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THE EFFECT OF FINANCIAL DISTRESS, PROFIT MANAGEMENT, AND LEVERAGE ON TAX AGGRESSIVENESS

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Abstract: The purpose of this study was to determine the positive effect of Financial Distress, Earnings Management and Leverage on Tax Aggressiveness. The data analysis method used is Multiple Linear Regression. The results of the partial test (t-test) that has been done, it was found that Financial Distress, Earnings Management and Leverage have no effect on tax aggressiveness with a significance value of 0.422, 0.634 and 0.169. The implication of this research is to add insight that difficult conditions are not always an indication of tax aggressiveness and this research as a reference to minimize tax aggressiveness. The population in this study is the Financial Statements of the Telecommunications sector listed on the Indonesia Stock Exchange (IDX) in 2017-2021 with a sample selection using the Purposive Sampling technique with a total of 7 (seven) samples.

Keywords: Financial Distress: Earnings Management; and Leverage Tax Aggressiveness.

INTRODUCTION

Taxes make a huge contribution to the country. To be able to run the wheels of government and achieve the state's goal of public welfare, it is necessary to be aware of every taxpayer to pay their obligations to the state.

Various efforts made by the government to stabilize the country's economy during the global recession due to the Covid-19 pandemic. One of them is the issuance of PMK Number 9 / PMK.03 / 2021 concerning the provision of income tax incentives article 21, 22, 25, VAT, MSME Tax. This is done, so that taxpayers, both those who have received negative and positive impacts due to covid-19, can pay taxes.

In this era of the Covid-19 pandemic, one of the sectors that has felt a positive impact is the Telecommunications sector. Due to offline restrictions, it increases the use of telecommunications such as for online school needs, virtual meetings, and online shopping in everyday life. As the finance minister said, "one of the sectors that should have experienced an increase in income during the covid-19 pandemic, but the Telecommunications sector tax is observed to be weak. This can be seen in the state budget data, namely, the January to October 2020 tax of minus 4.4% yoy, while BPS data conveys that the economic growth of this sector grew positively by 10.42% yoy (Nasional.kontan.co.id). Akbar (2021) also conveyed the same thing, the telecommunications sector was positively affected during the Covid-19 pandemic. This has led to allegations of tax evasion and alleged tax aggressiveness in this sector that is suspected to have a positive impact on COVID-19.

Tax aggressiveness is tax planning that is used to reduce tax burden and is aggressive (Hidayati et al, 2021). In other words, unacceptable tax avoidance. Slemrod (2004) provides a definition of tax aggressiveness as an activity focused on minimizing corporate tax liability. To measure the tax aggressiveness of an enterprise can use the CETR proxy.

$$\text{CETR} = \frac{\text{Cash Tax paid}}{\text{Pre tax Income}}$$

Kusumawardhani (2021), reported the possibility of aggressive tax avoidance that occurs today, for example, income tax (PPh), there is an increasing trend of corporate taxpayers who declare themselves at a loss. It was further explained that there was an increase in the reports of taxpayers who claimed to have lost five years in a row but they were still able to survive and operate well in Indonesia. To measure financial distress, you can use the Z-Score.

Z-Score = 3.25 + 6.56 (X1) + 3.26 (X2) + 6.72 (X3) + 1.05 (X4)

In addition to Financial Distress, profit management itself is often associated with one of the company's alternatives to managing financial statements for one of the purposes of tax aggressiveness. This can be seen from Pandora Papers data revealing the names of world figures who use countries that are considered tax havens, what they do is hide their assets in the country by transferring company profits to shell companies (Kompas.com 2021).

There are four types of profit management, namely taking a bath, income minimation, income maximation and income smothing (Scott 2015:447). Management can carry out profit management by reducing profit recording. A small profit will lead to a small annual tax. A tool for measuring profit management is to calculate Discretionary Accruals (DA) with the following equation:

$$\mathrm{DAit} = \frac{\mathrm{TAit}}{\mathrm{Ait} - 1}$$

The recession caused by covid-19 can also trigger an increase in debt which if not properly regulated can trigger tax aggressiveness. Leverage is a measure to see the use of debt against assets or equity in conducting company operations. This can be seen in PT Bentoel International Investama Tbk's name Tax Justice Network with alleged tax avoidance practices in Indonesia through intra-company loans. To measure leverage can use DER proxies.

$$\mathrm{DER} = \frac{\text{Total Liabilities}}{\text{Total Equity}}$$

Theoretical Framework

Pohan (2018:21) writes that the expected objectives of good tax management are:

1. Minimize the tax burden owed in a legal way.
2. Trying to avoid tax surprises if a tax inspection is carried out by the fiscus.
3. Pay and report taxes on time so as to avoid administrative sanctions in the form of interest and criminal.
4. Diligently study tax regulations that are dynamic in nature so that it makes it easier to do good tax planning.

a. Tax Aggressiveness

Tax aggressiveness is tax avoidance through the regulation of transaction actions to obtain tax gains, benefits, or deductions that are not in accordance with tax legislation. This is an unacceptable violation of the law that is not like legitimate tax mitigation (Brown, 2012).

