

## CHAPTER V

### CONCLUSION AND IMPLICATION

#### 5.1 Conclusion

This research aims to determine the relationship between profitability, leverage, and liquidity on tax avoidance in basic and chemical industry companies listed on the IDX for the 2018 – 2021 observation period. The samples used in this research were 16 companies that met predetermined sample criteria.

Based on the results of the discussion that has been described in the previous chapter, the author's conclusions are as follows:

- a. Profitability partially significant effect on tax avoidance. Because is the higher value of ROA, the higher the value of the company's net profit and the higher its profitability. Therefore, companies with high profitability can position themselves in tax planning which will do tax avoidance by reducing the tax burden of tax liabilities. The results of this research are supported by research conducted Darsani & Sukartha (2021), Kurniasih & Sari (2013) and Mahrani (2019).
- b. Leverage partially has no significant effect on tax avoidance. Because is a high leverage value, means that the higher the amount of third-party debt financing used by the company, the higher the interest expense arising from the debt financing. Higher interest expenses will have the effect of reducing the company's tax burden. By reducing the company's tax burden, the company will not take tax avoidance actions. The results of this research are supported by research conducted Darsani & Sukartha (2021), Yetty, Sudarmaji & Sugihyanti (2016), and Artinasari & Mildawati (2018).
- c. Liquidity partially significant effect on tax avoidance. Because is the higher a company's liquidity level, the higher the company will do tax avoidance. With large company profits, of course, the company will pay or fulfill its liabilities which states that the flow of the company is smooth and the company definitely gets a large income as well as a tax burden, so the company will tend to take tax avoidance actions by managing profits. This also happens if a company's lower level of liquidity indicates that the company's performance has poor cash flow, making it difficult to pay its current debts and it will be negligent in paying the tax burden and tend to

collect tax avoidance measures. The results of this research are supported by research conducted by Maharito & Hutabarat (2020) and Urrahmah & Mukhti (2021).

## 5.2 Implications

Based on the results of the research that has been done, there are implications and contributions as follows:

1. For companies, it is hoped that the results of this research can add to the company's knowledge and insight regarding tax avoidance, so that company management can design a mechanism for implementing the continuation of the company properly by not carrying out illegal tax planning so that companies do not commit tax avoidance fraud which can harm the State and can tarnish the company's reputation in the public eye. Companies that deliberately commit tax avoidance will certainly receive criminal sanctions in cases of tax avoidance prosecuted by fines, imprisonment and revocation of certain rights in the form of revocation of business licenses or announcement of a judge's decision regarding the company's reputation.
2. For investors, it is better when making investment decisions first to study how a company's performance is performing and still complying with tax regulations, tax avoidance is not a normal thing but is always done. Tax avoidance will have an unfavorable impact on both parties concerned, both from investors, companies and the government.
3. For the government, it is hoped that the results of this research can be used as a reference to indicate companies that practice tax avoidance. The government also can formulate preventive policies for these tax avoidance actions so that weaknesses in tax laws can be minimized and ultimately state revenues will also increase.

4. Academics, researchers, and readers are expected to be able to continue research related to the effect of leverage profitability, and liquidity on tax avoidance so that it is beneficial for other interested parties.

### **5.3 Research Limitations**

After carrying out various procedures in the research to get results, there are several limitations, including the following:

1. This research is limited to basic industrial and chemical companies listed on the IDX for 2018-2021, and the variables used are only Profitability, Liquidity and Leverage variables so that the results of this research cannot be generalized to all types of companies listed on the IDX
2. This research only uses company financial report data taken from idx.co.id, which this research does not reach the stage of conducting interviews to find out whether the company is practicing tax avoidance or not.
3. Based on the results of testing the coefficient of determination, the Adjusted R square result is still low at 23%. This shows that there are still many other factors that influence tax avoidance, such as institutional ownership, capital intensity, firm size, audit committees, inventory intensity and others.

### **5.4 Suggestions**

To complete the deficiencies that exist in this thesis, researchers provide suggestions as follows:

1. For future research, the variables and intervals of the research period should be added to exceed the variables and intervals of the period in this research to provide more samples and more accurate results, such as the influence of institutional ownership, capital intensity, firm size, audit committees, inventory intensity on tax avoidance on 2013-2023 years.
2. Future research can use companies in other sectors such as agriculture, livestock, various industries, mining, and others to obtain more consistent

results and can be used as a reference to determine whether a company practices tax avoidance.

