# THE INFLUENCE OF LEVERAGE AND FIRM SIZE TO TAX AVOIDANCE (Case Study on Sub Sector Coal Company Listed in Indonesia Stock Exchange Period 2012-2016)

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## ABSTRACT

The purpose of this study was to examine empirically the influence on Leverage and Firm Size to Tax Avoidance on Sub Sector Coal Company Listed on Indonesia Stock Exchange Period 2012-2016. The problems that occur in Sub Sector Coal Company is the decrease of Leverage but not followed by the increase of Tax Avoidance, then the company has decreased Firm Size but not followed by the increase of Tax Avoidance.

The research uses descriptive verification analysis method with population 23 companies from Sub Sector Coal Companies. Sample selected by using purposive sampling, so the sample obtained to 10 companies with 50 financial reports from Sub Sector Coal Company Listed in Indonesia Stock Exchange period 2012-2016. Technical of data analysis is multiple linear regression with SPSS 16.0 version as the application.

The result of the analysis showed that Leverage which measured by Debt Ratio has positive and significant effect to Tax Avoidance which measured by Cash Tax Effective Rate (CETR). And Firm Size which measured by SIZE has positive and significant effect to Tax Avoidance.

**Keywords:** Leverage, Firm Size, Tax Avoidance.

## I. Introduction

### 1.1 Background Research

Tax avoidance (Tax Avoidance) is a term used to describe the legal arrangement of Taxpayers' tax condition which aims to reduce tax obligations (Erly Suandy, 2008: 7). In the case of tax avoidance, firms are not reluctant to participate in national mutual cooperation but only in the direction of regulating the amount of taxes to be paid less than the required amount (Mangoting, 1999). Tax avoidance is defined as the legally manipulated income, which is still in accordance with the provisions of the taxation legislation to minimize the amount of tax payable (Mohammad Zain, 2008: 50).

Factors that affect the occurrence of tax avoidance is the characteristics of the company (Surbakti, 2012). Characteristics of a company are the characteristics or attributes inherent in a business entity that can be viewed from various aspects, including the type of business or industry, the level of liquidity, the level of profitability, firm size, investment decisions and others (Surbakti, 2012). The larger the size of the company the more capable the company is in regulating taxation by doing tax saving that can include tax avoidance (Surbakti, 2012).

Firm size shows the stability and ability of the company to conduct its economic activities (Kurniasih dan Sari, 2013: 59). The larger the size of a company, the more it becomes the center of attention from the government and will lead to the tendency for corporate managers to apply compliances or aggressive (tax avoidance) in taxation. (Kurniasih and Sari, 2013: 59). The larger

the size of the company, the company will consider more risk in terms of managing the tax burden. (Darmawan, 2014: 147).

On the other hand that encourages a tax avoidance that is leverage. Leverage is the amount of debt used to finance / buy company assets (Hendy M. Fakhrudin, 2008:109). Companies that have a larger debt than equity are said to be firms with high leverage levels (Hendy M. Fakhrudin, 2008:109). Leverage can measure how large companies are financed with debt. The excessive use of debt will disrupt the company because the company will fall into the category of extreme leverage (the extreme debt) ie the company stuck in a very high debt level and difficult to release the debt burden (Fahmi, in Endah 2014:53). Leverage is calculated by total divided by total assets (I Gede and I Made, 2014: 150).

**1.2 Identification Of the Issue**

1. The amount of profit owned by a company affects the large tax costs that will be borne, causing the aggressiveness of the company to do a tax avoidance.
2. Interest expense will reduce the company's pre-tax profit, thereby reducing the tax liability to be paid by the company and can be classified as an action of tax avoidance.

**1.3 Formulation Of the Issue**

1. How much is the influence of Leverage on Tax Avoidance.
2. How much is the influence of Firm Size on Tax Avoidance.

**1.4 Intents and Purposes of the Research**

**1.4.1 Intents of the Research**

The purpose of this research is to know and test a prediction statement that connects independent variable to dependent variable. That is to know whether the leverage and firm size influencing tax avoidance or not.

**1.4.2 Purposes of the Research**

1. To find out how much influence of Leverage on Tax Avoidance.
2. To find out how much influence of Firm Size on Tax Avoidance.

