Transparency of Information as a Moderation of the Influence of Tax Aggressiveness on the Value of Trading Companies in Langowan City

Johny Manaroinsong(✉) and Jones X. Pontoh

Faculty of Economics and Business, State University of Manado, Manado, Indonesia
{johnym,jones.pontoh}@unima.ac.id

Abstract. The study tries to examine the impact of tax aggressiveness on the value of the enterprise. Is information transformation-as a form of information disclosure- can overcome the decline in company value caused by tax aggressiveness. The objects of this study are owners and leaders of trading companies in Langowan selling various products, totaling 62 stores. The findings obtained: 1). Tax aggressiveness can determine the value of the company, assuming that tax aggressiveness in the form of tax evasion can be said to be a legal act as long as there is adequate supporting evidence, reasonable reporting and does not violate existing regulations. 2) The transparency of financial information carried out will strengthen the relationship between tax aggressiveness and trade companies. The distribution of financial information is also able to build business activities to be more open to the company, weakening competence in carrying out *tax avoidance*. The results of this study provide implications that the transparency of financial information applied by trading companies needs to be given high attention by the fig of trading company owners, so that the value of the company will be high as well. Because the distribution of financial information can also reduce tax aggressiveness in the form of tax avoidance and competence in carrying out *tax avoidance*.

Keywords: Information Transparency · Tax Aggressiveness · Value Of Trading Companies

1 Introduction

The value of the company as a certain condition achieved by a company as a projection of the trust of the public as a consumer of the company's performance and products throughout its operation. This then makes the value of the company can be said to be the investor's perception of the success rate of management and management of the company's resources and its relationship with the company's stock price. This aspect will determine the value of the company. Many factors determine the value of the company. Tax avoidance activities is one of them. Chen et al. (2014) finds that tax aggressiveness or *tax avoidance* consistently reduces the value of the company. Based on agency

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theory, information asymmetry is related to tax avoidance behavior that can lead to the emergence of *moral hazard*, that is, management deviant behavior that is unknown to shareholders (Shaipah *et al.*, 2012).

This research was basically inspired by several previous studies that conducted research on several companies on the Finansial Stock Exchange and provided recommendations for subsequent research, including Dewi Prastiwia, Alifiah Nurul Walidah (2020) who researched on Manufacturing Sector Companies on the Finansial Stock Exchange, Andi Kartika, Sri Sudarsi, and Moch Irsad (2018), Ayu Aryista Dewi and Luh Gede Krisna Dewi (2017) who also researched on mining companies on the Finansial Stock Exchange, Istiharoh Nadia Hanif and Moh. Didik Ardiyanto (2019) and Andi Kartika, Sri Sudarsi, Moch Irsad, (2019) who researched on Manufacturing Companies on the Finansial Stock Exchange, and also Army Thesa Napitu, Christophorus Heni Kurniawan (2016) Nilda Tartilla, Darmansyah, Choirul Anwar, (2016), Istiharoh Nadia Hanif which researches on Manufacturing Companies on the Finansial Stock Exchange. The findings of his research are similar that acts of tax aggressiveness can reduce the value of companies, which is caused by tax avoidance practices can be reduced by the existence of good information transparency.

This research will be conducted on trading companies that are not listed on the Finansial Stock Exchange, or to be precise trading companies whose management still tends to be traditional, but the properties that are generally related to elements of business management can also be carried out by owners and managers of companies with the same tendency, namely carrying out corporate tax aggressiveness that can reduce the value of the company. This research reveals whether among trading companies that are individual companies have a tendency as occurs in large-scale and national companies, namely listed on the Finansial Stock Exchange. This is the nature of this research conducted.

In general, this study aims to test new theoretical perspectives on how the transformation of finansial information as a form of information disclosure is a way that can be done to overcome the decline in company value caused by tax aggressiveness. This study was conducted to explore evidence that there are other factors that influence the relationship of tax aggressiveness affecting the value of the company. Therefore, in general, this study aims to analyze the influence of other factors in this case the transformation of information that affects the relationship of tax aggressiveness to the value of the company.

