

Effect of Liquidity and Profitability on Tax Avoidance in Registered Food and Beverage Companies in Indonesia Stock Exchange 2016-2020

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ABSTRACT

This study aims to see and analyze the effects of liquidity and profitability on tax avoidance listed on the Indonesia Stock Exchange. Liquidity in this study is measured using the Current Ratio (CR), profitability is measured using the Return On Assets (ROA), and tax avoidance is measured using the Cash Effective Tax Rate (CETR). The population in this study are food and beverage companies listed on the Indonesia Stock Exchange, totaling 11 companies over a 5-year period from 2016-2020, which were selected using a purposive sampling technique. This research approach uses associative research, which aims to determine the relationship between two or more variables, and the data used is in the form of numbers. Data collection techniques in this study using analytical techniques used are multiple linear regression analysis, hypothesis testing, and coefficient of determination with the help of IBM SPSS version 26 software. The results of this study indicate that two variables, namely liquidity and profitability, have no effect on tax avoidance in food companies and beverages listed on the Indonesia Stock Exchange.

Keywords: Liquidity, Profitability, Tax Avoidance

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INTRODUCTION

Taxes are mandatory contributions that are coercive for taxpayers, both individuals and entities, by not getting direct reciprocity (contrast) where the collection is carried out based on law. According to the Law of the Republic of Indonesia Number 28 of 2007 article 1, taxes are a mandatory contribution to the state owed by individuals or entities that are coercive by law, by not getting compensation directly and used for the needs of the state as much as possible for the purposes of Public. For the government, taxes are a source of income to finance government administration, but for taxpayers it is a cost that will reduce their income. Companies are taxpayers who make the largest contribution to state tax revenues. However, on the other hand, the company will try to manage its taxes to a minimum with the aim of obtaining maximum profits.

In practice, there are different interests between taxpayers and the government. For taxpayers (companies), taxes are costs or expenses that will reduce net income. If the company earns a large profit, the income tax paid to the state treasury is also large. Therefore, taxpayers (companies) try to pay as little tax as possible. On the other hand, the government needs funds to finance governance, most of which come from tax revenues. Both sides of these conflicting interests have resulted in the company trying to avoid taxes either in a way that is still within the provisions of the law or violates the rules of the law in order to minimize tax payments (Prasetyo, 2017)

(Sari, 2013) states that the practice of tax avoidance is a way or effort made by taxpayers to practice tax avoidance that is carried out legally or does not conflict with tax provisions, where the method used tends to take advantage of the weaknesses contained in the law. And the tax regulations themselves, to reduce the amount of tax owed.

There are several factors that influence tax avoidance, one of which is liquidity. According to (Kasmir, 2017) liquidity is a company's ability to pay its current debts. Liquidity is a ratio that is needed when analyzing a company's financial statements, because the liquidity ratio is a ratio that shows the company's ability to meet short-term obligations that must be fulfilled by the company immediately.

The next factor that can affect tax avoidance is profitability. Profitability is the company's ability to generate profits, by using this profitability the company can determine the profit that will be generated both today and expected for the future. Profitability shows the ability of a company to generate profits during a certain period at a certain level of sales, assets, and share capital. Return On Assets (ROA) is one approach that can reflect the profitability of a company. Profitability can be used as a measure of the success of a company in using working capital effectively and efficiently to produce the desired level of profit. For companies, increasing profits is more important than increasing net income. This is because greater profits can indicate that the company has been efficient in its operations. Thus, companies must consider more than just profit in making decisions (Surya Sanjaya, 2018).

The following is data on tax avoidance, liquidity and profitability for food and beverage companies listed on the Indonesia Stock Exchange 2016 - 2020:

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Table 1. Data on Tax Avoidance, Liquidity and Profitability of Food and Beverage Companies Listed on the Indonesia Stock Exchange for the 2016-2020 Period