In other words, tax aggressiveness is one of the excessive or aggressive tax planning actions carried out by utilizing inappropriate tax rules and is an unacceptable tax avoidance action.

According to Kessler (2004) Tax avoidance can be divided into two, namely acceptable tax avoidance and unacceptable tax avoidance. Allowed tax avoidance with the characteristics has a good purpose, not to evade taxes, and not to make false transactions. Tax avoidance is not allowed, with the characteristics of not having a good purpose, to avoid taxes, and to create fake transactions.

b. Financial Distress

Financial distress is often associated with financial difficulties caused by poor operating performance. Jostarndt (2007:2) states that financial difficulties reinforce conflicts of interest between various stakeholders. Managers face greater job risks, shareholders fear losing the value of their equity options, and creditors scramble for the company's dwindling resources.

Richardson et al. (2015) say that when companies are experiencing Financial Distress will be more aggressive in their taxation and Edward et al. (2016) in their research concluded that increased financial constraints will encourage companies to obtain internal funding through savings in cash tax payments.

The causes of financial distress consist of internal causes, namely causes that come from management or the company itself while external causes come from outside such as regulatory changes, macroeconomic changes and so on.

A company that is in a state of financial difficulties as seen from a significant decrease in profits, a significant decrease in working capital, and significant retained earnings. In such circumstances, the company will be pressed to minimize operating costs as much as possible by cutting some costs, one example of which is the cost of taxes. By not paying and reporting taxes appropriately excessively, the company has carried out tax aggressiveness.

c. Profit Management

Belkaoui (1999) states, profit management as an act of intentionally processing external finances for personal gain. The presence of accrual options and the vulnerability of these accruals for manipulation are witnesses to potential profit management. This accrual can be carried out continuously, allowing managers to adjust or manage revenues in order to achieve some optimal achievements each year.

Ronen & Yaari (2008:25) defines profit management in the classification of white, ash and black colors. The white color indicates good profit management practices i.e. management increases the transparency of the report. The color of Ash is the manipulation of reports within the limits of compliance with standards of an opportunistic nature or increased efficiency. While the black color indicates a bad statement, namely profit management with false statements and fraud.

The cause of profit management is due to the large desire of management to attract investors by manipulating profits. Investors will be interested in companies that display financial statements that have a high profitability ratio, as well as a low solvency ratio. In addition, insignificant increases and decreases in ratios from year to year will encourage investors to invest in the company.

To that end, then management often carries out various actions of profit manipulation and of course relates to tax aggressiveness. Sometimes what is done is to take advantage of the nondeductible expense loophole in the annual tax return report. Scott (2015:447) summarizes the patterns or behaviors of profit management as follows:

1. Taking a bath
   This can happen in the period of restructuring or ceo turnover. A situation where management wants its financial statements to appear to have suffered heavy losses, so that future costs have been recorded in the current period.
2. Income Minimation
   A circumstance that can occur in a company that has high profitability. This pattern often uses regulations to protect themselves by minimizing revenue and even incurring costs such as the rapid write-off of intangible property as well as advertising costs and other costs.
3. Income maximization
   A situation that can occur in a company that has suffered losses, namely with the aim of maximizing

profits, then management violates debt agreements. Debt repayment in the current period is recorded in the coming period.

4. Income smoothing

   A situation where management performs a stable income leveling or profit reporting with the aim of attracting investors. (el Diri, 2017) summarizes four motivations of profit management:

d. Leverage

Scott (2015:290) defines Leverage as the ratio of total debt to total assets. Furthermore, according to (Swanson et,al (2003:2)states Leverage is a business term that is often used and is sometimes used interchangeably with the term capital structure i.e. total Debt divided by equity. The same understanding is also conveyed by Scarborough & Cornwall (2016:509) namely the Leverage Ratio measures the financing supplied by the owner of the company against that supplied by its creditors; that is, the gauge of the depth of the company's debt. This ratio shows in financing a business, how much an entrepreneur uses debt funding instead of capital.

According to Fahmi (2020), the position that is considered safe (safety position) is in a position that is balanced with equity. A serious situation if the amount of debt or loan is at the level of 80%-90% of the total asset value. Generally, the tolerable amount of debt to equity ratio is in the range of 1.5 to 2. For large-scale companies, the value of debt to equity ratio worth more than 2 can still be tolerated (Simulasikredit.com).

