International Journal of Business, Law, and Education
E-ISSN : 2747-1349X
Publisher: IJBLE Scientific Publications Community Inc.
IJBLE
Volume 5, Number 2, 2024
https://ijble.com/index.php/journal/index

The Effect of Changes in VAT Rates and Company Risks on Tax Avoidance in Coal Mining Companies

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ABSTRACT
One of the largest contributors to state income is mining companies, where in 2019 mining companies contributed tax revenues of IDR 33.43 trillion. Based on Law No. 11 of 2020 concerning Job Creation which amends the VAT Law Article 4A paragraph (2), Coal was previously not subject to VAT, and in 2022 the VAT rate will change to 11%, which was previously 10%, so from this explanation the aim of this research is to determine the relationship between changes in VAT rates on tax avoidance and the relationship between company risk and tax avoidance. The research object used is from the Indonesian Stock Exchange for Coal Mining Companies in Indonesia from the year corresponding to the start of VAT imposition and changes in rates, namely 2021-2023. Data were analyzed using multiple regression analysis, and to determine the sample using purposive sampling technique. From the results of the hypothesis test, it was found that there is no significant relationship between changes in VAT rates and tax avoidance, and there is a significant relationship between company risk and tax avoidance.

Keywords:
VAT Rates; Company Risk; Tax Avoidance

INTRODUCTION

The largest state revenue in Indonesia comes from taxes, taxes themselves contributed IDR 1,716.8 trillion at the end of 2022, where this reached 115.6% of the target of IDR 1,485 trillion. The source of tax revenue does not only come from Income Tax, but also comes from UN, UN, BPHTB (Waluyo., 2018).

Value Added Tax is a tax imposed on domestic consumption, both the consumption of goods and services (Mardiasmo., 2018). VAT provides the second largest source of income from taxes after Income Tax, as can be seen from the statistical data of the Director General of Taxes below.

Penerimaan per Jenis Pajak Neto, 2016—2020 (dalam triliun rupiah)

Tahun	PPh Nonmigas	PPN & PPnBM	PBB	Pajak Lainnya	PPh Migas	Jumlah	
						Tanpa PPh Migas	Dengan PPh Migas
2016	630,12	412,21	19,44	8,10	36,10	1.069,87	1.105,97
2017	596,48	480,72	16,77	6,74	50,32	1.100,71	1.151,03
2018	685,28	537,26	19,44	6,63	64,71	1.248,61	1.313,32
2019	713,11	531,56	21,15	7,68	59,16	1.273,49	1.332,66
2020	561,01	450,33	20,95	6,79	33,03	1.039,08	1.072,11

Sumber: Laporan Keuangan DJP 2016—2020 (*Audited*).

Figure 1. *Tax Revenue Statistics 2016-2020*
Source: DJP Financial Report 2016-2020

It can be seen from the above statistical data from 2016-2020 VAT provides the second largest contribution to tax revenue after income tax, in 2016 Income Tax contributed 630.12 trillion rupiah and VAT along with PPnBM contributed 412.21 trillion rupiah.

After Income Tax and VAT which are the largest sources of taxes, there are several sectors that contribute the largest taxes in Indonesia, namely Transportation, Mining, Construction, Financial Services, and the Processing Industry. Mining itself provided Rp 33.43 trillion in the first half of 2019. One form of mining product is coal.

Based on Law No. 11 of 2020 concerning Job Creation which amends the VAT Law Article 4A paragraph (2), coal that was previously not subject to VAT, after the enactment of the Job Creation Law article 112, coal is now subject to VAT when PKP (Taxable Entrepreneurs) submit or receive payments from coal. The reason for the imposition of VAT on coal is due to a difference in perception between mining entrepreneurs and the tax authorities (Putri, 2019). So that coal entrepreneurs also follow the change in VAT rates, where in April 2022 the VAT rate changed from 10% to 11%, this is due to a comparison made with OECD countries where Indonesia is among the countries with the lowest VAT rates based on the results of a coverage interview with Finance Minister Sri Mulyani in 2022.