No	Company Code	Year	Liquidity	Profitability	Tax Avoidance
			CR	ROA	CETR
1	CEKA	2016	2,19	17,51%	0,13
		2017	2,22	7,71%	0,25
		2018	5,11	7,93%	0,25
		2019	4,80	15,47%	0,24
		2020	4,66	11,61%	0,25
2	DLTA	2016	7,60	21,25%	0,22
		2017	8,64	20,87%	0,24
		2018	7,20	22,19%	0,23
		2019	8,05	22,29%	0,23
		2020	7,50	10,07%	0,25
3	ICBP	2016	2,41	12,56%	0,24
		2017	2,43	11,21%	0,32
		2018	1,95	13,56%	0,28
		2019	2,54	13,85%	0,28
		2020	2,26	7,16%	0,27
4	INDF	2016	1,51	6,41%	0,34
		2017	1,50	5,85%	0,33
		2018	1,07	5,14%	0,33
		2019	1,27	6,14%	0,33
		2020	0,21	5,36%	0,30
5	MLBI	2016	0,68	43,17%	0,26
		2017	0,83	52,67%	0,26
		2018	0,78	42,39%	0,27
		2019	0,73	41,63%	0,26
		2020	0,89	9,82%	0,28
6	ROTI	2016	2,96	9,58%	0,24
		2017	2,26	2,97%	0,27
		2018	3,57	2,89%	0,32
		2019	1,69	5,05%	0,32
		2020	3,83	3,79%	0,05
7	SKBM	2016	1,11	2,25%	0,27
		2017	1,64	1,59%	0,19
		2018	1,38	0,90%	0,24
		2019	1,33	0,05%	0,81
		2020	1,36	0,31%	0,6
8	SKLT	2016	1,32	3,63%	0,18
		2017	1,26	3,61%	0,16
		2018	1,22	4,28%	0,15
		2019	1,29	5,68%	0,21
		2020	1,54	5,38%	0,24

Based on the table above, it can be seen that the liquidity value of several companies has decreased in ratio values and tax evasion has also decreased. This is contrary to the theory put forward by (Anita, 2015) when the liquidity ratio is low, companies tend to be aggressive towards taxes in order to keep their cash flow to meet current debt. According to the results of the coefficient measurement, if the value of the liquidity ratio is low, it can be said that the asset is not fully used to pay off debt. Low liquidity is not always followed by

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high tax avoidance because with low liquidity the company will maintain its cash flow rather than having to pay taxes.

The next phenomenon occurred in SKBM and ROTI companies, which experienced a decrease in profitability, but the company's tax evasion experienced an increase. This is contrary to the theory put forward by (Dewinta & Setiawan, 2016) Profitability affects tax evasion because companies that have high profitability mean they are able to carry out their operations efficiently so that companies have a tendency to do tax evasion.

THEORETICAL REVIEW & HYPOTHESIS DEVELOPMENT**Tax Avoidance Theory**

Tax avoidance is one of the tax savings that arises due to utilizing tax provisions that are carried out legally to minimize these tax obligations. In other words, this tax avoidance practice is a tax planning practice carried out by companies on their profits but is still within the corridor of applicable tax regulations. Tax avoidance is an effort made by taxpayers to reduce the tax burden that must be borne by exploiting the weaknesses of laws and regulations (Prasetyo, 2017).

Companies always strive to obtain high profits and minimize costs that must be incurred by companies, one of which is through tax avoidance, where tax avoidance measures are carried out by reducing the amount of tax without violating tax laws and regulations.

Tax avoidance in tax law is not prohibited even though it often gets unfavorable scrutiny from the tax office because it is considered to have a negative connotation. In contrast to tax evasion, which is an attempt to reduce the amount of tax by violating the applicable tax provisions. Tax evasion can be subject to administrative sanctions or criminal sanctions. Tax evasion is an attempt to reduce tax debts that are legal (lawful), while tax evasion is an attempt to reduce tax debts that are not legal (unlawful) Xynas (2010).

Liquidity

Fred Weston, stated that the liquidity ratio is a ratio that describes a company's ability to meet short-term (debt) obligations. This means that if the company is billed, it will be able to fulfill the debt (pay) especially the debt that is due (Kasmir, 2010). According to (Harmono, 2011)) the concept of liquidity can be interpreted as the company's ability to pay off a number of short-term debts, generally less than one year. According to Warsono (2003) liquidity ratios are a financial ratio that indicates a company's ability to fulfill its short-term obligations.

Profitability

The concept of profitability in financial theory is often used as an indicator of the company's fundamental performance representing management performance. Conceptually, it can be concluded that the company's fundamental performance is proxied through the dimensions of the company's profitability, has a quality relationship to firm value through indicators of the company's stock price and capital structure with respect to the size of the company's debt composition (Harmono, 2011). The company's financial profitability is described in the form of an income statement which is part of the corporate financial report, which can be used by all interested parties to make economic decisions (Saragih. F, 2013). According to Sartono (2010) profitability is the

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company's ability to earn profits in relation to sales, total assets, and own capital. According to Warsono (2003) profitability is the net result of a number of company policies and decisions. According to Kasmir (2010) the profitability ratio is a ratio to assess a company's ability to make a profit.