Development of Hypotheses

1. **The Effect of Financial Distress on Tax Aggressiveness**

Previous research that explained the positive influence of financial distress on tax aggressiveness was conducted by Ningsih et al. (2022), (Dang & Tran, 2021), (Firmansyah & Bayuaji, 2019). It was further explained by (Firmansyah & Bayuaji, 2019) that cash savings on tax payments are important as a source of internal funding to be used as the company's operating cash flow. The strategy used to make savings is to delay revenue recognition and accelerate cost recognition. Furthermore, companies will tend to carry out tax aggressiveness when experiencing financial constraints.

As a company that experiences financial distress, management needs to conduct regular reviews of the company's finances. In addition, the company also needs to make quarterly financial reports, for evaluation in improving the company's operational performance including future business strategies. When the company can minimize the occurrence of Financial Distress, the company will be more obedient in making tax payments because there are no financial problems in the company so Financial Distress has a positive effect on tax aggressiveness (Ningsih, et al. 2022). The positive influence of Financial Distress on tax aggressiveness is also due to the lack of existing cash reserves and working capital so management is encouraged not to report the appropriate non-deductible expense costs on the fiscal financial statements of the annual tax return.

In contrast to the research results of Ningsih et al. (2022), (Dang & Tran, 2021), (Firmansyah & Bayuaji, 2019), research conducted by Nugroho & Firmansyah (2017), stated that there was no influence of Financial Distress on tax aggressiveness while Permata et al. (2021), Jalan et,al (2017) found that Financial Distress negatively affects tax aggressiveness. The conclusion drawn on the effect of Financial Distress on tax aggressiveness, said by Nugorho & Firmansyah (2017), that in a state of Financial Distress (financial difficulties), to carry out tax aggressiveness is a high-risk decision making that can lead the company towards bankruptcy. Because the company is in poor financial condition, and the interest on sanctions due to the aggressiveness of such taxes can lead to liquidation and bankruptcy.

Another possibility that can occur does not have an effect on financial distress on tax aggressiveness because management is a taxpayer who has a high awareness of obligations to the state. So that even in difficult financial circumstances, they continue to perform their obligations by prioritizing integrity and having an understanding of the higher the honesty and integrity, the more blessed the efforts made. Based on the research, then formulated hypotheses:

H1 : Financial Distress has a positive effect on tax aggressiveness.

2. **The Effect of Profit Management on Tax Aggressiveness**

Previous research that explained the positive influence of profit management on tax aggressiveness was conducted by Nurhandono & Firmansyah (2017), Pratiwi (2018), (Feryansyah et al., 2020). According to (Feryansyah et al., 2020) that the more management takes aggressive (excessive) actions on financial statements with income decreasing techniques, management has also acted aggressively on tax burdens.

Nugroho & Firmansyah (2017) stated that their results, namely profit management, showed a significant positive relationship with tax aggressiveness. Abnormal cashflow is one part of profit management that is carried out by providing discounts whose value is beyond reasonableness or the provision of soft credit facilities that are too frequent so as to increase the value of sales but reduce the value of operating cash unnaturally (Nugroho & Firmansyah, 2017).

The positive influence of profit management on tax aggressiveness is also caused by the intention of companies in general to attract more investors to invest in their companies. The higher the profitability ratio in the financial statements will make investors more interested in investing. Therefore, it is encouraged by profit management actions carried out by the company. One of them is with income maximation, which is to recognize income that matures in the next few years recorded as current year income.

In contrast, previous research explaining the absence of the influence of profit management on tax aggressiveness was conducted by Karuniansyah & Anwar (2021) and research that stated the negative influence of profit management on tax aggressiveness was conducted by (Firmansyah & Bayuaji, 2019) and Permata et al. (2021). The negative influence of profit management on tax aggressiveness according to Permata et al. (2021) means that when doing profit management (increasing income), at the same time it will be difficult to practice tax aggressiveness, namely reducing company profits, so the method that tends to be used by companies is the decreasing income method to reduce tax burdens.

The absence of the effect of profit management on tax aggressiveness is seen from the change in profit caused by the recognition of unrecorded costs in the current year, but the unrecorded costs are corrected positively in the fiscal report of the annual tax return so that this has no effect on tax aggressiveness. Based on research, the existing hypotheses are:

H2 : Profit management positively affects tax aggressiveness.