2 Literature Review

2.1 Tax Aggressiveness/Tax Avoidance

Tax management is a means by which tis properly fulfilled its tax obligations but the amount of tax paid can be reduced as low as possible in order to obtain the expected profit and liquidity. Tax management is carried out with a maximum to achieve high profits but is achieved by applying tax regulations and efficient efforts to achieve these profits. From the description can be done by planning, implementing and paying. One of the functions of tax management is as tax control. Tax control is carried out to control and ensure that tax payments have been made. Therefore, control and regulation are very important in the tax saving strategy carried out by the company. Tax aggressiveness is a way of tax avoidance which means avoidance of taxation by obeying tax laws. One of the ways used is to reduce the income earned by reporting part of the income or not reporting the entirety. Tax enforcement is a legal action because it can be interpreted as a way to reduce taxes that are still within the limits of the provisions of tax laws and regulations and can be justified through tax planning. Tax aggressiveness in the form of tax evasion can be said to be a legal act as long as there is adequate supporting evidence, reasonable reporting and does not violate existing regulations (Karimah, Hana Nadia & Eindye Taufiq, 2016).

2.2 Company Value

The value of the company is the selling value of a company as a business that is operating, because if the value of the company is higher, it can be an attraction for investors to invest (Sartono, Agus, 2010). In addition, the prosperity of shareholders will also increase if the company's share price increases, because the value of the company is seen from the market price of its shares (Prasiwi, Kritantina Revelation, 2015). Tax avoidance efforts will increase the value of the company when viewed from the manager's view, but it is different when viewed from the perspective of shareholders. Tax avoidance will incur additional costs in the future such as costs incurred for tax evasion and other costs that may arise as a result of tax avoidance behavior such as examiner fees and fine fees.

2.3 Information Transparency

Information transparency is the disclosure of information carried out by the company so that it can be accessed by various parties to see the performance of the company. Interested parties such as company owners, creditors, debtors and investors. The published information must also be accounted for its veracity. Companies that *go public* will usually be required by the government to present information that exceeds its obligations. Transparency carried out by the company is financial and management transparency.

2.4 Theoretical Thinking Framework and Hypothesis Development

2.4.1 The Effect of Tax Aggressiveness on Company Value

Tax aggressiveness does not only come from non-compliance with tax regulations but can come from activities to make savings in accordance with applicable regulations so that often tax aggressiveness is called *tax sheltering* or *tax avoidance* (Ridha, 2014). Tax aggressiveness can be tangible as long as the tax burden of the company will be lower than the tax burden it should be. Hite and McGill (1992) give a definition in aggressive tax planning is a situation when a company has the authority to conduct tax policy and there is a possibility for the policy not to be audited or disputed from a legal point of view. In line with this definition, planning the amount of tax through the reduction of taxable profits is often referred to as aggressive tax action or tax aggressiveness, which can be done through mechanisms classified as *tax evasion* or not (Frank et al., 2009). Hlaing (2012) expressed tax aggressiveness as tax planning of companies involved in efforts to reduce effective tax rates. Meanwhile, Hanlon and Heitzman (2010) define the aggressiveness of corporate income tax as the most final level of the *spectrum* of a series of tax planning behaviors. Zuber (2007) states that transactions and aggressive decision-making can potentially be a problem of tax evasion and tax evasion. A good corporate strategy and tax planning should be legal, so as to encourage the company to be able to compete with other companies.

One form of tax aggressiveness is tax avoidance, which is a way to carry out aggressiveness usually done by companies because they want to get high profits but by minimizing their tax burden. Management will carry out tax management to minimize the tax burden by utilizing existing regulations. A profit that remains high will make the company's value high as well, because from this profit it can prosper shareholders. In addition, it can also attract investors to make investments, because they will see the feedback they get if they invest in the company, so that it will increase the value of the company. This is in line with research that says that tax avoidance has a positive effect on company value, because the higher the tax avoidance carried out, the higher the value of the company, in companies that are able to manage their companies well (Chasbiandani, Tryas & Dwi, Martani, 2012; Dewi, Ayu Arysta & Luh, Gede Krisna Dewi, 2017; Herdiyanto, Dedy Ghozim, 2015; Karimah, Hana Nadia & Eindye Taufiq, 2016; Kurniawan, Arif Fajar &, Muchamad Syafruddin. 2017). Based on the explanation above, the hypothesis can be drawn as follows:

H1: Tax aggressiveness in the form of tax avoidance has a positive effect on the value of the company.

2.4.2 Information Transparency Moderates the Effect of Tax Aggressiveness on Company Value

The purpose of management to carry out tax avoidance is to increase the amount of the company's net profit so that the value of the company will increase. Companies that practice tax avoidance will gain additional cash flow from the diversion of tax burdens that are supposed to be paid to the government. However, if tax avoidance practices are not balanced with good corporate governance, it can provide an opportunity for management to engage in deviant behavior by taking advantage of their personal interests (Chen et al., 2014).