METHOD

Operational Definition and Measurement of Variables

This study uses one dependent variable, namely Tax Avoidance and two independent variables, namely Liquidity and Profitability. Operational definitions in this study are as follows

No	Variable	Definition	Indicator	Scale
1.	Tax Avoidance (Y)	According to Mardiasmo (2018) said that tax avoidance is an attempt to lighten the tax burden by not violating the law. Tax avoidance is a tax avoidance strategy and technique that is carried out legally and safely for taxpayers because it does not conflict with tax provisions	In this study, tax avoidance was measured using the following formula: Tax Avoidance = $\frac{\text{Tax Expense}}{\text{Profit Before Tax}}$	Ratio
2.	Liquidity (X ₁)	According to Warsono (2003) liquidity ratios are a financial ratio that shows a company's ability to fulfill its short-term obligations that must be met.	In this study, liquidity is measured using the following formula: Liquidity = $\frac{\text{Current Assets}}{\text{Current Debt}}$	Ratio
3.	Profitability (X ₂)	According to Sartono (2010) profitability is the company's ability to earn profits in relation to sales, total assets, and own capital.	In this study profitability is measured using the following formula: Profitability = $\frac{\text{Net Profit}}{\text{Total Assets}}$	Ratio

Population and Sample

The population used in this study were all food and beverage companies listed on the Indonesia Stock Exchange in 2016-2020, totaling 26 companies. Samples can be taken in certain, clear and complete ways that are considered to have a population (Sugiyono, 2018). In this study, the sample was determined using a purposive sampling technique, namely a sampling technique with certain considerations with the aim of obtaining samples that match the criteria determined as follows:

No	Criteria	Number of Companies
1	Food and Beverage Companies that are listed on the Indonesia Stock Exchange and are not delisted throughout 2016 to 2020	26
2	Incomplete Food and Beverage Companies publish financial	(10)

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	and annual reports for five consecutive years from 2016 to 2020.	
3	Food and Beverage Companies listed on the Indonesia Stock Exchange with negative retained earnings throughout 2016-2020	(5)
Number of Samples		11
Number of Years of Observation		5
Total Research Data		55

Research Model

Data analysis in this study uses multiple linear regression analysis which aims to show the relationship between Liquidity and Profitability as independent variables and Tax Avoidance as the dependent variable. The following is a multiple linear regression table that has been tested using SPSS:

$$Y = 0,261 - 0,004 X_1 - 0,003 X_2 + e$$

RESULT AND DISCUSSION

Classic assumption test

The classical assumption test is a requirement in multiple regression analysis. In the classic assumption test there is a normality test, multicollinearity test, heteroscedasticity test and autocorrelation test. Before carrying out a regression analysis, it is necessary to test the classical assumptions first. So that the sample data can be verified to represent the population as a whole.

Normality test

The normality test aims to test whether in the regression model the independent variables and the dependent variable have a normal or abnormal distribution. The methods that can be used to test the normality of the data in this study are by using the normality probability plot graph, and the Kolmogorov-Smirnov test. Residual data that is normally distributed is the Asymp value. sig. (2-tailed) > level of significance (α) = 5% or 0.05.

Table 2. One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		55
Normal Parameters ^{a,b}	Mean	0,0000000
	Std. Deviation	0,04779030
Most Extreme Differences	Absolute	0,136
	Positive	0,095
	Negative	-0,136
Test Statistic		0,136
Asymp. Sig. (2-tailed)		0,012 ^c

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

Source: Data processed by SPSS version 26, 2022

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Based on the Kolmogorov-Smirnov test above, it can be seen that the residual data is normally distributed. This can be proven with Asymp. sig. (2-tailed) which is 0.012, which is greater than the significance level (0.05).