3. **The Effect of Leverage on Tax Aggressiveness**

Previous studies that stated that there was a positive influence of leverage on tax aggressiveness were (Fadli, 2016), Nurhandono and Firmansyah (2017), Pratiwi (2018) and Putri et al. (2019). The positive influence of leverage on tax aggressiveness according to (Fadli, 2016) High leverage assessed from high debt indicates an increase in obligations that must be fulfilled so that there are indications of tax aggressiveness.

In article 6 paragraph 1 letter number 3 of Law number 36 of 2008 concerning Income Tax, loan interest is a deductible fee against taxable income. Deductible interest expense will reduce the company's taxable profit. Reduced taxable profits will ultimately reduce the amount of tax the company must pay. Therefore, tax aggressiveness through financial leverage is carried out by utilizing the deductible nature of interest expenses (Nurhandono & Firmansyah, 2017).

One of the causes of the company having high debt, due to the insufficiency of cash to pay bills. High debt is also caused by the accumulation of the amount of debt that cannot be paid at maturity. Debts that are not paid according to the due date, will affect the inaccuracy of monthly tax withholding such as income tax 23. The inaccuracy of withholding taxes will have an impact on the inaccuracy of monthly tax payments leading to tax aggressiveness.

In contrast, previous research that stated the absence of leverage on tax aggressiveness was Simamora & Rahayu (2018). Meanwhile, Hidayati (2021), Herlinda & Rahmawati (2008), (Dewi & Yasa, 2020) found that there was a negative influence of leverage on tax aggressiveness. The absence of leverage on tax aggressiveness according to Simamora & Rahayu (2020) is due to the higher leverage will make companies more conscientious in making financial statements that keep away from tax aggressiveness. When the company has a high debt even until the financial statements are recorded as a loss, the company can make compensation for losses regulated in Law No.36 of 2008 article 6 paragraph 2. This compensation is legal with the aim of eliminating taxes. In this regard, there is no effect of high debt levels on tax aggressiveness. Based on research, the existing hypotheses are:

H3 : Leverage has a positive effect on tax aggressiveness.

MATERIALS AND METHODS

This research is quantitative research in an associative form. the population taken is the financial statements of Telecommunications companies listed on the IDX during the five-year period, namely 2017-2021. The sample used is the financial statements of telecommunications companies that have been selected based on purposive sampling techniques, namely sample determination techniques with certain considerations (Sugiyono, 2017: 85). Based on IDX data in 2017 & 2021, there are seven (7) companies that match the criteria for the research variable data used. For more details, the results of the sample selection are presented in the following Table 1.

Table 1. Sample Selection

Kriteria	Jumlah
Laporan keuangan Perusahaan Telekomunikasi yang terdaftar di BEItahun 5 tahun:	
1. Jumlah laporan keuangan perusahaan Telekomunikasi 2017	7
2. Jumlah laporan keuangan perusahaan Telekomunikasi 2018	7
3. Jumlah laporan keuangan perusahaan Telekomunikasi 2019	7
4. Jumlah laporan keuangan perusahaan Telekomunikasi 2020	7
5. Jumlah laporan keuangan perusahaan Telekomunikasi 2021	7
Jumlah laporan keuangan sampel penelitian	35
Jumlah perusahaan yang sesuai kriteria	35
Jumlah tahun penelitian	5

Research Variables

1. **Independent Variables**

Sugiyono (2017) Free variables are variables that affect or are the cause of their change or the emergence of dependent (bound) variables. The independent variables used are:

1) Financial Distress

The financial distress measurement proxy to be used is the Modified Altman Z-Score as in the (I Altman, 2006) study. This proxy was used in tax aggressiveness research by Richardson et al. (2014) and Nugroho & Fimansyah (2017). The reason for using the Altman Z-Score to measure financial distress is because this model provides a high level of accuracy and reliability and this Z-Score can be used in manufacturing and non-manufacturing companies (I Altman, 2006). The modified Altman Z- Score equation is as follows:

$$\text{Z-Score} = 3.25 + 6.56\ (X1) + 3.26\ (X2) + 6.72\ (X3) + 1.05\ (X4)$$

Information:

Z-Score = Financial Distress Value which is hereinafter referred to as Z-Score

X1 = Working capital divided by total

assets X2 = Retained earnings divided by total assets

X3 = Profit before tax and interest divided by total assets

X4 = Book value of equity divided by total liabilities.

The higher the Z-Score, the lower the company's Financial Distress level and vice versa. The categorization of Financial Distress measurement results is: Z-Score < 4.15 is the distress zone, the Z-Score is between 4.15 – 5.85 is the Gray zone and >5.85 is the safe zone.