**1.5 The Use of Research**

**1.5.1 Practical Use**

This research is expected to be useful to re-apply the previous results to solve specific problems that occur in Leverage and Firm Size on Tax Avoidance. Based on the constructed and empirical theory generated.

**1.5.2 Academic Use**

The results of this study are used as the development of science through empirical testing and concepts that have been expected to re-prove theories about the effect of Leverage on Tax Avoidance and the effect of Firm Size on Tax Avoidance.

## II. Literature Review, Framework and Hypotheses

**2.1 Literature Review**

**2.1.1 Leverage**

**2.1.1.1 Definition of Leverage**

Leverage according to Agus Harjito and Martono (2011: 315) states that:

"Leverage in the business sense refers to the use of assets and sources and sources of funds by companies where in the use of assets or funds the company must spend a fixed or fixed expenses".

**2.1.1.2 Leverage Indicators**

**Debt Ratio**

This ratio is also known as Debt to Asset which compares the total debt with total assets. Debt Ratio can be formulated as follows:

$$\text{Debt Ratio} = \frac{\text{Total Liabilities}}{\text{Total Equity}}$$

Arief Sugiono and Edy (2009:71)

### 2.1.2 Firm Size

#### 2.1.2.1 Definition of Firm Size

According to Bambang Riyanto (2008: 313) firm size is:

"The size of the company is seen from the amount of equity value, the sale value or asset value".

#### 2.1.2.2 Corporate Size Indicators

According to Sofyan Syafri (2007: 23) measurement of firm size is defined as follows:

"Firm size is measured by natural logarithm (Ln) from the average total assets of the company. The total asset usage is based on the consideration that total assets reflect the size of the company and allegedly affect the timeliness ".

SIZE = Ln (average of tota; assets)

Sofyan Syafri (2007:23)

### 2.1.3 Tax Avoidance

#### 2.1.3.1 Definition of Tax Avoidance

According to Mohammad Zain (2008: 49) defines tax avoidance as follows:

"Tax evasion concerns an arrangement of events in such a way as to minimize or eliminate the tax burden by noticing the presence or absence of the tax consequences it causes."

#### 2.1.3.2 Tax Avoidance Indicators

Chen et. al. put forward: "cash effective tax rate (cash tax paid divided by pretax book income)", means cash issued for tax payment divided by profit before tax. The formula used to calculate CETR can be described as follows:

$$\text{CETR} = \frac{\text{Cash Tax Paid}}{\text{Pretax Book Income}}$$

Chen et. al. (2010)

## 2.2 Framework

### 2.2.1 The Influence of Leverage on Tax Avoidance

According to Eugene F.Brigham and Joel F. Houston (2014: 155) state that debt is a financial leverage and one of the main reasons for the use of debt is because the interest due to loans is a tax deduction, so the tendency of companies to borrow it will result in aggressive companies to avoid tax.

Furthermore Hendy M. Fakhrudin (2008: 109) states that leverage is used to finance / buy company assets, which means the addition of the amount of debt will result in the emergence of interest expense to be paid by the company.

### 2.2.2 The Influence of Firm Size on Tax Avoidance

According to Timbul H. Simanjuntak and Imam Mukhlis (2012: 57) states that:

"For Taxpayers to avoid taxes by choosing the type of investment so that it will provide different risks of income, as well as taxes that are borne according to applicable tax provisions. At large firms' s size are more likely to do tax avoidance because they can postpone profit sharing or provide profit to holding.

## 2.3 Hypothesis

Based on the framework stated below, the authors take the hypothesis in this study are as follows:

H1 = Leverage has an effect on tax evasion.

H2 = Company size affects tax evasion.

# III. Research Method

## 3.1 Research Method

### 3.1.1 Types of Research

The type of research in this study is quantitative research, because this study presents statistical data in the form of numbers. This is in line with the opinion of Arikunto (2010: 12), which

suggests quantitative research is a research approach that many are required menguakan numbers, ranging from data collection, interpretation of the data, and appearance of results.

