANAGEMENT ON TAX AVOIDANCE (Survey on Manufacturing Companies Registered in BEI)

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Arles P. Ompusunggu, S.E., M.Si., Ak.

ABSTRACT
Tax avoidance is one of the ways to minimize the tax burden, tax avoidance is not a violation of tax laws due to taxpayers' efforts to reduce, avoid, minimize and alleviate the tax burden carried out in a manner permitted by the tax law, but tax avoidance can lead to reduced tax revenues received by the state. Tax avoidance in the company can be seen from the internal factors of the company. Some internal factors are considered to influence tax avoidance in this research are debt to equity ratio, return on assets, and earnings management. This study aims to determine the effect of debt to equity ratio, return on assets, and earnings management against tax avoidance. The type of research used is explanatory research to examine the factors that influence the problem under study. The research was conducted in a manufacturing company listed on the Indonesia Stock Exchange (IDX) registered in the period 2010 to 2016. Based on the purposive sampling method, the number of samples that can be used in this study is as many as 47 samples. The type of research is quantitative research that will be analyzed using multiple regression. In this study, researchers will use the SPSS 25 to process the data that have been obtained. Based on the results of this study can be concluded that the debt to equity ratio has no effect on tax avoidance, then return on assets have a negative effect on tax avoidance and earnings management have a negative effect on tax avoidance.

Keywords: tax avoidance, debt to equity ratio, return on assets, earning management

INTRODUCTION
Tax avoidance is one of the ways to minimize the tax burden, where taxpayers can reduce their tax obligations without violating tax laws, which are usually done by exploiting weaknesses in tax laws, but tax avoidance can cause huge losses to the state because can reduce tax revenue received by the state. So, it can be concluded that tax avoidance is a legal action that harms the government (Larastomo, Perdana, Triatmoko, & Sudaryono, 2016).

Crivelly (2017) found that Indonesia ranked 11th out of thirty countries in terms of tax avoidance by the company, with an estimated value of 6.48 billion US dollars, corporate taxes are not paid by companies in Indonesia to the Indonesian tax service. The value can be said to be high compared to Malaysia and Myanmar which experienced losses from tax avoidance of 2.33 billion US dollars and 0.44 billion US dollars.

Cobham and Jansky (2017) found that tax avoidance has an effect on the reduced tax revenues. Losses caused by tax avoidance has a greater impact in low- and middle-income countries that are dependent on tax revenues.

According Saifudin and Yunanda (2016) tax avoidance phenomenon in Indonesia can be seen from the tax ratio of Indonesia. The tax ratio shows the government's ability to collect tax revenues or reabsorb GDP from the public in taxes. The higher the tax ratio of a country, the better the state tax collection performance. Then finance minister Brodjonegoro (2016) said that Indonesia's tax ratio is only around 11 percent, meaning that the ratio of tax revenue to Indonesia's Gross Domestic Product (GDP) is still below the standards of ASEAN and OECD countries.

Based on OECD (Organizational for Economic Co-operation and Development) data, the tax ratio in Indonesia lags behind neighboring countries in ASEAN, especially Thailand with a tax ratio above 15%. In fact, the average OECD country's tax revenue is 33.8% of Gross Domestic Product.

Figure 1 Tax Ratio Indonesia

<table>
<thead>
<tr>
<th>Year</th>
<th>Tax Ratio Indonesia</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>11,158</td>
</tr>
<tr>
<td>2012</td>
<td>11,381</td>
</tr>
<tr>
<td>2013</td>
<td>11,285</td>
</tr>
<tr>
<td>2014</td>
<td>10,836</td>
</tr>
<tr>
<td>2015</td>
<td>10,748</td>
</tr>
</tbody>
</table>

Figure 1 Tax Ratio Indonesia
According to industry minister Hartarto (2017), the realization of tax revenues from the manufacturing sector reached Rp224.95 trillion until the third quarter of 2017, an increase of 16.63 percent compared to the same period in 2016. The results obtained from the manufacturing sector are superior to the results obtained from the trade sector, which amounted to Rp134, 74 trillion, from the financial sector amounted to Rp104, 92 trillion, then the construction sector of Rp 35,40 trillion, then from the communication information sector obtained results of Rp32,19 trillion and from the mining sector obtained the results of Rp31,66 trillion, and other sectors Rp155,19 trillion. Although tax revenue from the manufacturing sector is large compared to other sectors. There is still a gap between acceptance that should be received and receipts obtained from the manufacturing sector, either from income tax, value added tax (VAT) or other taxes related to the manufacturing sector.

