The Effect of Tax Avoidance and Tax Risk on *Cost of Debt* in *Property* and *Real Estate* Companies Listed on the Indonesia Stock Exchange in 2020-2023

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Abstrack

This study aims to find out how much tax avoidance and tax risk affect the Cost of Debt in Property and Real Estate sector companies listed on the Indonesia Stock Exchange in 2020-2023. This type of research is Associative with a quantitative approach. The population in this study is 27 companies in the property and real estate sector. Purposive sampling collection technique so that 13 financial statement data were obtained during the 4-year research period. The type of research data is a type of secondary data. The analysis method in this study uses multiple linear regression analysis. The results of the study showed that partial tax avoidance had a significant negative effect on the cost of debt, tax risk partially had a significant negative effect on the cost of debt, and simultaneously tax avoidance and tax risk had a significant effect on the cost of debt.

Keywords: **Tax Avoidance, Tax Risk, Cost of Debt**

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Introduction

Taxes are one of the many sources of the country's largest revenue. In line with the country's revenue, there is a difference in interests between the fiscal which is a representative of the state and the company which in this case is a taxpayer. Understanding the cost of debt theory is basically aimed at helping entrepreneurs to be more critical in analyzing so that their debt recording is not too large and can attract the attention of investors. It is stated that in general, companies are in dire need of funding by way of debt to creditors which will then add value to the cost of debt itself. Therefore, companies are required to be able to look carefully at the gaps that can be maximized by the company so that the value of the cost of debt is not too large so that the higher the value of the cost of debt will affect the company in the long term (Nugroho, 2019).

The cost of debt according to Zamifa (2022) is one of the cost of debt capital that companies use to operate their company's activities that are borrowed from outside parties. With the interest rate received by creditors as the rate of return that is hinted at and the company will be said to have gone out of business if it cannot return the cost of debt on time.

The phenomenon of tax avoidance that occurred in Indonesia was published in online news in November 2021 (tribunnews, 2021). According to the Secretary General of the Indonesia Forum for Budget Transparency (FITRA), tax evasion is a serious problem in Indonesia. It is suspected that every year there is Rp110 trillion which is the tax evasion figure, where of the tax evasion cases are business entities, around 80 percent, the rest are individual taxpayers (Nugroho, 2019). This according to the rules is legal but unfair when viewed from the tax side for the state. According to Darma & Sijabat (2022), debt is another alternative that can be used to reduce or control agency conflicts. With debt, the company must make periodic payments on interest and principal. This can reduce the desire of managers to use free cash flow to finance activities that are not optimal. The use of debt will also increase risk therefore managers will be more cautious because the risk of debt is greater than that of public investors.

The practice of tax avoidance is not an illegal practice but still receives a negative spotlight from the tax office because it is considered to show non-compliance behavior, the negative connotation will affect the view of creditors towards tax avoidance as a practice that has tax risks. Corporate tax planning policies that are carried out in a separate way from the company's operational risks can lead to corporate tax risks. If the company reports the Notification Letter proves to be inappropriate, the company can be sanctioned in the form of a fine. In addition, companies and management can suffer reputational damage and experience negative effects on stock prices (Sagala, 2022). Thus, tax avoidance is one of the investment opportunities that have risks, which can be practiced by management.

Marcelliana (2020), argues that tax avoidance measures are influenced by agency problems. Where there are differences in interests of several parties, on the one hand managers want increased compensation, while shareholders want to reduce tax costs, and creditors want the company to be able to fulfill debt contracts by paying interest and loan principal on time. When a company has debt, a conflict of interest arises between shareholders and lenders, where this conflict can become greater when financial distress occurs and affects the company's agency costs.

The Effect of Tax Avoidance and Tax Risk

Tax risk is the uncertainty of future tax payments. This is due to the inability of companies to maintain their tax position for a long time (Sagala, 2022). In their research, Hutchens and Rego explained that if a company cannot maintain its tax position, it will affect the company's net cash flow and pose a risk to the company. The greater the risk that a company has, the interest charged by creditors to the company will also be greater, so that it can increase the cost of debt, meaning that tax risk can cause increased uncertainty in net cash flow in the future. This uncertainty can reduce creditors' confidence in the company. Thus increasing debt costs for the company.