2) Profit Management

The proxy used in profit management is the Dicretionary Accrual (DA) method as conducted by gems et al (2021), (Feryansyah et al., 2020). This Dictionary Accrual (DA) method was introduced by Jones Ronen & Yaari (2008:404). Here are the stages of the calculation:

1) Menghitung total akural (TA) dengan rumus sebagai berikut:

$$TA_{it} = NI_{it} - CFO_{it}$$

Kemudian, mengestimasi total akrual dengan melakukan regresi

Ordinary Least Square dengan persamaan sebagai berikut :

$$\frac{TA_{it}}{A_{it-1}} = \alpha_0 \left(\frac{1}{A_{it-1}}\right) + \beta_1 \left(\frac{\Delta REV_{it}}{A_{it-1}}\right) + \beta_2 \left(\frac{PPE}{A_{it-1}}\right) + \varepsilon$$

2) Menggunakan koefisien hasil regresi diatas untuk menghitungakrual nondiskresioner (NDA) dengan rumus sebagai berikut :

$$NDA_{it} = \alpha_0 \left(\frac{1}{A_{it-1}}\right) + \beta_1 \left(\frac{\Delta REV_{it}}{A_{it-1}} - \frac{\Delta REC_{it}}{A_{it-1}}\right) + \beta_2 \left(\frac{PPE}{A_{it-1}}\right)$$

3) Menghitung akrual diskresioner (DA) dengan persamaansebagai berikut :

$$DA_{it} = \frac{TA_{it}}{A_{it-1}} - NDA_{it}$$

TA = Total akrual Perusahaan
NDA = Akrual nondiskresioner perusahaan
DA = Akrual dikresioner perushaaan
= Laba bersih perusahaan
CFO = Arus kas dari aktivitas operasi perusahaan
Ait-1 = Total aset perusahaan tahun sebelumnya
ΔREV = Perubahan pendapatan perusahaan
ΔREC = Perubahan piutang perusahaan
PPE = Aktiva tetap perusahaan
It = Perusahaan i pada tahun t
ε = Nilai residual perusahaaan

The value of discretionary accruals can empirically be zero, positive, or negative. The value of zero is profit management by means of income smoothing. Positive values (income increasing) and negative values indicate profit management with an income decreasing pattern.

Some researchers interpret high accruals as aggressive, poor profit management Ronen & Yaari (2008:150). In other words the higher the DA value the greater the profit management violation and vice versa.

3) Leverage

The proxy for the use of Leverage chosen by the authors in this study is the debt equity ratio. The reason for using the debt to equity ratio (DER) is because this DER is more transparent in providing information to users of financial statements, especially investors. Investors can assess the company's risk by using DER, which is how much debt is in financing equities. In addition, because this telecommunications company is capital intensive, so the use of DER is more towards the share capital used. The DER formula is:

$$DER = \frac{Total\ \ Liabilities}{Total\ Equity}$$

Generally, the tolerable amount of debt to equity ratio is in the range from 1.5 to 2. For large-scale companies, the value of debt to equity ratio worth more than 2 can still be tolerated (Simulasikredit.com).

2. Dependent Variables

The dependent variables in this study are:

1)Tax Aggressiveness

The use of CETR in this study is because CETR is the most widely used proxy in the calculation of tax aggressiveness, such as research conducted by Permta et al. (2021), Putri et al (2019) Nugroho & Firmansyah (2017), Edward et al., (2016). Furthermore, Edward et al., (2016) added that Cash ETR can measure the cash tax burden of a company.

The Cash ETR equation is as follows:

$$CETR = \frac{Cash\ tax\ paid}{Pre\ tax\ Income}$$

CETR : The value of tax aggressiveness hereinafter referred to as CETR

Cash tax paid: The amount of cash paid for tax

Pre tax income: Profit before corporate tax

Based on Article 17 paragraph (1) part B of Law No.36 of 2008, the tax rate imposed on business entities is 25%. The higher the percentage of cash effective tax rate (CETR) which is close to the corporate income tax rate of 25% indicates the lower the level of aggressiveness of corporate tax. The lower the percent

age rate of cash effective tax rate (CETR) indicates that the higher the aggressiveness of

the tax.