### 3.1.2 Research Method

The method used in this research is descriptive method. According to Nazir (2005: 54), descriptive method is a method in researching the status of a group of people, an object, a set of conditions, a system of thought, or a class of events in the present. The purpose of this descriptive study is to create a description, description or painting systematically, factually and accurately about the facts, the nature of the relationship between phenomena investigated.

### 3.1.3 Research Object

Arikunto Suharismi (2010: 118) states that the object of research is a phenomenon or problem research that has been abstracted into a concept or variable. Meanwhile, according to Husein Umar, (2005: 303) understanding of the object of research is: "The object of research explaining about what and or who became the object of research, also where and when research conducted. Can also add other things if deemed necessary ". In this research, the object of research that is Leverage, Company Size and Tax Avoidance.

## 3.2 Operationalization of Variables

Operationalization of variables according to Neuman (2000: 161) is as follows:

"The process links the conceptual definition with a set of measurement techniques. Furthermore, Neuman states that the operation of the variables can be called construct's operational definition (definition of operations) which can be a questionnaire. The operational stage is a further step after the researchers get a clear definition at the conceptualization stage ".

Sugiyono (2012: 39) mentions the variables are divided into independent variables, dependent variables, moderator variables, and control variables. Independent variables are often called independent variables or causal variables. The dependent variable is thought of as the dependent variable (bound) to the independent variable. This opinion is reinforced by the opinions of Albertus and B.Sandjaja (2006: 84) which distinguish the variables as follows:

1. Independent Variable

Free variable or called the Independent variable is the suspected variable as the cause of the emergence of other variables and usually these variables are manipulated, observed and measured to determine the effect on other variables.

2. Dependent Variables

While the dependent variable or dependent variable is a variable that arises because as a direct result of manipulation and the influence of independent variables. In a study the dependent variables were observed and measured to determine the effect of the independent variables.

## 3.3 Data Sources and Data Collecting Techniques

### 3.3.1 Data Source

Source of data used in this research is secondary data. According Sugiyono (2005: 62), secondary data is data that does not directly provide data to researchers, such as research must be through others or search through documents. Meanwhile, according to Uma Sekaran (2006: 77) secondary data is the data obtained by the author of the books and sources related to the problems studied.

In this study researchers used secondary data sources by collecting data Financial Report of Sub Sector Coal Company published by the Indonesia Stock Exchange.

### 3.3.2 Data Collecting Techniques

Data collecting techniques are needed in a study because it is used authors to get data to be processed so that it can be drawn conclusions. Data collection techniques conducted in this study are:

1. Library Studies

According to J.Supranto (in Rosadi Ruslan, 2003: 31) suggests that literature study is a technique of collecting data conducted with data or information material through scientific journals, reference books and publications materials available in the library.

## 3.4 Population, Sample and Place and Time of Study

### 3.4.1 Population

Population according to Sugiyono (2013: 80) is as follows:

"Population is a generalization region consisting of objects that have certain qualities and characteristics set by the researchers, studied and then drawn conclusions.

Based on the above description, the population used by the authors is the financial statements of coal mining companies listed on the Indonesia Stock Exchange (BEI) as many as 103 financial statements from 23 companies for 5 periods from 2012-2016.

### 3.4.2 Sample

The sample used in this research is a coal mining sub-company listed on the Indonesia Stock Exchange in 2012-2016. Sampling in this research is done by purposive sampling method. According Sugiyono (2012: 126) purposive sampling is a technique of determining the sample research with some specific considerations that aims for data that dikuleh later can be more representative.

Sampling in this study is determined by the following criteria:

1. Coal Mining Companies listed on the Indonesia Stock Exchange during 2012-2016.
2. Companies with total assets of more than 5 trillion Rupiah for the period 2012-2016.

### 3.4.3 Place and Time of Research

To obtain the data and information needed in the preparation of this study, the authors conducted a study on the Financial Statements (audited) coal mining companies listed on the Indonesia Stock Exchange (IDX) in the period 2012-2016. Data collection is obtained through Indonesian Stock Exchange (IDX) of Bandung City which is located at Jalan PH. H. Mustofa No.33, Neglasari, Cibeunying Kaler, Bandung City, West Java 40124. And the research data obtained through the website of Indonesian Stock Exchange (IDX) is www.idx.co.id. The time of the research began in May 2017 until July 2017.