The Company considers taxes as an expense that will reduce the profits derived from the operations of the company. Therefore, the company will try to find ways to reduce the tax burden. Due to the tax burden considered to reduce corporate profits, it can cause the company to become aggressive in taxation (Chen, Chen, Cheng, & Shelvin, 2010).

In matters related to tax payments. Taxpayers and governments have different interests related to taxation. Taxpayers as taxpayers attempt to reduce the amount of tax payments, while the government as the taxpayer seeks to increase the revenue earned from the tax sector. For taxpayers, especially companies or business entities, taxes are one of the main expenses that will reduce net income (Sugitha & Supadmi, 2016). Meanwhile, Kurniasih and Sari (2013) argue that the company always wants the minimum tax payment because it considers tax as an expense that will reduce the company's net profit.

There are several ways that can be taken to minimize the amount of taxes paid by the company, one of them through tax avoidance, which is an attempt by the taxpayer to not do any deeds taxed or efforts that are still within the framework of the provisions of the taxation legislation to reduce the amount of tax payable (Chasbiandani & Martani, 2012). Factors that cause tax avoidance can be caused by internal factors, some internal factors that are considered to influence tax avoidance measures are debt to equity ratio, return on assets and earnings management.

In research Harrington and Smith (2013) mentioned that companies that do tax avoidance tend to have high debt. The company is deliberately owed high to reduce the tax burden. According Suyanto and Supramono (2012) companies can use debt as a source of funds to conduct operations and company investment. However, funds obtained from debt will create a fixed rate of return called interest. The greater the debt used as a source of funding the taxable income will become smaller because the fixed expense generated from the debt interest is greater. This can cause the company to try to reduce the tax burden by increasing the use of debt.

ROA relates to the net income of the company and the imposition of income tax for corporate taxpayers. In research Rinaldi and Cheisviyanny (2015) found that profitability (ROA) have a significant effect and have a positive direction towards tax avoidance. Furthermore, Kurniasih and Sari (2013) states that the return on assets have a significant effect and negatively affect tax avoidance.

In research Suyanto and Supramono (2012) found that earnings management can affect the aggressiveness of corporate taxes through income decreasing, it can be said that earnings management can affect the amount of the tax burden paid by the company. According to Wang and Chen (2012) earnings management and tax evasion have a positive correlation, indicating that tax evasion is significant in earnings management.

Research Question
Based on the introduction above, then the research question in this study are as follows:
1. Does the debt to equity ratio affect the tax avoidance actions of the company?
2. Does the earning management ratio affect the tax avoidance actions of the company?
3. Does the return on assets affect the tax avoidance actions of the company?

Research Objectives
Referring to the formulation of the problem that had been predetermined, then the objectives to be achieved from this research are as follows:
1. To test and prove the effect of debt to equity ratio on tax avoidance.
2. To test and prove the effect of return on assets on tax avoidance.
3. To test and prove the effect of earning management on tax avoidance.

LITERATURE REVIEW
Tax Avoidance
In reducing the tax obligations that must be fulfilled by the company can be done in several ways, one of which is called tax avoidance. According to Kurniasih and Sari (2013) tax avoidance is an arrangement to minimize or eliminate the tax burden by considering the resulting tax consequences, tax avoidance is not a violation of tax laws due to taxpayers' efforts to reduce, avoid, minimize and alleviate the tax burden carried out in a manner permitted by the tax law.
In Astuti and Aryani (2016) states that in Indonesia taxpayers are given full discretion, to calculate, pay and report their own tax obligations. This is due to the implementation of the self assessment system in Indonesian tax law. Implementation of the self assessment system provides an opportunity for taxpayers reduce the amount of tax payable.