Recent research shows that information transparency can play a role as *good corporate governance* to prevent conflicts of interest between stakeholders by presenting information in detail and accurately to internal and external users of the company (Armstrong *et al.*, 2010). Researchers have previously proved that information transparency relates to tax avoidance practices (Chen *et al.,* 2014). Information transparency can help avoid conflicts among *stakeholders* caused by threats to bad agency problems (Armstrong et al., 2010). Information transparency is also able to build business activities to be more open to the state, weakening competence in conducting *tax avoidance* (Chen *et al.,* 2014).

The company will always be easily monitored by the government, the public and interested parties, so that the company will think twice about tax avoidance. This is in line with research that says that information transparency is able to moderate the influence of tax avoidance with company value. Because by being more transparent and open to the information disclosed in a private manner, interested parties can easily access the information as needed. In addition, investors can also supervise the activities carried out by the company with the openness carried out by the company, especially public companies (Dewi, Ayu Arysta & Luh, Gede Krisna Dewi, 2017; Fajrin, Ainia, Nur Diana, Nur & M. Cholid Mawardi, 2017; Ilmiani, Amalia & Catur Ragil Sutrisno, 2014; Kurniawan, Arif Fajar &, Muchamad Syafruddin, 2017; Partha, I Gede Angga & Noviari Naniek, 2016; Prasiwi, Kritantina Wahyu, 2015; Setiyaningsih, 2018; Tarihoran, Anita. 2016). Based on the explanation above, the following hypothesis can be drawn:

H2: Tax aggressiveness has a positive influence on the value of the company in a transparent company. Therefore, information transparency can moderate the relationship between tax avoidance and company value.

3 Research Models and Designs

The purpose of this study is to examine how information transformation as a form of information disclosure is a way that can be done to overcome the decline in company value caused by tax aggressiveness. Referring to the previous frame of mind which if connected with the objectives of this study, then this research uses a quantitative research model, with the design of the influence between variables that are moderator, as seen in Fig. 1.

3.1 Operational Definition and Measurement of Variables

Company Value (Y)
Company value According to Sartono (2010: 487), the value of a company is the selling value of a company as a business that is currently operating. The existence of an excess selling value above the liquidation value is the value of the management organization that runs the company. This then makes the value of the company can be said to be the investor's perception of the success rate of management and management of the company's resources and its relationship with the company's stock price. The value of a company in this study is known as the selling value of a company which is seen from the operational success of its management and the level of its selling value or liquidity. The public's assessment of a company's performance will be directly proportional to the potential increase in stock prices and offers in the capital market. The aspects of the assessment boil down to determining the value of the company which consists of several things as follows:

- **Market value**, is the price that occurs in the transaction process or the bargaining value of the company in the market;

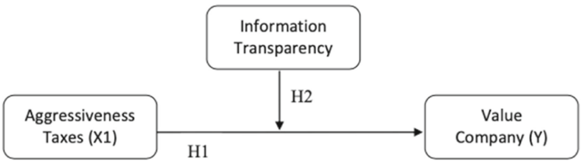

Fig. 1. Research Model

- **Face value**, is the amount of capital value that is in the company's financial budget plan of the company;
- **Intrinsic value**, is the real value of the company which generally includes assets to other business entities of the company with projections supporting the company's revenue.

Tax Aggressiveness (X1)
Aggressiveness is an action that not only comes from the non-compliance of taxpayers with tax regulations, but also comes from austerity activities in accordance with applicable regulations (Rusydi and Martani, 2014). Meanwhile, tax aggressiveness according to Hadi and Mangoting (2014), is an action or tax avoidance strategy carried out by companies to reduce the tax burden borne, with tax avoidance that violates tax regulations using legal loopholes. So, tax aggressiveness is a way taken by companies by minimizing their taxable profits, in order to minimize their tax liabilities. Salah one way that is used to carry out aggressiveness is to carry out *Corporate Social Responsibility* (CSR) or corporate responsibility to the surrounding community, is the concept that organizations, especially companies, have responsibility for all aspects of company operations that cause problems to the environment, consumers, as well as labor. In aggressive tax practices, companies usually carry out excessive CSR to the point of making the income that is the object of the company's income tax reduced. When the revenue is used for CSR programs, the government will have difficulty tracking *the cashflow* that occurs. The measurement of aggressiveness referred to in this study is to trace the amount of CSR costs incurred by trading companies, especially social assistance, CSR assistance to employees and family and others.