## 3.5 Data Testing Method

### 3.5.1 Multiple Regression Analysis

Understanding of multiple linear regression analysis by Sugiyono (2010: 277), is as follows: "The analysis used by the researcher, if intends to predict how the state (ups and downs) of the dependent variable (criteria), if two or more independent variables as predictor factor manipulated (increased value)".

In testing the hypothesis in this study using multiple regression analysis. Multiple Linear Regression Analysis is used to measure the magnitude of the effect of Leverage and Company Size on Tax Avoidance. The equation of linear regression analysis in general to test the hypotheses in this study can be formulated as follows:

Formula:

$$Y = a + b_1X_1 + b_2X_2 + e$$

Explanation:

Y : The dependent variable
A : Constants
$b_1$, $b_2$ : Regression coefficients
$x_1$, $x_2$ : Variable is free
e : error

### 3.5.2 Classic Assumption Test

#### 1. Normality Test

The normality test aims to test whether in the regression model the dependent variable and the independent variable both have a normal distribution or not. A good regression model should have a normal or near-normal distribution (Ghozali 2011: 104). To find out whether the data is normally distributed or not, graph analysis can be done by looking at a normal probability plot that compares the cumulative distribution of the actual data with the cumulative distribution of the normal distribution.

#### 2. Multicolinearity Test

According to Imam Ghozali (2011: 105-106) Multicolonierity test aims to test whether the regression model found the existence of correlation between independent variables (Independent). A good correlation model should not be correlated between independent variables. If independent

variables are correlated then this variable is not ontogonal. Ontogonal varieties are independent variables whose correlation values among independent variables equals zero.

**3. Autocorrelation Test**

Autocorrelation test aims to test whether in the linear regression model there is a correlation between the confounding error in period t with the intruder error in period t-1 (previous). If there is a correlation it is called an autocorrelation problem. (Ghozali, 2011). According to Muhammad Iqbal Hasan (2001: 290) claims the value of dw can be used to see whether or not there is autocorrelation in the regression model.

**4. Heteroscedasticity Test**

According to Ghozali (2011: 105) the heteroscedasticity test aims to test whether in the regression model there is a residual variance inequality from one observation to another. If the variance of the residual one observation to another observation is fixed, then it is called homoscedasticity and if different it is called heteroskedatisitas.

### 3.6 Data Analysis Techniques

#### 3.6.1 Descriptive Method

Understanding descriptive method according Sugiyono (2013: 53), namely:

"A problem formulation concerning the question of the existence of independent variables, either on one or more variables (independent variables are independent variables, not independent variables, since independent variables are always paired with dependent variables)".

#### 3.6.2 Verification Method

According Sugiyono (2013: 6) defines the verification method as follows:

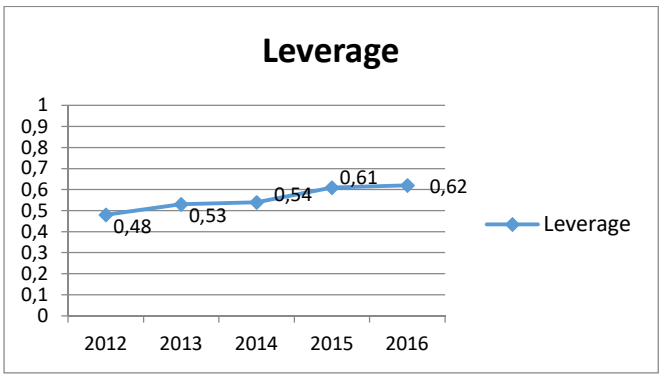
"The method of research through verification to test the hypothesis of descriptive research results with statistical calculations so that the results obtained evidence that shows the hypothesis rejected or accepted".