RESULTS AND DISCUSSION

1. Tax Aggressiveness

In table 1. below, you can see the level of tax aggressiveness seen from the cetr value

Table 1. Tax Aggressiveness

No	Kode	Nama Perusahaan	Tahun	Agresivitas Pajak CETR	Average CETR	Klasifikasi
1	OASA	PT PROTECH MITRA PERKASA	2017	- 0,6378	- 0,5011	<0,25
			2018	- 0,9938		
			2019	- 0,2436		
			2020	- 0,7124		
			2021	0,0822		
2	EXCL	PT XL AXIATA Tbk	2017	- 0,2110	0,1313	<0,25
			2018	- 0,0876		
			2019	- 0,0170		
			2020	0,9490		
			2021	0,0232		
3	ISAT	PT INDOSAT	2017	0,4637	- 0,0039	<0,25
			2018	- 0,3249		
			2019	0,2552		
			2020	- 0,4369		
			2021	0,0236		
4	FREN	PT SMARTFREN TELECOM	2017	0,0295	0,0040	<0,25
			2018	- 0,0022		
			2019	- 0,0022		
			2020	- 0,0036		
			2021	- 0,0015		
5	TOWR	PT SARANA MENARA NUSANTARA	2017	0,3290	0,3325	>0,25
			2018	0,3556		
			2019	0,3335		
			2020	0,2207		
			2021	0,4236		
6	TBIG	PT TOWER BERSAMA INFRASTRUCTURE TBK	2017	0,2011	0,2838	>0,25
			2018	0,1874		
			2019	0,2230		
			2020	0,3298		
			2021	0,4779		
7	TLKM	PT TELEKOMUNIKASI INDONESIA (TELKOM)	2017	0,3095	0,3003	>0,25
			2018	0,3793		
			2019	0,2957		
			2020	0,2953		
			2021	0,2216		
			Average	0,08		

Based on Article 17 paragraph (1) part B of Law No.36 of 2008, the tax rate imposed on business entities is 25%. The higher the percentage of cash effective tax rate (CETR), which is close to the corporate income tax rate of 25%, indicates the lower the level of aggressiveness of corporate tax. The lower the percentage rate of cash effective tax rate (CETR) indicates that the higher the aggressiveness of the tax.

Based on Table 4.1 can be seen from 7 (seven) company financial statements, there are 4 (four) whose ETR value is below 0.25 or 25% which indicates an alleged tax aggressiveness and 3 (three) whose CETR value is above 0.25 which indicates an alleged non-tax aggressiveness. If studied more deeply, then 4 companies that have a CETR value below 0.25 are companies with Earning Before Interest and Tax (EBIT) minus or in a state of loss. Law No.36 of 2008 article 6 paragraph 2 discusses compensation for losses for five years. In other words, the small CETR value in loss-making companies does not indicate the existence of tax aggressiveness, so conclusions can be drawn from the Telecommunications sector sample of the alleged absence of tax aggressiveness.

2. The Effect of Financial Distress on Tax Aggressiveness

Below is a table of Financial Distress from the Telecommunications sector in 5 (five) years, namely 2017-2021.

Table 2. Financial Distress

No	Kode Perusahaan	Tahun	*Financial Distress* *Z-Score*	Average *Z-Score*	Klasifikasi
1	OASA	2017	17,2745	137,9433	*Safe Zone*
		2018	85,6171		
		2019	61,8758		
		2020	123,1228		
		2021	401,8262		
2	EXCL	2017	3,4805	2,8934	*Distress Zone*
		2018	2,5300		
		2019	2,6576		
		2020	2,8723		
		2021	2,9269		
3	ISAT	2017	3,8165	2,9294	*Distress Zone*
		2018	2,1970		
		2019	3,2325		
		2020	2,5822		
		2021	2,8187		
4	FREN	2017	-0,4029	1,5774	*Distress Zone*
		2018	-0,5104		
		2019	-0,2972		
		2020	4,6466		
		2021	4,4509		
5	TWOR	2017	6,3171	4,7719	*Gray Zone*
		2018	5,0363		
		2019	4,9721		
		2020	4,4988		
		2021	3,0355		
6	TBIG	2017	3,8010	3,1093	*Distress Zone*
		2018	2,7960		
		2019	3,4610		
		2020	2,1884		
		2021	3,3001		
7	TLKM	2017	7,5243	6,7202	*Safe Zone*
		2018	7,1655		
		2019	6,4405		
		2020	5,9594		
		2021	6,5116		
		Average	22,8493		

Altman Z-Score is a proxy to measure the financial difficulty of a company which is seen in the Z-Score value <4.15 is the Distress Zone, the Z-Score between 4.15 – 5.85 is the Gray Zone, and the Z-Score > 5.85 is the safe zone. Based on the table above, it can be seen that there are four companies that are in a state of Financial Distress although not significant (minus) including PT EXCL. And this was revealed by the President Director & CEO of XL, Siswarini (2020), the entire industry must be affected by covid-19, including the telecommunications business and the impact of this pandemic due to the declining purchasing power of the people. In addition, there is one company in the gray zone state, namely TWOR, and two companies in the safe zone state, namely OASA and TLKM. One of the telecommunications sectors that has a significant positive trend is OASA, which based on financial reports from the IDX, recorded OASA's revenue soaring to 192.83% (antarnews.com). By looking at the accumulated average value of telecommunications sector companies in 5 years, it is in a healthy condition of 22.8493. Companies that are in good health or good economic growth will find it difficult to carry out tax evasion. This is because they have enough funding to pay their tax burden and they don't want to take risks if they later carry out tax aggressiveness that will later lead their company to the threat of bankruptcy.