Based on the description above, the researcher is interested in conducting research on the Indonesia Stock Exchange with the research title "The **Effect of Tax Avoidance and Tax Risk on the Cost of Debt in Property and Real Estate Companies Listed on the Indonesia Stock Exchange in 2020-2023"**.

Research Methods

The method used by the researcher is the associative method. According to Sugiyono (2019), associative research is a formulation of a research problem that asks about the relationship between two or more variables. The use of this method is used to find out how much the Influence of Tax Avoidance and Tax Risk on the Cost of Debt in Property and Real Estate Companies Listed on the Indonesia Stock Exchange in 2020-2023. This associative research method uses a type of quantitative research. Quantitative research, according to Sugiyono (2019), is a research method based on the philosophy of positivism, as a scientific or scientific method because it has fulfilled scientific principles concretely or empirically, objectively, measurably, rationally, and systematically.

The population in this study is all companies in the Property and Real Estate sector listed on the Indonesia Stock Exchange (IDX) in 2020-2023, namely 27 companies in the property and real estate sector. Based on this study, sampling using the purposive sampling technique, according to Santoso Mardiistriyanto (2021) the purposivie sampling method is a sampling methodology that is determined according to certain criteria or certain characteristics where the targeted sample group has certain attributes or by providing its own assessment of the sample among the population.

Result and Discussion

In this study, the technical data analysis uses the SPSS 26 application. The type of research used is associative research. Variable tabulation data was applied to SPSS with a sample of 21 data.

Descriptive Statistics

Table 1. Descriptive Statistical Test

Statistics				
		TAX AVOIDANCE	TAX RISK	COST OF DEBT
N	Valid	52	52	52
	Missing	0	0	0
Mean		17.90300	5.77648	2.80981

Median	4.31700	.60150	1.47500
Mode	.001	.116[A]	.020
Std. Deviation	40.372065	17.067857	2.776628
Minimum	.001	.116	.000
Maximum	225.532	115.325	9.210
Sum	930.956	300.377	146.110
a. Multiple modes exist. The smallest value is shown			

Source: Data Processing Results (2024)

Based on the table above, the following is the interpretation of the results of the descriptive statistical test:

1. For variable Y, namely *Cost of Debt* has a *maximum* value of 9.21 and *a minimum* value of 0.00. The *mean* value obtained is 2.80 with a *standard deviation* value of 2.77. Based on these data, it can be concluded that the data deviation that occurs is low and the distribution of values is even.
2. For the X1 variable, namely Tax Avoidance, it has a *maximum* value of 225.532 and a *minimum* value of 0.01. The *mean* value obtained was 17.90 with a *standard deviation* value of 40.37. Based on these data, it can be concluded that the data deviation that occurs is low and the distribution of values is even.
3. For the X2 variable, namely Tax Risk, it has a *maximum* value of 115.325 and a *minimum* value of 0.116. The *mean* value obtained was 5.77 with a *standard deviation* value of 17.06. Based on this data, it can be concluded that if the data deviation is low and the distribution of the value is evenly distributed**.**

Classic Assumption Test

Normality Test Result

Table 2. Kolmogorov-Smirnov test

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		52
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	1.82669770
Most Extreme Differences	Absolute	.125
	Positive	.062

	Negative	-.125
Test Statistic		.125
Asymp. Sig. (2-tailed)		.200[c]

Source: SPSS Processed Data (2024)

Based on the Kolmogorov-smirnov value in the table above, it can be seen that the value is 0.200 or > 0.05. So the data can be said to be normally distributed. So that this research can be continued.

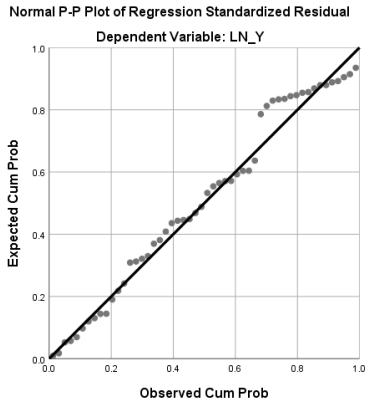

Figure 1. Normal P Plot

Based on image 1 above, it shows that the probability of the plot has anormal distribution pattern because the data is around the diagonal line and follows the diagonal line. This, it can be said that this research meets the assumption of normality.