## IV. Results and Discussion

### 4.1 Results

#### 4.1.1 Results of Descriptive Analysis

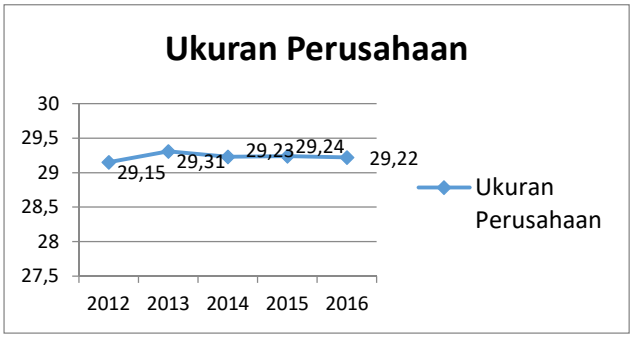
##### 4.1.1.1 Results of Leverage Descriptive Analysis




**Picture 4.1**
**Graphic of Leverage At Mining Companies Sub Sector Coal Listed on Indonesia Stock Exchange Period 2012-2016**

From the graph above, can be seen Leverage projected using debt ratio calculation fluctuation and it can be concluded that Leverage at Mining Company Sub Sector of Coal Listed in Indonesia Stock Exchange 2012-2016 period tend to increase.

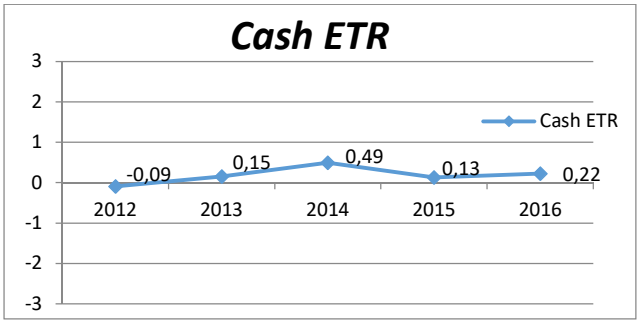
#### 4.1.1.2 Results of Firm Size Descriptive Analysis




**Picture 4.2**
**Graphic of Firm Size at Mining Companies Sub Sector of Coal Listed in Indonesia Stock Exchange Period 2012-2016**

From the graph above, we can see the size of the Company projected using the calculation of Ln. Total Assets experiencing fluctuations and it can be concluded that the size of the Company in Mining Companies Sub Sector Coal Listed on Indonesia Stock Exchange Period 2012-2016 tend to decrease. As in 2013 and 2015 the average size of the company has increased due to the high total assets of the company.

#### 4.1.1.3 Results of Tax Avoidance Descriptive Analysis




**Picture 4.3**
**Graphic of Cash ETR at Mining Companies Sub Sector of Coal Listed in Indonesia Stock Exchange Period 2012-2016**

From the graph above, it can be seen the evolution of Tax evasion measured through Cash ETR in Mining Companies Sub Sector Coal Listed on Indonesia Stock Exchange from 2012 until 2016 that experience fluctuation and tend to increase. As for the year 2015 the average value of Cash ETR decreased due to the reduced amount of tax payments paid by the company.

### 4.1.2 Results of Verification Analysis

#### 4.1.2.1 Classical Assumption Testing Results

**1. Normality Test Result**

Normality assumption is a very important requirement on significance test of regression coefficient, if the regression model is not normally distributed then the conclusion of t test is still doubtful, because t test statistic in regression analysis is derived from normal distribution. If the probability is viewed from. value of Asymp Sig. > 0.05, it can be concluded that the residuals in the model are normally distributed.

**Table 4.7**
**Kolmogorov-Smirnov Test Results**

| | | Unstandardized Residual |
|---|---|---|
| N | | 50 |
| Normal Parameters[a] | Mean | .0000000 |
| | Std. Deviation | .78827491 |
| Most Extreme Differences | Absolute | .104 |
| | Positive | .104 |
| | Negative | -.096 |
| Kolmogorov-Smirnov Z | | .732 |
| Asymp. Sig. (2-tailed) | | .657 |

From the normality test table above, it can be seen that the probability value is seen from the value of Asymp Sig. is equal to 0.657 and the value is greater than 0.05, then in accordance with the test criteria can be concluded that the residual in the regression model is normally distributed, so that the model has fulfilled one of the requirements for regression testing.