Multicollinearity Test

This multicollinearity test aims to test whether the regression model found a strong correlation between the independent variables (free). If there is a correlation between independent variables, then multicollinearity occurs, and vice versa. A good regeneration model should be free of multicollinearity or there should be no correlation between the independent variables (free). The multicollinearity test can be seen from the Tolerance value greater than 0.10 and the Variance Inflation Factor (VIF) value less than 10, it can be said to be free from multicollinearity symptoms. The following are the results of the test by performing the Multicollinearity Test when the data has been processed as follows:

Table 2. Multicollinearity Test Result

Model	Unstandardized Coefficients		Coefficients ^a			Collinearity Statistics	
	B	Std. Error	Standardized Coefficients Beta	t	Sig.	Tolerance	VIF
(Constant)	0,261	0,014		18,548	0,000		
Liquidity	-0,004	0,004	-0,162	-1,178	0,244	0,990	1,010
Profitabilities	-0,003	0,066	-0,007	-0,049	0,961	0,990	1,010

a. Dependent Variable: Tax avoidance

Source: Data processed by SPSS version 26, 2022

From the table above, it can be seen that the Liquidity Variable has a tolerance value of $0.990 > 0.10$ and a VIF value of $1.010 < 10$. The Profitability variable has a tolerance value of $0.990 > 0.10$ and a VIF value of $1.010 < 10$. Each variable has a tolerance value of > 0.10 . And VIF value < 10 , thus it can be concluded that this study is free from multicollinearity symptoms.

Heteroscedasticity Test

The heteroscedasticity symptom test aims to test whether in the regression model, there is an inequality of variance from the residuals of one observation to another observation. In this study the method used to detect symptoms of heteroscedasticity by looking at the graph plot between the predicted value of the dependent variable (ZPRED) and the residual (SRESID). Detection of the presence or absence of heteroscedasticity can be done by looking at the presence or absence of a certain pattern on the scatterplot graph between ZPRED and SRESID where the Y axis is Y which has been predicted, and the X axis is the residual (Y predicted – Y actually) which is located in Studentized. The provisions are as follows:

1. If there are points that form a certain regular pattern, it indicates that heteroscedasticity has occurred.
2. If there is no clear pattern, and the points spread above and below the number 0 on the Y axis, then there is no heteroscedasticity.

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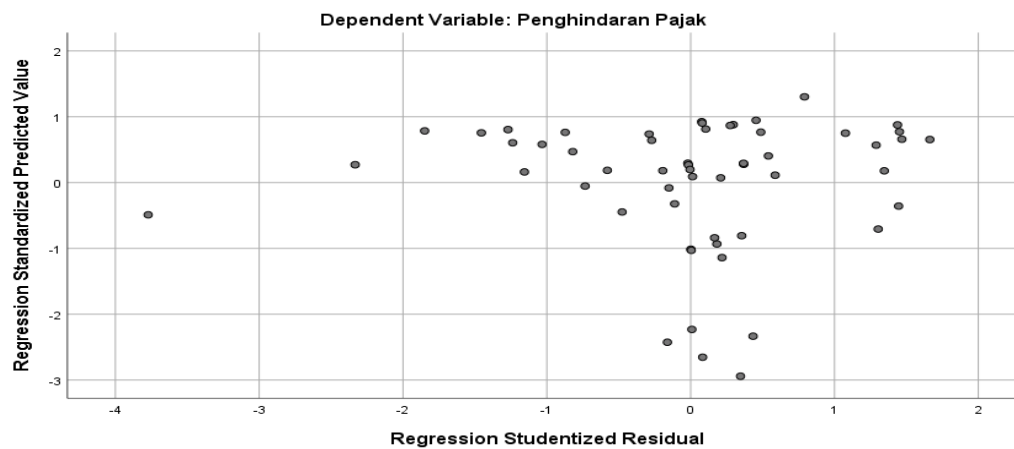


Figure 1. Scatterplot

Based on the picture above, it can be seen that there are no points that form a certain regular pattern but the points in the picture above spread randomly. And spread both above and below the number 0 on the Y axis. This can indicate that there is no heteroscedasticity, so this model is feasible to use to make predictions based on the input of the independent variables.

Autocorrelation Test

Autocorrelation aims to test whether in a linear regression model there is a correlation between the confounding error in period t and the error in period t-1 (previous). If there is a correlation, it is called an autocorrelation problem. A good regression model is free from autocorrelation. One way to identify it is to look at the value of Durbin Watson (D-W):

The results of the autocorrelation test can be seen in the following table:

Table 3. Autocorrelation Test Result

Model Summary^b

Model	R	R Square	Adjusted Square	R	Std. Error of the Estimate	Durbin-Watson
1	0,163 ^a	0,027	-0,011		0,05247	1,395

a. Predictors: (Constant), Profitabilities, Liquidity

b. Dependent Variable: Tax avoidance

Source: Data processed by SPSS version 26, 2022

From table above the results of the autocorrelation test above show that the DW (Durbin Watson) value is 1.395. Thus there is no autocorrelation in the regression model because DW is between -2 to +2 ($-2 < 1.395 < +2$). Means it can be concluded that there is no autocorrelation.