Multicollinearity Test Result

Table 3. Multicollinearity Test

Type		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Tax Avoidance	.539	1.856
	Tax Risks	.539	1.856

Source: SPSS Processed Data (2024).

Based on the results of variable X1 i.e. variable Tax Avoidance Obtaining the result of the value *tolerance* of 0.539 and the result of the VIF value of 1.856. Then it can be concludedthat variable X1 i.e. variable Tax Avoidance no problems Multicollinearity is caused because the *tolerance* value is higher than 0.10 and the VIF value is less than 10.

Based on the results of variable X2 i.e. variable Tax Risks Obtaining the result of the value *tolerance* of 0.539 and the result of the VIF value of 1.856. Then it can be concludedthat variable X2 i.e. variable Tax Risks no problems Multicollinearity is caused because the *tolerance* value is higher than 0.10 and the VIF value is less than 10.

Heterokedasticity Test Result

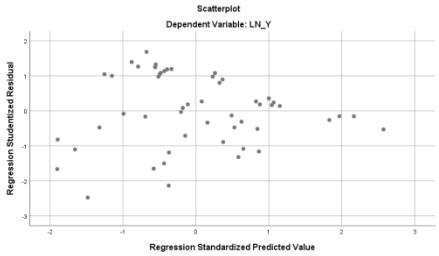

Figure 2. Heterokedasticity Test

Through the scatterplot graph, it can be seen whether a regression model has heteroscedasticity or not. If there is a certain pattern in the graph, it indicates that heteroscedasticity has occurred. From the image, it can be seen that the dots are scattered randomly and are scattered both above and below the number 0 on the axis Y. Therefore, it can be concluded that there is no heteroscedasticity in the regression model in this study

Autocorrelation Test Result

Table 4. Autocorrelation Test

Model Summary[b]		
Type	Std. Error of the Estimate	Durbin-Watson
1	2.717117	1.863
a. Predictors: (Constant), TAX RISK, TAX AVOIDANCE		
b. Dependent Variable: COST OF DEBT		

Based on the *Watson durbin* test using SPSS, a result of 1,863 was obtained. For DU, a score of 1.596 was obtained and DL was obtained a score of 1.382. The results of DU and DL were obtained through *the Durbin Watson* table with the number of *n* (research samples), the research sample was 4, 2 data, and *k* (independent variables) amounted to 2 independent variables. Based on the above data, it can be concluded that there are no autocorrelation symptoms in this study with the following provisions.

1. DU < DW < 4-DU
2. 1,596 < 1,863 < 4-1,596
3. 1,596 < 1,863 < 2,404

Based on the results and conditions of autocorrelation that have been carried out, it can be concluded that there are no autocorrelation symptoms and can be continued for further tests.

Multiple Linear Regression Analysis

Table 5. Multiple Linear Regression Analysis

Type		Unstandardized Coefficients	
		B	Std. Error
1	(Constant)	.531	.293
	Tax Avoidance	-.592	.136
	Tax Risks	-.790	.222

Source: SPSS Processed Data.

From the data obtained in the table of the results of the multiple linear regression test, it can be concluded hypothesis

$$Y = 0.531 - 0.592X_1 - 0.790X_2$$

1. Constant (a) of 0.531 states that if Tax Avoidance (X_1), and Tax Risk (X_2) are considered to be 0, then *the Cost of Debt* (Y) is 0.531.
2. The value of the regression coefficient of Tax Avoidance was obtained at -0.592 which shows a positive relationship in the same direction. This states that, if the Tax Avoidance variable increases by 1, the *Cost of Debt* variable decreases by -0.592%.
3. The value of the Tax Risk regression coefficient was obtained as 0.790 which shows a positive one-way relationship. This states that, if the Tax Risk variable increases by 1, the *Cost of Debt* variable decreases by 0.790%.

Hypothesis Test (t-Test)

Table 6. Test Results t (Partial)

Coefficients[a]			
Type		T	Sig.
1	(Constant)	1.812	.076
	Tax Avoidance	-4.360	.000
	Tax Risks	-3.549	.001
a. Dependent Variable: Return On Assets			

Source: Data Processing Results (2024)

In the t-statistical test that has been carried out, all independent variables have a significant influence on the dependent variables. Based on table 4.6, the results of the t-test can be concluded as follows.