**2. Multicollinearity Test Result**

Multicollinearity means a strong relationship between some or all of the independent variables in the regression model. If there is Multicollinearity then the regression coefficient becomes uncertain, the error rate becomes very large and usually marked by the value of the coefficient of determination is very large but the partial test of regression coefficients, none or if there are very few significant regression coefficients. In this study used the value of variance inflation factors (VIF) as an indicator of the presence or absence of multicollinearity among independent variables.

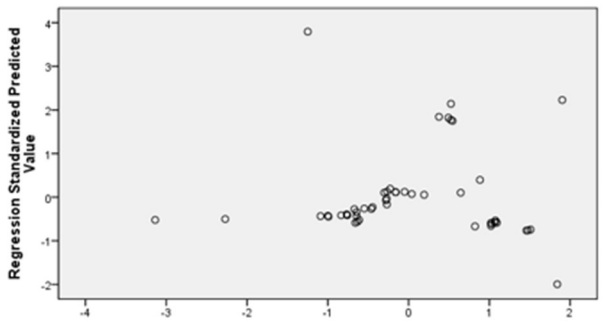
**Table 4.8**
**Multicollinearity Assumption Test Results**

| Model | | Collinearity Statistics | |
|---|---|---|---|
| | | Tolerance | VIF |
| 1 | Leverage | .811 | 1.233 |
| | Ukuran_Perusahaan | .811 | 1.233 |

From result of VIF output count from both variable that is equal to 1,233 less than 10 and all tolerance of independent variable have value equal to 0,811 = 81,1% bigger than 10%, hence can be concluded there is no multicollinearity between variable Leverage and Company Size.

**3. Heteroscedasticity Test Results**

This test is conducted with the aim to find out whether in a regression model there is a variance inequality of the residual of an observation to another observation. A good regression model should be free from heteroscedasticity problems. To test whether the variant of the residual homogeneous is seen from the Scatterplot Graph:




**Picture 4.5**
**Scatterplot Graph**

In the graph above, it is seen that the points spread randomly and spread both above and below the number 0 on the Y axis. It can be concluded that there is no heteroskedasitas on the regression model, so that the regression model is feasible to predict the Avoidance of Taxes based on independent variables Leverage and Company Size.

**4. Autocorrelation Testing Results**

The autocorrelation test aims to test whether in the linear regression model there is a correlation between the confounding error in period t with the intruder error in period t-1 (previous).

**Table 4.9**

**Test Results Autocorrelation Assumptions**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Durbin-Watson |
|---|---|---|---|---|---|
| 1 | .637[a] | .406 | .380 | .93630 | 1.759 |

Based on the above table the results obtained by the statistical value Durbin-Watson (D-W) of 1.759. While from Table DW with a significant level (a = 5%), for the number of independent variables as much as 2 variables (k = 2), and the number of observations in the study of 50 samples (n = 50), then obtained lower limit value (dL) 1.462 and the upper limit (dU) of 1.628. Since the Durbin-Watson value of the regression model on the processing result was 1.759 and greater than the upper limit (dU) of 1.628 and less than 4 - 1.628 (4 - dU), it was concluded that the regression model had no autocorrelation.

### 4.1.2.2 Results of Multiple Linear Regression Analysis

Multiple regression analysis is used to test the effect of independent variables namely Leverage and Company Size on Tax Avoidance.

The results of multiple linear regression coefficients using Statistical Product Service Solutions (SPSS) Version 16 program are as follows:

**Table 4.10**

**Results of Multiple Linear Regression Analysis**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | -4.368 | 1.387 | | -3.150 | .003 |
| | Leverage | 1.322 | .390 | .423 | 3.391 | .001 |
| | Ukuran_Perusahaan | .131 | .050 | .326 | 2.613 | .012 |

### 4.1.2.3 The Influence of Leverage on Tax Avoidance in Mining Companies Sub Sector of Coal Listed on Indonesia Stock Exchange Period of 2012-2016

To know the influence of variable Leverage to Avoidance of Tax, then tested koreasi analysis, test of determination analysis, and test of partial hypothesis (t test).