Dyregn et al. (2008) states that tax evasion is any form of activity that gives effect to tax obligations, whether activities are permitted by taxes or special activities to reduce taxes. While in Shafer and Simmons (2006) states that tax avoidance is a transaction scheme intended to minimize the tax burden by utilizing various weaknesses (loophole) provisions of a country's taxation so that tax experts declare legal because it does not violate the tax regulations. Thus, it can be concluded tax avoidance is a legal action or may be done by the taxpayer by exploiting the weakness of the applicable law to reduce corporate tax burden.

Debt to Equity Ratio
Debt to Equity Ratio is the ratio used to assess debt with equity. This ratio is sought by comparing the entire debt, including current debt with the entire equity. This ratio is useful to know the amount of funds provided by the borrower (creditor) with the owner of the company. In other words, this ratio serves to find out each rupee own capital that is used as debt guarantees (Ramdhani, 2013). Then, according Husaini (2013) Debt to Equity Ratio is one of the most widely used ratios. The amount of debt contained in the capital structure of the firm is very important to understand the balance between risk and profit gained. Debt carries risks because any debt in general will create a fixed attachment for the company in the form of obligation to pay interest expense along with periodic repayment of its principal obligations. Based on Article 6 paragraph 1 letter a of Law no. 36 of 2008 mentioned one of the costs that can be used to reduce gross income is interest. Interest on loans from creditors is included and can be used as a fixed expense to reduce gross income.

Profitability is the company's ability to generate profit in the future and is an indicator of the success of the company's operations. Return on Assets is one type of profitability ratios. Profitability ratio is the ratio to assess the ability of companies in the search for profit. This ratio also provides a measure of the effectiveness of a company's management level. This is indicated by the profits generated from sales and investment income (Rinaldi & Cheisivyannya, 2015).

Return on assets (ROA) is one approach that can reflect the profitability of a company. ROA approach shows that the amount of profits earned by companies using the total assets they have. ROA also takes into account the company's ability to generate profits regardless of funding. The higher this ratio, the better the company's performance by using assets in obtaining net profit (Darmawan & Sukartha, 2014).

The company is an organization that operates for the purpose of making a profit, by selling products (goods and / or services) to its customers. The main purpose of the company is to maximize profits. Profitability ratio is the ratio to assess the ability of companies in the search for profit. This ratio also provides a measure of the effectiveness of a company's management level. Return on Assets (ROA) is an indicator that reflects the company's financial performance, the higher the value of ROA that can be achieved by the company then the company's financial performance can be categorized well. (Maharani & Suardana, 2014).

Earnings Management.
In Marlisa and Fuadati (2016) states that earnings management is an effort of corporate managers to intervene or update information in financial statements in order to fool stakeholders who want to influence the performance and the condition of the company. Earnings management is a condition in which management intervenes in the process of preparing financial statements for external parties so as to level out, raise, and lower profits (Gunawan, Darmawan, & Purnamawati, 2015).

The purpose of the intervention here is the efforts made by managers to influence the information in the financial statements in order to fool stakeholders who want to know the performance and the condition of the company. Often this process involves beautifying the financial statements (fashioning accounting reports). While there are several definitions of earnings management, that definitions have similarity in common that relate one definition to another.

Christian and Nugrahanti (2014) describe the concept of an accrual model having two components: discretionary accruals and nondiscretionary accruals. Discretionary accruals are accrual components that can be arranged and engineered in accordance with managerial discretion, while nondiscretionary accruals are unmanageable and engineered accrual components in accordance with company manager policy. Managers will make earnings management by manipulating these accruals to achieve the desired profit level. Earnings management occurs when managers use judgment in financial reporting and in the structure of transactions to alter financial statements and ultimately mislead shareholders in assessing the economic performance achieved by the company (Guna & Herawaty, 2010).

RESEARCH MODEL
HYPOTHESES DEVELOPMENT
H-1: There is influence of debt to equity ratio to tax avoidance.
H-2: There is influence of return on assets to tax avoidance.
H-3: There is an effect on the application of earnings management to tax avoidance.

RESEARCH AND METHODOLOGY
Population and Sample Research
The population in this study is a manufacturing company listed on the Indonesia Stock Exchange during the period 2010 to 2016. This study uses manufacturing companies as a population because the manufacturing sector has the largest amount compared to other sectors, so it is expected to better describe the state of the company in Indonesia.