Behind the fantastic economic value produced by the coal mining industry but the tax contribution is minimal, namely the contribution is only 3.9% while the national tax ratio in 2016 is 10.4% (Yuliawati, 2021). The low tax revenue cannot be separated from the problem of tax avoidance by coal mining entrepreneurs. One example of a case in PT Multi Sarana Avindo over the alleged transfer of mining power so that there was a lack of VAT payment. Also in the case *transfer pricing* by Toyota Company.

Tax avoidance arises due to several factors, namely Return on Asset, Leverage, Company Size, Fiscal Loss Compensation, Institutional Compensation, and Corporate Risk (Moeljono, 2020). In addition, changes in tax rates also affect tax avoidance, which according to (Oktaviane, 2019) changes in tax rates significantly affect tax avoidance calculated by the Cash Effective Tax Rate. Moreover Changes in tax rates affect state revenue from taxes. The fairer the tax rate, the higher the taxpayer's compliance which will directly affect the state revenue from taxes.(Mentari, 2020).

Of the several factors that affect avoidance, one of them is company risk. Corporate risk is a condition of uncertainty about the company's future operating profits or losses, where the higher the company's risk, the more it has a risk-taker character, and conversely, the lower the company's risk, the more likely the company will tend to avoid risk (Taufan, 2021). The influence of corporate risk on tax avoidance itself, the speed of decision-making and risk in all corporate funding activities, so that the level of corporate debt will be high, so that the tax burden will be reduced (Moeljono, 2020).

In mining companies where *cyclical* , because the ups and downs are unpredictable. One of them is price changes in the mining industry that are difficult to predict (Chaesary, 2020), this triggers the arising of corporate risks in mining companies.

Based on the background description regarding the application of VAT on coal and several factors that cause tax avoidance, especially the factors of changes in tax rates and company risks, therefore the author wants to conduct research on the Effect of VAT Rate Changes and Corporate Risks on Tax Avoidance in Coal Mining Companies listed on the IDX. Based on the description of the background of the problem above, the problem in this study is how does the change in VAT rates affect

Tax Avoidance? And how does Corporate Risk affect Tax Avoidance? , So the purpose of the research for this study is to find out the effect of changes in VAT rates on Tax Avoidance and To find out the influence of Corporate Risk on Tax Avoidance. In this study, the problem limitation for this study consists of the independent variable is the Change of VAT Rate which was previously 10% to 11%, and the variable of company risk, and the dependent variable is Tax Avoidance measured by CETR proxy and the object of the study is a coal mining company listed on the Indonesia Stock Exchange from 2021-2023. The benefits of this research are to contribute to further research literature related to taxes and corporate risks, especially in coal mining, and are useful for increasing knowledge and developing further research.

Conceptual Framework

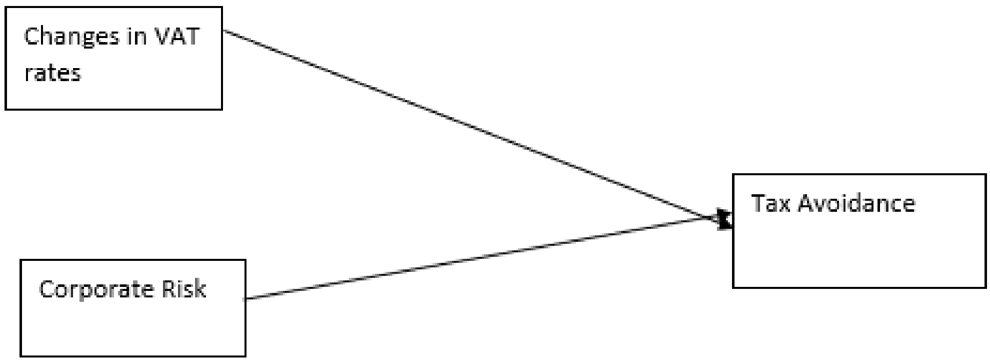

Figure 2. *Conceptual Framework*
Source: Processed by Author

Hypothesis Development

Based on the background of the problem, the formulation of the problem, the purpose of the research and the literature as described above, the hypothesis proposed in the study is as follows:

H1: Changes in Tax Rates (Value Added Tax) on Tax Avoidance

In April 2022, the VAT rate changed from 10% to 11%, this is due to a comparison made with OECD countries where Indonesia is among the countries with the lowest VAT rates based on the results of a coverage interview with Finance Minister Sri Mulyani in 2022. In research (Anculien, 2021) carried out in South Africa, statistically the change in value-added tax, especially a large change in the value of VAT, gives an even greater increase in non-compliance, and on the contrary, there is no significant relationship if the rate is getting smaller. It is also supported by research (Kiryanto, 2022) where as a result of increasing the VAT value to 11% has an effect on increasing tax avoidance and this also increases the value of the company.

H2: Corporate Risk to Tax Evasion

Corporate risk is a condition of uncertainty about the company's operating profits or losses in the future, where the higher the The company's risk is more of a risk taker, and conversely, the lower the company's risk, the more the company will tend to avoid risk. The influence of corporate risk on tax avoidance itself The speed of decision-making and risk in all corporate funding activities, so that the level of corporate debt will be high, so that the tax burden will be reduced ((Moeljono, 2020).

METHOD

In this study, the method used is a quantitative approach, and the data is a type of secondary data from the Indonesia Stock Exchange. The population in this study is financial data taken from the Indonesia Stock Exchange, which is a coal mining financial report listed on the Indonesia Stock Exchange in the period 2020 to 2023. The 2020 period is used because this year based on Law No. 11 of 2020 concerning Job Creation which amends the VAT Law Article 4A paragraph (2), coal which was previously not subject to VAT, after the enactment of the Job Creation Law article 112 coal is now subject to VAT when PKP (Taxable Entrepreneurs) submit or receive payments from coal. In 2022 itself, the new law, Law No. 7 of 2021 concerning the Harmonization of Tax Regulations, the tax rate changed from the previous 10% (ten percent) to 11% (eleven percent).

The sample criteria used in this study are:

1. Companies listed on the IDX that were included in the coal mining sector during the period of writing this research.
2. The company is listed on the IDX after January 1, 2021.
3. Companies that publish incomplete financial statements, including their disclosure for 2021-2023 in batches.

The data were analyzed using multiple regression analysis using classical assumption tests in the form of normality tests, multicollinearity tests, heteroscedasticity tests, and autocorrelation tests as well as testing hypotheses using partial (t), simultaneous (F) and determination coefficient (R2) tests. The tool used to help process the data and test the hypothesis uses software in the form of IBM SPSS statistical software 29.

Measurement of Research Variables

Independent Variables

1. **Changes in Rates**

Definition of tax rates according to (Mardiasmo., 2018)as follows: "Tax Rate is a certain percentage used to calculate the amount of Income Tax". The tax rate has changed, the reason for this change is because the comparison of tax rates in Indonesia is lower than that of OECD countries, according to the Minister of Finance of the Republic of Indonesia Sri Mulyani. Value Added Tax Rate based on Law No. 42 of 2009 concerning Value Added Tax on Goods and Services and Sales of Luxury Goods is 10% (ten percent). Meanwhile, the VAT rate on the export of Taxable Goods is 0% (zero percent) (Mardiasmo., 2018). In the new law, namely Law No. 7 of 2021 concerning the Harmonization of Tax Regulations, the tax rate has changed from the previous 10% (ten percent) to 11% (eleven percent). To determine changes in tax rates, this study will use a dummy variable. Dummy variables are variables that are used to help qualitative research (e.g., gender, race, religion, changes in government policies, and so on). The variable has 2 (two) values, namely 1 and 0.

2. **Corporate Risk**

Corporate risk or business risk is a condition of uncertainty about the company's estimated future operating profits or finances which are influenced by revenue, costs and debt (Muchilisin Riadi, 2021, literature review, September 21, 2021). In determining the level of risk of the company, it can be reflected through its management policy in taking risks or rejecting these risks. The greater the risk of the company will reflect its risk taking. In this study, company risk is measured by the standard deviation of EBIT (Earning Before Income Tax) divided by the company's total assets.