Hypothesis testing

T test

Partial Test (t test) aims to determine the coefficient value independently of the dependent variable. Another reason is that the t-test is conducted to test whether the

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independent variable (X) partially or individually has a significant relationship or not to the dependent variable (Y). The test results data obtained from SPSS can be seen in the following table:

Table 4. t-test Result

		Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	0,261	0,014		18,548	0,000		
	Liquidity	-0,004	0,004	-0,162	-1,178	0,244	0,990	1,010
	Profitabilities	-0,003	0,066	-0,007	-0,049	0,961	0,990	1,010

a. Dependent Variable: Tax avoidance

Source: Data processed by SPSS version 26, 2022

Based on the coefficients table presented in the table above, for the t test criteria carried out at the level of $\alpha = 5\%$ or 0.05 with a t value, for $n = 55$, the independent variable $55 - 3 = 52$ is 2.006. The table above shows the partial results as follows:

1) Liquidity Variable

Tcount Liquidity = -1.178 then obtained Tcount < Ttable or -1.178 < 2.006, significant value $0.244 > 0.05$ then H_0 is accepted and H_a is rejected significantly influence Tax Avoidance.

2) Profitability Variable

Tcount Profitability = -0.049 then Tcount < Ttable or -0.049 < 2.006, significant value $0.961 > 0.05$ then H_0 is accepted and H_a is rejected which means that the Profitability variable (X2) has no significant effect on Tax Avoidance.

Simultaneous Test

The F test aims to examine the effect of the dependent variable jointly on the independent variable. The results of the F test are presented in the table below:

Table 5. f-test Result

ANOVA ^a						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	0,004	2	0,002	0,708	0,497 ^b
	Residual	0,143	52	0,003		
	Total	0,147	54			

a. Dependent Variable: Tax avoidance

b. Predictors: (Constant), Profitabilities, Liquidity

Source: Data processed by SPSS Version 26, 2022

$$F_{table} = 55 - 2 - 1 = 52$$

$$F_{count} = 0.708 \text{ and } F_{table} = 3.18$$

Decision making criteria:

H_0 is accepted if: $-3.18 \leq F_{count} \leq 3.18$, for $\alpha = 5\%$

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H_0 is rejected if: $F_{count} > 3.18$, or $-F_{count} < -3.18$ for $\alpha = 5\%$

From the results above it can be seen that the F_{count} value is 0.708 with a significant level of 0.497. While the F_{table} value is known to be 3.18. Based on these results it can be seen that $F_{count} < F_{table}$ ($0.708 < 3.18$) means that H_0 is accepted. So it can be concluded that the variables of liquidity and profitability have no significant effect on tax evasion at Food and Beverage Companies listed on the Indonesia Stock Exchange.

Coefficient of Determination

The R-square value of the coefficient of determination is used to see how the variation in the value of the related variable is affected by the value of the independent variable. The coefficient of determination is between 0 and 1. The closer the R-square value is to one, the greater the influence of the independent variable on the dependent variable. Below are the results of the statistical test as follows:

Table 6. R-Square test Result

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0,163 ^a	0,027	-0,011	0,05247	1,395

a. Predictors: (Constant), Profitabilities, Liquidity

b. Dependent Variable: Tax avoidance

Source: Data processed by SPSS Version 26, 2022

Based on the table above, it can be seen that the results of the regression analysis as a whole show an R-Square value of 0.027 or 2.7%. This means that the contribution made between Liquidity and Profitability to Tax Avoidance is 2.7%, the remaining 97.3% is influenced by other variables not examined in this study.

Effect of Liquidity on Tax Avoidance

Based on the results of this study, liquidity (X_1) has a T_{count} of -1.178 and a significant value of 0.244. The coefficient value of -1.178 is smaller than T table of 2.006 and the significant level of 0.244 is greater than 0.05. This means that liquidity has no significant effect on tax avoidance so that H_0 is accepted and H_a is rejected, which means that the Liquidity variable (X_1) has no significant effect on Tax Avoidance.