The criteria in sampling by purposive sampling in this research are as follows:
1. The Company is included in the manufacturing company sector listing on the Indonesia Stock Exchange.
3. The Company did not suffer any losses during the year.
4. Companies using units of rupiah value in their financial statements.

The research was conducted in a manufacturing company listed on the Indonesia Stock Exchange (IDX) registered in the period 2010 to 2016. Based on the purposive sampling method, the number of samples that can be used in this study is as many as 47 samples. The observation period in this study is from 2010 to 2016, so the pooled data for the three periods is 329 (47 x 7).

Research Methods Used
The type of research used is explanatory research to examine the factors that influence the problem under study. Explanatory research is a research that tries to explain the existing phenomenon (Hartono, 2010). This study is conducted to examine the factors that influence tax avoidance, the factors that are suspected to affect tax avoidance are debt to equity ratio, return on assets and earnings management.

Data Collection Technique
Data collection is done by an archive data collection technique which, according to Hartono (2010) to get secondary data with archive data collection technique, hence the data collection technique that can be used is a data collection technique in the database. Database techniques were conducted to obtain an annual financial report of manufacturing companies in 2010 to 2016 that have been audited and published through the website of Indonesia Stock Exchange (www.idx.com).

Multiple Regression
Regression testing according to Ghozali (2009) is basically a study of the dependence of the dependent variable (bound) with one or more independent variables (explanatory variables / free). In the regression analysis, in addition to measuring the strength of the relationship between two or more variables, it also shows the direction of the relationship between the dependent variable with the independent variable. Before going into multiple regression testing, the researcher will perform classical assumption test. The classical assumption test is used to ensure that the regression model used is free of problems of normality, multicolinearity, heteroscedasticity, and autocorrelation. The classical assumption test consisting of: (1) Normality Test, (2) Multicolinearity Test, (3) Autocorrelation Test, (4) Heteroscedasticity Test.

RESULTS AND DISCUSSION
Classical Assumption Test
The data testing technique in this research is done by classical assumption test. The classical assumption test is a statistical requirement that must be met on multiple linear regression analysis based on Ordinary Least Square. The classical assumption test is performed to obtain a good regression model and is really capable of providing reliable and unbiased estimates. In this study the classical assumption test that will be used is the normality test, multicolinearity test, heteroscedasticity test, and autocorrelation test. Here is a discussion about testing the classical assumptions in this study, among others:
1. Normality Test

**Table 1 Normality Test**

<table>
<thead>
<tr>
<th>One-Sample Kolmogorov-Smirnov Test</th>
<th>Unstandardized Residual</th>
</tr>
</thead>
<tbody>
<tr>
<td>N</td>
<td>234</td>
</tr>
<tr>
<td>Normal Parameters&lt;sup&gt;a,b&lt;/sup&gt;</td>
<td>Mean: .0000000</td>
</tr>
<tr>
<td></td>
<td>Std. Deviation: .02033184</td>
</tr>
<tr>
<td>Most Extreme Differences</td>
<td>Absolute: .052</td>
</tr>
<tr>
<td></td>
<td>Positive: .052</td>
</tr>
<tr>
<td></td>
<td>Negative: -.049</td>
</tr>
<tr>
<td>Test Statistic</td>
<td>Asymp. Sig. (2-tailed)</td>
</tr>
<tr>
<td></td>
<td>.052</td>
</tr>
<tr>
<td></td>
<td>.200</td>
</tr>
</tbody>
</table>

Source: SPSS 25 data processing results

Based on the above table, the results of the Kolmogorov Smirnov test showed a significance value greater than the value of $\alpha$ that is equal to $0.200 > 0.05$, it can be concluded that the data is normally distributed so that the assumption of normality is met.

Furthermore, the normality test will also be seen from the histogram graph that compares the observed data with the distribution approaching the normal distribution. Normal distribution will form a straight line diagonal and plotting the residual data will be compared with the diagonal line. If the residual data distribution is normal, then the line representing the real data will follow the diagonal line (Ghozali, 2009).