Standard Deviation Formula: $Deviation\ Earning: \frac{EBIT}{Total\ Assets}$

Dependent Variables

1. ***Tax Avoidance***

According to (Oktaviane, 2019) This tax evasion can be known by using the formulation of *Cash Effective Tax Rate* by comparing tax payments with the amount of profit before tax. Tax payments can be seen in the consolidated financial statements while profit before tax can be seen in the comprehensive income statement. To find out whether a company is doing tax evasion can be seen from its large or small results *cash effective tax ratenya* (Lukito and Oktaviani, 2022). The formula for measuring Tax Avoidance is the payment of taxes in cash on the company's profit before income tax. The formula is as follows:

$$CETR: \frac{Taxe\ Payable}{Profit\ before\ Tax}$$

RESULTS AND DISCUSSION

1. Research Sample

In this study, the object is a coal mining company, where what is used is a coal mining company listed on the Indonesia Stock Exchange. The year used in this study is 2020-2023, where at that time Coal in accordance with the provisions of the Job Creation Law article 112 coal was already subject to VAT at the time PKP (Taxable Entrepreneur) submitted or received payment from coal, and in this research year, the VAT rate has changed from 10% to 11%. The sample collection technique is a purposive sampling method, namely by collecting the population obtained from the Indonesia Stock Exchange, then adjusted to certain criteria to obtain data in accordance with this study. Based on these criteria, the samples obtained were 24 samples of coal mining companies with a total of 72 observations

Table 1. *Descriptive Statistics*

Sample Company	Number of Companies
Companies listed on the IDX that were included in the coal mining sector during the period of writing this study after January 1, 2021.	26
Companies that publish incomplete financial statements, including their disclosure for 2021-2023 in succession.	-2
Total Sample	24
Research Period	3
Number of Research Samples (24*3)	72

Source: Processed Data, 2024

2. Descriptive Statistics

Descriptive Statistics is made to provide an overview of a research data, by knowing the average value, standard deviation, maximum value, minimum value and the number of samples of the research variables used, such as changes in tax rates, company risks and tax avoidance in 2021-2023. Here is a table of descriptive statistics:

***Table 2.** Descriptive Statistics*

Descriptive Statistics

	N	Minimum	Maximum	Mean		Std. Deviation
	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic
tax	72	0	1	.67	.056	.475
risk	72	1	12	4.29	.314	2.667
avoid	72	0	84	12.75	1.479	12.552
Valid N (listwise)	72					

Source: SPSS Output, 2024

3. Analysis of Research Result

Based on the results of data analysis using classical assumption tests to find out the classical assumption tests in the form of normality tests, multicollinearity tests, heteroscedasticity tests, and autocorrelation tests regarding the data data contained in this study.

***Table 3.** Correlation Analysis Result*

No	Testing	Result
1	Normality Test	Data Normal
2	Multicollinearity Test	No Multicollinearity
3	Heteroscedasticity Test	No Heteroscedasticity
4	Autocorrelation test	No Autocorrelation

Source: Data Processed by Author, 2024

Discussion

1. Effect of Changes in Tax Rates on Tax Avoidance

The results of the hypothesis test for the independent variable, namely the change in the tax rate, in this case the change in the VAT rate on tax avoidance, show that the significance value is 0.604 where this value is greater than the significance level of 0.05. Therefore, from these results, it can be concluded that H0 was accepted and H1 was rejected, where the change in the value-added tax rate from 10% to 11% did not cause tax evasion in coal mining companies listed on the Indonesia Stock Exchange with the research year from 2021-2023.

The results of this study are also in line with the results of the research by (Octavia and Sari, 2022), which states that the change in tax rates does not affect entrepreneurs to carry out tax avoidance, which is also confirmed by the results of research from (Agustina and Hartono, 2022)Where the increase in value-added tax will provide an increased output in the mining sector, because what affects tax output and the level of tax avoidance is if there is a change in the Income Tax itself. And the change in the increase in Value Added Tax set by the government is also followed by other changes, one of which is a change in the income tax rate.