The absence of a relationship between liquidity and corporate tax avoidance in this study could be due to the relatively similar level of liquidity in the corporate and food sub-sector companies. This is evidenced in the analysis of Descriptive Statistics where the average current ratio of the sample companies is 2.7793 and the standard deviation is 2.00456. Because the standard deviation value is lower than the average value, it indicates that the liquidity level of the food and beverage sub-company is almost the same. The absence of influence between liquidity and tax avoidance in this study can be caused by the level of liquidity of the food and beverage sub manufacturing companies is relatively the same where the average Current Ratio (CR) of the sample companies is 2.78 so it can be said that the company is able to pay off its short-term obligations. Included in the tax obligations. Theoretically proves, low liquidity is not always followed by high tax avoidance because

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with low liquidity, companies will maintain their company's cash flow rather than having to pay taxes.

The results of this study are in line with previous research conducted by (Sri Ayu Agustina, 2016) which concluded that liquidity has no significant effect on tax avoidance. (Hatami et al., 2017) also stated that liquidity has no significant effect on tax avoidance. For the Company, maintaining liquidity is very important. Liquidity that is too high describes a lot of idle cash so it is considered less productive. If liquidity is too low, it will reduce the level of creditor confidence in the company which will result in a decrease in capital loans by creditors. Therefore, it is possible for companies in the food and beverage sub-sector to maintain a certain level of liquidity. So that liquidity is not used as an effort to avoid tax.

But the results of this study are different from the results of research conducted by (Novia Bani Nugraha, 2016) which states that liquidity has an effect on tax avoidance.

The Effect of Profitability on Tax Avoidance

Based on the results of this study Profitability (X2) has a Tcount value of -0.049 and a significant value of 0.961. The coefficient value of -0.049 is smaller than Ttable of 2.006 and the significant level of 0.961 is greater than 0.05. This means that Profitability has no significant effect on tax avoidance so that H_0 is accepted and H_a is rejected, which means that Profitability (X2) has no significant effect on Tax Avoidance.

Profitability is measured by using the higher ROA means the company's ability to earn greater profits. The company that has the lowest overall profitability value of 0.05% occurred in 2019 is owned by PT. Sekar Bumi Tbk (SKBM) this shows that the company has a low profit and is less able to manage the company's finances properly so that the profit generated from the performance that has been done by the company is not good. The highest overall profitability value of 52.67% occurred in 2017 owned by PT. Multi Bintang Indonesia Tbk (MLBI) this shows that the higher the profit generated can indicate that the company is able to manage the company's finances well so that the company is able to obtain good profits from the performance that has been carried out by the company.

The results of this study support the research conducted by, (Maharani & Suardana, 2014) and (Utari & Supadmi, 2017) which show that profitability has no effect on tax avoidance. This study shows results that have no effect, because the higher or lower the level of company profitability can not affect the company in tax avoidance.

However, this study differs from the results of research conducted by (Dewinta & Setiawan, 2016) which concludes that profitability has a positive effect on tax avoidance. This shows that the higher the company's profit, the greater the tax burden to be borne.

The absence of a relationship between profitability and corporate tax avoidance in this study could be due to the higher profitability of the company, the higher the profit earned, so that the company's management is able to regulate the company's income for the payment of tax obligations. So the high and low profitability of a company, especially in manufacturing companies, does not have a significant effect on indications of tax avoidance, because manufacturing companies have good supervision and are able to manage company finances and obey the rules in paying tax obligations.

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CONCLUSION

Based on the data obtained and the discussion that has been carried out in the previous chapter, conclusions can be drawn regarding the Effect of Liquidity and Profitability on Tax Avoidance in Food and Beverage companies listed on the Indonesia Stock Exchange in 2016-2020. Based on research conducted that partially Liquidity has no significant effect on tax avoidance in Food and Beverage Companies listed on the Indonesia Stock Exchange in 2016-2020. Based on research conducted that partially profitability has no significant effect on tax avoidance in Food and Beverage Companies listed on the Indonesia Stock Exchange in 2016-2020. Based on research conducted that simultaneously liquidity and profitability have no significant effect on corporate tax avoidance in Food and Beverage Companies listed on the Indonesia Stock Exchange in 2016-2020

SUGGESTION

Based on the conclusions above, in this case the researcher can suggest things as follows:

1. Future researchers are expected to be able to add variables to be used such as company size, independent commissioners, institutional ownership, company age and sales growth, so that the results of research on tax avoidance are more varied.
2. Further research is expected to consider companies that will be used as a population and expand the research sample other than food and beverage companies listed on the Indonesia Stock Exchange, in order to strengthen the conclusions generated in this study.

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