![Figure 3 P-Plot Normality Test](image)

From the picture above can be seen that the results of normality tests performed with P-Plot is seen that the data points form a straight line diagonal and follow the diagonal line, it can be concluded that the data is normally distributed.

2. Multicollinearity Test

**Table 2 Multicollinearity Test**

<table>
<thead>
<tr>
<th>Coefficients&lt;sup&gt;a&lt;/sup&gt;</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
<th>Collinearity Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td>Tolerance</td>
<td>VIF</td>
</tr>
<tr>
<td>(Constant)</td>
<td>.251</td>
<td>.002</td>
<td>122.048</td>
<td>.000</td>
<td></td>
</tr>
<tr>
<td>DER</td>
<td>.000</td>
<td>.002</td>
<td>.006</td>
<td>.090</td>
<td>.929</td>
</tr>
<tr>
<td>ROA</td>
<td>.000</td>
<td>.000</td>
<td>-.172</td>
<td>-.2656</td>
<td>.008</td>
</tr>
<tr>
<td>EM</td>
<td>-.034</td>
<td>.014</td>
<td>-.164</td>
<td>-.2498</td>
<td>.013</td>
</tr>
</tbody>
</table>

Source: Results of SPSS 25 data processing

In the figure above, there is a tolerance value for each independent variable that is debt to equity ratio, return on assets, and earnings management greater than 0.1. In addition, the VIF value for each independent variable has a value smaller than 10. Based on the multicollinearity test criteria, it can be concluded that H0 is accepted which means the data free of multicollinearity.
3. Heteroscedasticity Test

Table 3 Heteroscedasticity Test

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
<th>Collinearity Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
<td>Tolerance</td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>.016</td>
<td>.001</td>
<td></td>
<td></td>
</tr>
<tr>
<td>DER</td>
<td>-.001</td>
<td>.001</td>
<td>-.036</td>
<td>12.547</td>
<td>.000</td>
</tr>
<tr>
<td>ROA</td>
<td>-5.953E-5</td>
<td>.000</td>
<td>-.097</td>
<td>-1.474</td>
<td>.142</td>
</tr>
<tr>
<td>EM</td>
<td>.006</td>
<td>.009</td>
<td>.045</td>
<td>.667</td>
<td>.506</td>
</tr>
</tbody>
</table>

a. Dependent Variable: ABS

Source: Results of SPSS 25 data processing

Based on the table above, the above Glejser test results show that all variables have a significance value greater than the alpha value (5%), it can be concluded that all variables are free from heteroscedasticity.

Furthermore, heteroscedasticity test will also be seen through the predictive value of the dependent variable with the residual. Detection of whether or not heteroskedatisitas can be done by looking at whether there is a certain pattern on the scatterplot chart.

Figure 4 Scatterplot Heteroskedaticity Test

From the picture above can be seen that the dots spread randomly, then it can be concluded that there is no heteroskedasticity in the regression model, so that the regression model is appropriate to predict the tax avoidance variable based on the independent variable to equity ratio, return on assets and earnings management.

4. Autocorrelation Test

Table 4 Autocorrelation Test

<table>
<thead>
<tr>
<th>Runs Test</th>
<th>Unstandardized Residual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Test Valuea</td>
<td>-.00036</td>
</tr>
<tr>
<td>Cases &lt; Test Value</td>
<td>117</td>
</tr>
<tr>
<td>Cases &gt;= Test Value</td>
<td>117</td>
</tr>
<tr>
<td>Total Cases</td>
<td>234</td>
</tr>
<tr>
<td>Number of Runs</td>
<td>112</td>
</tr>
<tr>
<td>Z</td>
<td>-.786</td>
</tr>
<tr>
<td>Asymp. Sig. (2-tailed)</td>
<td>.432</td>
</tr>
</tbody>
</table>

a. Median

Source: Results of SPSS 25 data processing

In the table above, the asimp Sig (2-tailed) value is greater than the value of significance used by 0.05. Based on the autocorrelation test criteria and it can be concluded that H0 is accepted which means the data does not occur autocorrelation.