1. The Effect of Tax Avoidance on *Cost of Debt*.

Based on the results of the t-test that has been carried out, it is known that the t-value calculated > the table is -4.360 after the absolute becomes 4.360 > 2.021 and the significant

value is 0.000 < 0.05. Therefore, it can be concluded that Tax Avoidance is negatively and significantly related to the *Cost of Debt* in property and *real estate* sector companies. Based on the results of the test and the hypothesis that has been carried out, it can be concluded that H1 is rejected and H0 is accepted.

2. The Effect of Tax Risk on *Cost of Debt*.

Based on the results of the t-test that has been carried out, it is known that the t-value is calculated at -3.559 after the absolute becomes 3.559 > 2.021 and the significant value is 0.001 < 0.05. Therefore, it can be concluded that Tax Risk has a significant negative effect on the *Cost of Debt* in property and *real estate* sector companies. Based on the results of the test and the hypothesis that has been carried out, it can be concluded that H2 is rejected and H0 is accepted.

Simultaneous Tests (Test F)

Table 7. Test f (Simultaneous)

ANOVA[a]

Type		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	68.250	2	34.125	9.826	.000[b]
	Residual	170.178	49	3.473		
	Total	238.428	51			

a. Dependent Variable: LN_Y

b. Predictors: (Constant), LNX2, LNX1

Source: Researcher Processed Data.

Based on the results of the f-test test, the f-value is calculated at 9.826 > the table f-table is 3.23 with a significance level of 0.000 < 0.05. Based on these results, in accordance with the testing rules, it can be concluded that Tax Evasion (X1) and Tax Risk (X2) have a significant effect on Cost *of Debt* (Y).

Determination Coefficient Test (R2)

Table 8. Determination Coefficient Test

Model Summary[b]			
Type	R	R Square	Adjusted R Square
1	.783[A]	.613	.604
a. Predictors: (Constant), TAX RISK, TAX AVOIDANCE			
b. Dependent Variable: COST OF DEBT			

Source: SPSS processed data.

Based on the results of the determination coefficient test that has been carried out, a determination value was obtained that showed the *Adjusted R Square* value in this study of 0.604 or 60.4%. This states that all independent variables, namely Tax Avoidance and Tax Risk, are able to interpret the dependent variables, namely *Cost of Debt* by 60.4% and the remaining 39.6% are influenced by variables that are not studied in this study such as the age of the company, *return on equity*, profit growth and other related variables.

Discussion

1. **The Effect of Tax Avoidance on *Cost of Debt*.**

Based on the results of the t-test that has been carried out, it is known that the t-value calculated > the table is -4.360 after the absolute becomes 4.360 > 2.021 and the significant value is 0.000 < 0.05. Therefore, it can be concluded that Tax Avoidance is negatively and significantly related to the *Cost of Debt* in property and *real estate* sector companies. Based on the results of the test and the hypothesis that has been carried out, it can be concluded that H1 is rejected and H0 is accepted. Tax avoidance is a step launched by the Company by making legal efforts to minimize the company's tax burden. It is closely related to the term *tax risk*, but the simple difference is that *tax risk* has calculations related to *tax avoidance*, but tax avoidance focuses on how to avoid taxes. Tax avoidance is a step that is legally or allowed by law so that companies can reduce the tax burden of their respective companies in a way that is in accordance with the law and does not commit deliberate acts of misappropriation. The way is to continue to maximize profit income but by performing manipulations that are reasonable legally and legally allowed.

Although this method is considered inappropriate for some state apparatus who handle the tax section, in reality the practice of tax avoidance is carried out by maximizing the shortcomings that occur in the tax regulations themselves so that there is no violation of the law and it is carried out legally (Harventy, 2021).

Understanding the *cost of debt* theory is basically aimed at helping entrepreneurs to be more critical in analyzing so that the debt recording is not too large and can attract the attention of investors. According to Dewi and Ardiyanto (2020) stated that in general, companies really need funding in the form of debt to creditors which will then add value to the *cost of debt* itself. Therefore, companies are required to be able to look carefully at the gaps that can be maximized by the company so that the value of the *cost of debt* is not too large. Therefore, the higher the value of *the cost of debt* will affect the company in the long term.