In addition, there is no effect of Financial Distress on tax aggressiveness, it may be that this Z-Score is not suitable for the application of the telecommunications sector because the model is common effect on tax aggressiveness. although Altman mentioned that this is suitable for use by both manufacturing and non-manufacturing it is only possible that the economic conditions in the country are different from the conditions in Europe where the use of the Z-Score is applied. There is no effect of financial distress on tax aggressiveness can also be caused because management is a taxpayer who has a high awareness of obligations to the state. So that even in difficult financial circumstances, they continue to perform their obligations by prioritizing integrity and having an understanding of the higher the honesty and integrity, the more blessed the efforts made.

Significance Value ≤ Significance Level (α) 0.05: H0 rejected Significance Value > Significance Level (α) 0.05: H0 is accepted so that based on the results of the test, it can be concluded that H0 is accepted. This happens because the significance value of the calculation of 0.422 is greater than the significance level (α) of 0.05. So it can be concluded that the variable Financial Distress is not.

3. **The Effect of Profit Management on Tax Aggressiveness**

Below is a table of Profit Management from the Telecommunications sector in 5 (five) years, namely 2017-2021.

Table 3. Profit Management

NO	Kode Perusahaan	Tahun	Manajemen Laba DAC	*Average* DAC	Klasifikasi
1	OASA	2017	0,4096	- 0,0258	*Income Decreasing*
		2018	- 0,4396		
		2019	- 0,1725		
		2020	0,0922		
		2021	- 0,0188		
2	EXCL	2017	1,4291	1,5991	*Income Increasing*
		2018	1,4499		
		2019	1,6274		
		2020	1,6921		
		2021	1,7970		
3	ISAT	2017	0,4424	0,4858	*Income Increasing*
		2018	0,4213		
		2019	0,5072		
		2020	0,4669		
		2021	0,5913		
4	FREN	2017	2,3177	2,9180	*Income Increasing*
		2018	2,4802		
		2019	2,7965		
		2020	3,8249		
		2021	3,1706		
5	TOWR	2017	- 1,0119	- 1,1745	*Income Decreasing*
		2018	- 1,1888		
		2019	- 1,1864		
		2020	- 1,1459		
		2021	- 1,3394		
6	TBIG	2017	1,1797	1,2060	*Income Increasing*
		2018	1,1715		
		2019	1,1750		
		2020	1,2804		
		2021	1,2234		
7	TLKM	2017	0,3728	0,3328	*Income Smothing*
		2018	0,3583		
		2019	0,3493		
		2020	0,2960		
		2021	0,2874		
		Average	0,7631		

The value of discretionary accruals can empirically be zero, positive, or negative. The zero value indicator is profit management by means of income smoothing. Positive values (income increasing) and negative values indicate profit management with an income decreasing pattern. Based on the table above, we can see that the accumulated average value of discretionary accruals is a positive value of 0.7631 or if rounded up with a value of 1 (one), which means that there is alleged profit management with an income increasing pattern. The practice of income increasing is a system of recording profits that have not yet matured in the current period with the aim of making the company's profits look large.

There is no effect of profit management on tax aggressiveness because it is judged that when the company increases profits, in other words, tax payments will also increase. Because the increase in profit is directly proportional to the increase in tax payments, the purpose of increasing profits means that the company is ready to increase tax payments, not the other way around to do tax aggressiveness.

In addition, the absence of the effect of profit management on tax aggressiveness is seen from changes in profits caused by the recognition of costs that were not recorded in the current year and have not been subject to monthly outstanding income tax in the operating expenses report, but these unrecorded costs are positively corrected in the fiscal report of the annual tax return so that this has no effect on tax aggressiveness actions.

Significance Value ≤ Significance Level (α): H0 is rejected Significance Value > Significance Level (α): H0 is accepted so that based on the test results, the significance obtained is 0.634 > the researcher significance level (α) is 0.05 so that it can be concluded that the profit management variable has no effect on tax aggressiveness.

4. The Effect of Leverage on Tax Aggressiveness

Below is a table of Leverage from the Telecommunications sector in 5 (five) years i.e. 2017-2021.