Multiple Regression Test
Table 5 Multiple Regression Test

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 (Constant)</td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td>t</td>
</tr>
<tr>
<td>DER</td>
<td>.000</td>
<td>.002</td>
<td>.006</td>
<td>122.048</td>
</tr>
<tr>
<td>ROA</td>
<td>- .017</td>
<td>.000</td>
<td>- .172</td>
<td>-2.656</td>
</tr>
<tr>
<td>EM</td>
<td>- .034</td>
<td>.014</td>
<td>- .164</td>
<td>-2.498</td>
</tr>
</tbody>
</table>

a. Dependent Variable: TA

Source: Results of SPSS 25 data processing

In the picture above, there are results of multiple regression testing that is incorporated into the regression equation as follows:

$$TA = 0.251 – 0.34EM – 0.17ROA + 0.00DER$$

Dimana:

- TA = tax avoidance is calculated by the effective tax rate
- EM = earnings management
- ROA = return on assets
- DER = debt to equity ratio

- $a = 0.251$ which means if the value of EM, ROA, and DER is zero, then the tax avoidance is 0.251
- $b_1 = -0.34$ which means if the EM variable increases by one unit, the tax avoidance of the company will decrease by 0.34
- $b_2 = -0.17$ which means if the ROA variable increases by one unit, then the tax avoidance of the company will decrease by 0.17
- $b_3 = 0.00$ which means if the DER variable increases by one unit, then the tax avoidance will rise by 0.00.

Coefficient of Determination

Table 6 Coefficient of Determination

<table>
<thead>
<tr>
<th>Model Summary</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.234</td>
<td>.055</td>
<td>.043</td>
<td>.02046</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), EM, ROA, DER

Source: Results of SPSS 25 data processing

In the picture above, there are numbers that indicate that the adjusted value of R Square is 0.043. A value of 4.3% indicates that the tax avoidance of firms can be explained by the variable debt to equity ratio, return on assets, and earnings management, while 95.7% is explained by causes outside the model.

Hypothesis Testing - Partial Testing

Table 7 Partial Testing

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 (Constant)</td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td>t</td>
</tr>
<tr>
<td>DER</td>
<td>.000</td>
<td>.002</td>
<td>.006</td>
<td>122.048</td>
</tr>
<tr>
<td>ROA</td>
<td>- .017</td>
<td>.000</td>
<td>- .172</td>
<td>-2.656</td>
</tr>
<tr>
<td>EM</td>
<td>- .034</td>
<td>.014</td>
<td>- .164</td>
<td>-2.498</td>
</tr>
</tbody>
</table>

a. Dependent Variable: TA

Source: Results of SPSS 25 data processing

In the picture above, there is a result of data that shows the meaning as follows:

- a. The DER (Debt To Equity Ratio) variable has a p-value (Asymp Sig) for the TA (Tax Avoidance) variable in the amount of 0.929. The value is greater than the level of significance used is 0.05. Based on the t test criteria, it can be concluded that H0 accepted means the debt to equity ratio has no significant effect on tax avoidance companies.
- b. The ROA (Return on Assets) variable has a p-value (Asymp Sig) for the TA (Tax Avoidance) variable in the amount of 0.008. The value is smaller than the level of significance used is 0.05, which means the variable return on assets has a significant effect on tax avoidance variables.
- c. The EM (Earning Management) variable has a p-value (Asymp Sig) for TA (Tax Avoidance) variable in the amount of 0.013. The value is smaller than the level of significance used is 0.05, which means the earnings management variable has a significant effect on tax avoidance variables.
Discussion
The effect of debt to equity ratio on tax avoidance
Based on the above description, it can be concluded that the variable debt to equity ratio did not affect the tax avoidance of the company. The results of this study also support previous research, such as research results by Kurniasih and Sari (2013), Ngadiman and Puspitasari (2014), Sugitha and Supadmi (2016) and Saifudin and Yunanda (2016). The decision of the company in choosing a funding alternative can be divided into two that can come from a debt or from stock. If the company chooses a funding source from the debt, the company will get a tax incentive in the form of a discount on the interest of the loan in accordance with the provisions of Article 6 paragraph (1) letter a of law No. 36 of 2008 so that companies with high tax burdens can make tax savings by adding debt to the company. From the data that have been processed by researchers from the financial statements, companies that have been studied more likely to choose the source of funding from stocks that can be seen from the majority of the debt to equity ratio value below 1, which means the amount of debt used in the funding source of the company is smaller than the amount capital derived from shares. Therefore, interest expense generated from debt becomes low so it cannot give a significant effect on tax avoidance. Furthermore, seen from the variable return on assets and earnings management that has a negative influence can be said that the company will have a relationship with third parties if they have funds sourced from debt to fund the company's operations, if the company does not have a satisfactory profit then the company's ability to perform the obligations on third parties will be in doubt. So the company that has the debt will cause the company to increase the profit of the current period. This will make the company prefer trust from third parties rather than taking tax avoidance measures.