**1. Leverage Correlation to Tax Avoidance**

**Table 4.11**

**Pearson Correlation Result of Leverage with Tax Evasion**

| | | Leverage | Penghindaran_Pajak |
|---|---|---|---|
| Leverage | Pearson Correlation | 1 | .565** |
| | Sig. (2-tailed) | | .000 |
| | N | 50 | 50 |
| Penghindaran_Pajak | Pearson Correlation | .565** | 1 |
| | Sig. (2-tailed) | .000 | |
| | N | 50 | 50 |

Based on the above table, the relationship between Leverage and Tax evasion when the Company's Size is unchanged is 0.565, meaning that Leverage has a moderate relationship with Tax Avoidance. This can be seen from the correlation value is between 0.40 to 0.599 which

belong to the category of being. Positive relationship means, any increase of Leverage then it will increase Tax Avoidance and vice versa.

**2. Determination Coefficient of Leverage on Tax Avoidance**

To determine the effect of Leverage Against Tax Evasion can be seen through Coefficient of Determination. The magnitude of the coefficient of determination is calculated by using the following formula:

$$Kd = r^2 x\ 100\%$$

Umi Narimawati (2010:50)

Explanation:
Kd = Coefficient of Determination
r2 = Correlation Coefficient

Based on Table 4.11 then obtained the value of partial determination coefficient of variables Leverage to the following:

Kd = (0,565) 2 x 100%
= 31.92%,

Based on the above calculation, it can be seen that the influence of Leverage variable to Tax Avoidance is 31,92%, while the rest equal to 68,08% is influence given by other factors not examined in this research such as executive share ownership, executive compensation, institutional ownership , managerial ownership, profitability ratios, and others.

**3. Hypothesis Testing (t Test) Company Size on Tax Avoidance**

**Table 4.12**
**Partial Hypothesis Test Results of The Influence of Leverage to Tax Avoidance**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | -4.368 | 1.387 | | -3.150 | .003 |
| | Leverage | 1.322 | .390 | .423 | 3.391 | .001 |
| | Ukuran_Perusahaan | .131 | .050 | .326 | 2.613 | .012 |

Based on SPSS output obtained tcount value for Company Size (X2) of 2,613. With a significant level (α) of 5%, and degrees of freedom (df) = 47, then the value of ttable is 2.012. So it can be concluded tcount> ttable (2.613> 2.012) and it can be concluded that H0 is rejected and H1 accepted. In conclusion, Company Size significantly affects Tax Avoidance at Mining Sub Sector Companies Listed on Indonesian Stock Exchange 2012-2016.

## 4.2 Discussion

### 4.2.1 Analysis of The Influence of Leverage on Tax Avoidance at Mining Companies Sub Sector of Coal Listed on Indonesian Stock Exchange Period 2012-2016

Based on the results of research that has been done got the value of correlation between Leverage with Tax Avoidance when the size of the Company does not change is equal to 0.565, it means Leverage have a moderate relationship with Tax Avoidance. This can be seen from the correlation value is between 0.40 to 0.599 which belong to the category of being. Companies that have high leverage ratios, then identical firms will do tax avoidance. This is because the company has a high debt so that the interest expense of the debt will also increase, from the high interest expense borne by the company can be utilized as a deductible taxable income for tax payable lower.

This is consistent with the theory that Eugene F.Brigham and Joel F. Houston (2014: 155) argue that Debt is a financial leverage and one of the main reasons for the use of debt is that interest on loans is tax deductible, so the tendency of firms to borrow will result in companies aggressively doing tax evasion. Then a large percentage of Leverage influence against Tax evasion that is equal to 31.92%. This means that there is another factor of 68.08% which can affect Tax evasion such as executive stock ownership, executive compensation, institutional ownership, managerial ownership, profitability ratios, and others.

These conditions prove and answer the phenomenon that occurred in Adaro Energy Tbk (ADRO) in the year 2012-2014 where Leverage decreased, but the company indicated to Avoid Taxes. It should be according to theories, with the decrease of Leverage then the possibility of companies doing tax evasion will be lower. From the results of this study can be proved that Leverage with Avoidance of Taxes have a positive relationship or can be said when Leverage increased then the possibility of companies do Avoidance Tax will be greater and vice versa.