When the increase in the tax rate in 2022 was enforced, it affected production costs but not for the results of the amount of production, where in 2022 the amount of mining production was above 300 million tons based on the source of the Ministry of Energy, Resources and Minerals, in addition to the increase in value-added tax revenue in semester 1 of 2023 by 317.6 percent, followed by an increase in coal prices. The statement from the Ministry of Energy and Mineral Resources is also supported by the results of research by (Agustine, no date)) where based on the results of the questionnaire given answered that value-added tax does not affect compliance from business actors, because the increase is considered to affect businesses significantly.

On the results of the study (Permata.Merry., 2022)Changes in tax rates linked to taxpayer compliance do not significantly affect taxpayer compliance because taxpayers will remain compliant and carry out their tax activities properly.

2. The Effect of Corporate Risk on Tax Avoidance

The results of hypothesis testing for the independent variable, namely Corporate Risk in tax avoidance, show that the significance value is 0.030 where this value is smaller than the significance level of 0.05**.** Therefore, the results of the hypothesis test can be concluded that H0 was rejected and H1 was accepted, where there was a significant influence between corporate risk on tax avoidance in coal mining companies listed on the Indonesia Stock Exchange, with the 2021-2023 research year.

The results of the influence of Corporate Risk on tax avoidance are supported by several studies, including (Sari, 2020)which states that there is an influence between the influence of corporate risk on the company's management, where the variability of income is high, the company's business risk will be high. Companies that have high profitability will also have high business risks will also try to reduce taxes. Considering that mining companies have a lot of assets for operations and the value of fluctuating coal prices (media source: cash), the company's business risk will also be high.

Other supporting research from (Taufan, 2021) Where the higher the risk, the more the company has a risk taker character, and conversely, the lower the risk the company, the company will tend to avoid risk. The influence of corporate risk on tax avoidance itself, the speed of decision-making and risk in all corporate funding activities, so that the level of corporate debt will be high, so that the tax burden will be reduced (Moeljono, 2020).

In Research (Lukito.Pratiwi, 2022). The influence of corporate risk is related to the agency theory where the tasks assigned by superiors to subordinates will determine policies to make decisions, this causes two characters *risk taker* and *risk averse*. If the company's risk is high, it can be explained that the company will make decisions that are *risk taker* So that they will be more motivated to avoid their taxes. The above conclusion is also supported by (Pratomo, D., Kurnia, & Maulani, 2021)and (Aprilia, V., Majidah, & Asalam, 2020)

3. Implication

Based on the results of the study, the implication of the results of this study for coal mining companies is that they can continue to improve their compliance with tax activities, especially tax avoidance, because the results of this study show that the company's risk significantly affects the tax avoidance of mining companies. In addition, the influence of corporate risk on tax avoidance itself, the speed of decision-making and risks in all company funding activities, so that the level of corporate debt will be high, so that the tax burden will be reduced. As for the government, if viewed from the change in the tax rate, the implication is the government's effort to change the tax rate, whose function is to encourage the Indonesia economy to succeed, because the tax rate does not significantly affect tax avoidance, and also because the change in the increase in the Value Added Tax set by the government is followed by other changes, one of which is the change in the tax rate income

4. Suggestion

The limitation of the research is the use of short years from 2021 to 2023 only, so that future research can use longer and more accurate years to measure changes in tax rates, in addition to the use of other variables can be used to better reflect tax avoidance, especially in the research object of Coal Mining Companies listed on the Indonesia Stock Exchange.

CONCLUSION

There are two hypotheses used in this study consisting of three variables, namely Changes in VAT Rates, Corporate Risk, and Tax Avoidance, so the conclusion is that VAT Rate Changes do not significantly affect Tax Avoidance and Corporate Risk has a significant influence on Tax Avoidance. So it is hoped that this research can contribute to the next research literature related to taxes and corporate risks, especially in coal mining, and is useful for increasing knowledge and developing further research.

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