The effect of return on assets on tax avoidance
Variable return on assets in this study negatively affects the avoidance of corporate tax. The results of this study also support previous research, such as research results Darmawan and Sukarta (2014) and Kurniasih and Sari (2013) and Maharani and Suwardana (2014). Return on assets is the company's ability to generate profits from its assets. If the company has a good return on assets, the profit generated by the company will be higher so that it will increase the amount of tax burden that will be paid and indicate that the company has a good performance. Companies that have a high return on assets have good performance so that they can fulfill their tax obligations and maintain a company’s reputation in the eyes of shareholders, then the company will fulfill its tax obligation well in accordance with applicable tax regulation so that will minimize the action of tax avoidance by the company.

The effect of earnings management on tax avoidance
Earnings management has a negative effect in this study. The results of this study also support previous research, such as research results Suyanto and Supramono (2012) and Larastomo et al. (2016). In this study, earnings management is measured using discretionary accruals. Discretionary accruals are accrual components that can be organized and engineered in accordance with managerial policies. Managers will make earnings management by manipulating the discretionary accruals to achieve the desired profit level. The value of discretionary accruals can be divided into two, positive and negative, if the value is positive, then the company can be said to increase income that is increasing profit, if the value is negative, then it can be said the company does not have a satisfactory profit then the company's ability to perform the obligations on third parties will be in doubt. Earnings management has a negative effect in this study because the company's goal in managing earnings is to give a significant effect on tax avoidance. Negative signs can be interpreted when profits increase then the tax avoidance will decrease. Indicates that the higher return on asset, the lower the tax avoidance rate.

CONCLUSIONS AND SUGGESTIONS
Conclusion
The purpose of this research is to know the effect of debt to equity ratio, return on assets and earnings management to tax avoidance. Based on the results of data analysis in this study, the conclusions can be drawn are:

1. Debt to equity ratio has no influence on tax avoidance From the data that has been processed researchers, financial statements, companies that have been studied more likely to have debt smaller than the amount of capital derived from shares. The results of this study have similarities with research conducted by Kurniasih and Sari (2013), Ngadiman and Puspitasari (2014), Sugitha and Supadmi (2016) and Saifudin and Yunanda (2016). From the data that have been processed by researchers from the financial statements, companies that have been studied more likely to choose the source of funding from stocks that can be seen from the majority of the debt to equity ratio value below 1, which means the amount of debt used in the funding source of the company is smaller than the amount capital derived from shares. Therefore, interest expense generated from debt becomes low so it cannot give a significant effect on tax avoidance.

2. The results of this study, which states that the return on assets negatively affect tax avoidance. The results of this study have similarities with research conducted by Darmawan and Sukartha (2014) Kurniasih and Sari (2013), Maharani and Suwardana (2014) stated that the company's return on assets has a significant effect on tax avoidance. Negative signs can be interpreted when profits increase then the tax avoidance will decrease. Indicates that the higher return on asset, the lower the tax avoidance rate.

3. Earnings management has a negative effect in this study because the company's goal in making earnings management is to avoid decreasing in profit, while the purpose of tax avoidance is to cut the amount of taxable income of the company. The results of this study have in common with research conducted by Suyanto and Supramono (2012) and Larastomo et al. (2016) who found that earnings management has a significant effect on tax avoidance. Negative signs can be interpreted when management increases, then the tax avoidance will decrease. Indicates that if the firm has a positive discretionary accrual value, then the lower the tax avoidance rate.
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