The results of this study also explained that Leverage has a significant effect on Tax Avoidance. This is in accordance with the results of research conducted by Annisa Fadilla (2015) and Waluyo Teguh Muji, et al. (2013) indicating that Leverage has a significant effect on Tax Avoidance.

### 4.2.2 Analysis of The Influence of Firm Size on Tax Avoidance at Mining Companies Sub Sector of Coal Listed on Indonesian Stock Exchange Period 2012-2016

Based on the results of research that has been done got correlation value between Firm Size with Taxx Avoidance when Leverage does not change is equal to 0,510 means Firm Size have medium relationship Tax Avoidance. This can be seen from the correlation value is between 0.40 to 0.599 which belong to the category of being. Positive relationship means, any increase of Firm Size then it will increase Tax Avoidance and vice versa. The larger the size of a company then the possibility of companies doing tax evasion is also large.

This is in accordance with the theory of Timbul H. Simanjuntak and Imam Mukhlis (2012: 57) that For Taxpayers to avoid taxes by choosing the type of investment so that it will provide different risks of income, so too the tax is borne according to the applicable tax provisions . At large firms' s size are more likely to do tax avoidance because they can postpone profit sharing or provide profit to the holding. Then a large percentage of the effect of Firm Size on Tax Avoidance that is equal to 26.01%. This means that there is another factor of 73.99% that can affect Tax evasion such as executive stock ownership, executive compensation, institutional ownership, managerial ownership, profitability ratios, and others.

These conditions prove and answer the phenomenon that occurred in Indo Tambangraya Megah Tbk (ITMG) in 2015-2016 where the size of the Company has decreased, but the company is indicted to avoid Tax evasion. It should be according to theories, with the decline in the size of the company then the possibility of companies doing tax evasion will be lower. From this research can be proved that the size of the Company with Avoidance of Taxes have a positive relationship or can be said when the size of the Company has increased then the possibility of companies do Avoidance Tax will be greater and vice versa.

The results of this study also explains that company size has significant effect on Tax Avoidance. This is in accordance with the results of research conducted by Surbakti (2012) and Teguh Muji, et al. (2015) indicating that the Firm Size has a significant effect on Tax Avoidance.

## V. Conclusions and Suggestions

### 5.1 Conclusions

Based on the results of research and discussion on Leverage and Company Size on Tax Avoidance, then at the end of this study, the authors draw the following conclusions:

1. Leverage has a significant effect on Tax Avoidance. There is a positive and positive relationship which means that every increase of Leverage then it will increase Tax Avoidance and vice versa. Companies that have high leverage ratios, then identical firms will do tax evasion.
2. Company size has significant effect on Tax Avoidance. There is a positive and positive relationship, every increase of Company Size will increase Tax Avoidance and vice versa. The larger the size of a company then the possibility of companies doing tax evasion is also large.

### 5.2 Suggestions

Based on the above conclusions, the authors provide some suggestions as follows:

#### 5.2.1 Practical Suggestions

1. For the Company

For the Company, the shareholders and management of the company are expected to be able to support taxation and tax payments in accordance with the tax laws in force in Indonesia. In addition, there is also a need for supervision from the management of the company that the activities of tax avoidance are allowed as long as the efforts are made not solely to avoid taxes,

but used as an activity to perform the efficiency of the tax burden without violating the applicable legal provisions.

2. For Investors

For investors who are or will invest in Mining Companies Sub Sector Mining listed on Indonesia Stock Exchange, is expected to be more careful in analyzing company's fundamentals and analyzing company's performance. Investors need to consider the Leverage and Size of the company so that companies are not wrong in investing their capital into a company that has the potential not to generate optimal profit.

### 5.2.2 Academic Suggestions

1) For the Development of Science

The results of this study are expected to provide knowledge and add the latest information for the development of financial accounting, especially on the effect of Leverage and Company Size on Tax Avoidance.

2) For Other Researchers

It is expected that the next researcher can examine Leverage and Company Size with different measurement standards from this research, and it is expected to examine the variables other than Leverage and Company Size, because there are other factors that can influence Tax Avoidance. In addition, the authors suggest to add a period of years to be researched and add other objects in order to menyedang research results.

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