Table 4. Leverage

No	Kode Perusahaan	Tahun	*Leverage* DER	Average DER	Klasifikasi
1	OASA	2017	0,1249	0,0341	Sehat
		2018	0,0138		
		2019	0,0200		
		2020	0,0092		
		2021	0,0027		
2	EXCL	2017	1,6038	2,2373	Sehat
		2018	2,1409		
		2019	2,2803		
		2020	2,5399		
		2021	2,6216		
3	ISAT	2017	2,4195	3,6791	Kurang sehat
		2018	3,3786		
		2019	3,5825		
		2020	3,8615		
		2021	5,1534		
4	FREN	2017	1,6084	1,6720	Sehat
		2018	1,0255		
		2019	1,1711		
		2020	2,1283		
		2021	2,4266		
5	TWOR	2017	1,6421	2,4957	Sehat
		2018	1,8581		
		2019	2,1580		
		2020	2,3631		
		2021	4,4575		
6	TBIG	2017	7,0362	4,9481	Kurang Sehat
		2018	6,9123		
		2019	4,5894		
		2020	2,9254		
		2021	3,2772		
7	TLKM	2017	0,7701	0,8727	sehat
		2018	0,7578		
		2019	0,8866		
		2020	1,0427		
		2021	0,9064		
		Average	2,2770		

A financially sound company is indicated by a DER ratio below 1 or below 100%, the lower the DER ratio, the better. Generally, the tolerable amount of debt to equity ratio is in the range from 1.5 to 2. For large-scale companies, the value of debt to equity ratio which is worth more than 2 can still be tolerated (Simulasikredit.com). Based on the table above, the accumulated average value of DER is 2,270, it can be concluded that the Telecommunications sector is in a healthy or good condition.

No leverage effect on tax aggressiveness is caused by the company being in a healthy condition or there is no financial pressure, it will not be easy to carry out tax aggressiveness. Another thing that can be done when the company has high debt even until the financial statements are recorded as losses, the company can make compensation for losses regulated in Law No.36 of 2008 article 6 paragraph 2. This compensation is legal with the aim of eliminating taxes. In this regard, there is no effect of high debt levels on tax aggressiveness.

Significance Value ≤ Significance Level (α): H0 Rejected Significance Value > Significance Level (α): Ho Accepted so that based on the test results the significance is 0.169 > the significance level (α) is 0.05. So it can be concluded that the Leverage variable has no effect on tax aggressiveness

CONCLUSIONS

The water quality of Lake Sentani can still be used to meet the needs of Sanitary Hygiene (bathing and washing), but some pollution parameters have exceeded the threshold value. Based on the Ministry of Environment of the Republic of Indonesia Number: 115 of 2003, the water pollution index of Lake Sentani at all research stations is at a value of 1.0 ≤ PIj ≤ 5.0 which means it is mildly polluted this research was conducted with the aim of testing financial distress, profit management and leverage against tax aggressiveness. Based on the results of data analysis in this study, the conclusions drawn are:

1) Variable Financial distress has no effect on tax aggressiveness.

With the consideration that can occur, there is no effect of Financial Distress on tax aggressiveness because the sample studied, namely the telecommunications sector, is in a healthy or good condition. Companies in good financial codition will tend not to exercise tax aggressiveness. In addition, it could be that management is a taxpayer who has a high awareness of obligations to the state. So that even in difficult financial circumstances, they continue to perform their obligations by prioritizing integrity and having an understanding of the higher the honesty and integrity, the more blessed the efforts made. Because if an action is taken that is tax aggressive, the risk that will be received is quite large, reducing investor confidence to invest in the company, especially a well-known public listed company.

2) Profit management variables have no effect on tax aggressiveness.

Based on the sample studied, telecommunications companies fall into the category of alleged profit management with income increasing. Income increasing treatment is a treatment of increasing company profits which has an impact on increasing tax payments. So the income-increasing pattern cannot go hand in hand with tax aggressiveness, so there is no effect of profit management with income incerasing pattern on tax aggressiveness. In addition, profit management has no effect on tax aggressiveness, as can be seen from the change in profit caused by the recognition of unrecorded costs in the current year, but the unrecorded costs are corrected positively in the fiscal report of the annual tax return so that this has no effect on tax aggressiveness.

3) Variable Leverage has no effect on tax aggressiveness. This is because the sample used is that the Telecommunications sector is included in the category of large companies whose tolerable DER value ranges from 1.5 – 2. Existing data shows that the debt of telecommunications sector companies can still be tolerated so that there is no leverage on tax aggressivity. In addition, if the company has high debt even until the financial statements are recorded as losses, then the company can make compensation for losses as stipulated in Law No.36 of 2008 article 6 paragraph 2. This compensation is legal with the aim of eliminating taxes. In this regard, there is no effect of high debt levels on tax aggressiveness.

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