Research conducted by Santosa and Kurniawan (2020) and research by Masri and Martani (2019) stated that tax avoidance and debt costs have a positive effect, where tax avoidance can create risk by increasing debt costs (Time et al., 2022). According to (Marcelliana and Purwaningsih, 2019) Tax avoidance plays an important role in the value of the cost of debt because of the significant influence produced by tax avoidance on the cost of debt. But it turns out that the latest research states that tax avoidance steps actually do not have a significant effect on the value of the cost of debt (Dewi and Ardiyanto, 2020). Research conducted by Santosa and Kurniawan (2020) and research by Masri and Martani (2019) stated that tax avoidance and debt costs have a positive effect, where tax avoidance can create risk by increasing debt costs.

2. The Effect of Tax Risk on Cost of Debt

Based on the results of the t-test that has been carried out, it is known that the calculated t value is -3.559 after the absolute becomes 3.559> 2.021 and the significant value is 0.001 <0.05. So it can be concluded that Tax Risk has a significant negative effect on Cost of Debt in property and real estate sector companies. Based on the results of the tests and hypotheses that have been carried out, it can be concluded that H2 is rejected and H0 is accepted. The inability of a company to maintain tax values over a long period of time can create tax risks for its company (Dewi and Ardiyanto, 2020). Then it is further stated that when the value of the tax risk increases, it will affect the increase in the value of the cost of debt because additional reserves are needed to make tax payments that may occur. There are findings that occurred in previous researchers who studied the relationship between tax risk and cost of debt. In previous studies, it was stated that tax risk has a significant effect on the value of the cost of debt (Amalia, 2020).

This seems to be strengthened because the same opinion was expressed in the study (Zamifa et al., 2022) which stated that tax risk states the uncertainty that occurs due to the suppression of tax costs, both in terms of company objectives and economic and corporate income aspects, even for legal matters and applicable tax laws. Therefore, Elgood in (Issn and Des, 2019) stated that in conducting a tax analysis, all aspects of taxation in the company must be analyzed so that they are ready to determine the steps for making corporate tax decisions. Meanwhile, a more recent study stated that tax risk actually has a significant positive effect on the value of the cost of debt (Zamifa et al., 2022).

3. The Effect of Tax Avoidance and Tax Risk on the Cost of Debt

Based on the results of the f test, the calculated f value was 9.826> f table of 3.23 with a significance level of 0.000 <0.05. Based on these results, in accordance with the test rules, it can be concluded that Tax Avoidance (X1) and Tax Risk (X2) have a significant simultaneous effect on the Cost of Debt (Y). Understanding the theory of cost of debt is basically intended to help entrepreneurs to be more critical in analyzing so that their debt records are not too large and can attract the attention of investors. It is stated that in general, companies really need funding by means of debt to creditors (Syofyan, 2019) which will then increase the value of the cost of debt itself. Based on this, tax avoidance and tax risk will greatly affect the value of the cost of debt itself. This is because when companies are able to reduce the value of their own tax burden, it will directly reduce the value of the company's debt responsibility. This is also supported by (Zamifa et al., 2022) who in their research stated that the higher the risk of the tax, the more it will affect the high or low cost of debt that the company will obtain. Similar to the practice of avoiding tax payments, creditors will benefit from the avoidance because it can reduce the amount of money to pay the cost of debt (Time et al., 2022). This is an idea that can be easily accepted by the general public, so this study wants to prove the thoughts that occur in society.

Conclusion

Based on the results of this study, the researcher provides the following conclusions:

1. Tax Avoidance has a significant negative effect on the Cost of Debt, so that hypothesis 1 (H1) which states that Tax Avoidance has a positive and significant effect on the Cost of Debt is rejected.
2. Tax Risk has a positive and significant effect on the Cost of Debt, so that hypothesis 2 (H2) which states that Tax Risk has a significant negative effect on the Cost of Debt is rejected.

The Effect of Tax Avoidance and Tax Risk

3. Tax Avoidance and Tax Risk have a positive and significant effect on the Cost of Debt, so that hypothesis 3 (H3) which states that Tax Avoidance and Tax Risk have a significant effect on the Cost of Debt is accepted.

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