3.2 Transparansi Financial Information (X2)

Information transparency is an information disclosure carried out by the company so that it can be accessed by various parties to see the performance of the company. Meanwhile, Kartika, Sudarsi, Irsad (2018), namely using *voluntary disclosure proxies*, namely disclosures made voluntarily by companies without being required by applicable regulations. Transparency is a principle that guarantees access or freedom for everyone to obtain information about the administration of government, namely information about policies, the process of making and implementing them, as well as the results achieved (Bappenas & Depdagri, 2002). This study defines information transparency as the openness of information both in the decision-making process and in disclosing material and relevant information about the company, which is measured through 4 indicators:

1. Openness
2. On time
3. Clarity
4. Comparability

3.3 Population and Samples

The research population is all elements of the owners and leaders of trading companies in Langowan, namely shops around market shopping centers and shopping centers and in other forgings that have been in the form of stores selling various products, which amount to 62 stores.

3.4 Data Collection Techniques

The main instrument used in the data collection of this study is a structured list of questions adopted from various previous studies that are considered to have been tested for reliability and efficacy, but nevertheless the researcher also developed again adapted to the situation and related theories.

The main data collection technique used is the questionnaire technique (questionnaire), namely: data collection techniques carried out by making a list of questions related to variables: Tax Aggressiveness (X1), the second independent variable of Finance information transparency (X2) which also acts as a determining variable. Company Value Variable (Y), as a target variable (dependent variable). The technique by referring to the variables of this study, then filled in by respondents determined by the researcher according to the sampling technique. However, in order to add confirmation data, data collection is also carried out with direct observation techniques and limited interviews for things that need confirmation.

3.5 Data Analysis and Hypothesis Testing

H1 was tested using a *simple linear regression* model. The statistical equation used is: $Y = a + bx + e$, where $Y =$ budget length, $a =$ constant, $b =$ regression coefficient, $x =$ budget participation and $e =$ other influence variables.

H2 was tested with moderate regression analysis (MRA). MRA is a form of regression designed hierarchically to determine the relationship between two variables affected by the third variable or moderating (Nunnally and Berstein, 1994). The statistical model p-ed used is:

$$Y = \beta 0 + \beta 1X1 + e \tag{1}$$

$$Y = \beta 0 + \beta 1X1 + \beta 2X2 + e \tag{2}$$

$$Y = \beta 0 + \beta 1X1 + \beta 2X2 + \beta 3X1 * X2 + e$$

Model Description: Y = Company Value
X1 = Tax Aggressiveness
X2 = financial information Transparency
X1*X2 = Interaction x1 and X2
β 1.β2, and β3 = regression coefficient β0 = Constants

$$e = \text{error} \tag{3}$$

The MRA criteria used as a basis for ascertaining the three variables with that contingency variable as moderator variables or not (Sharma, 1981) are: If the Eqs. (2) and (3) are not significantly different i.e. $b3 = 0$ and $b2 \neq 0$, then tis the classification of

Hypothesis	Regression Equation	F \ value (sig)	R^2 (sig)	Result	Conclusion
H1	Y = 6451.212 + 265.705X1 + e (ρ=0.000)	53,118 (ρ=0.000)	0.470	X1 has a positive effect on Y	Ha Accepted
	Y = 6437,874 + 261,471X1 + 7,058X2 + e	26,117 (ρ=0,000)	0.470	X1 and X2 have a positive effect on Y	
H2	Y = 14839.203 - 4,556X1 - 428,150X2 + 13,347X1X2 + e (ρ=0,983); (ρ=0,228) (ρ=0,058)	19,458 (ρ=0.000)	0,502	X2 positively affects the relationship between X1 and Y	Ha Accepted

Description: Tax Aggressiveness (X_1), Transparency of Financial Information (X_2), and Nilai Pof Trade Companies (Y); b_0 = intercept; b_i = slope e = other influence variables.

Fig. 2. Result of Partial Regression Analysis and Regercy Moderation

information (X2) is not a moderator variable. Variables X2 as pure moderators, if Eqs. (1) and (2) are not different, but are different from Eqs. (3), namely $b2 \neq 0$; $b3 \neq 0$, variables X2 are classified as quasi- moderators, if Eqs. (1), (2), and (3) are different respectively, that is, $b2 \neq 0$ and $b3 \neq 0$.

4 Research Results

Before data analysis is carried out, data quality tests have been carried out in the form of validity and relability tests and it has been produced that the questionnaires carried out have been tested for validity and reliability. Likewise, the assumption test model regression is a good model if the model meets the classical assumptions of statistics free from multicolinearity, autocorrelation, normality, autocorrelation and heteroskedasticity. The test results have been carried out and meet the desired test requirements and have met the requirements of the regression assumption test, There are two hypotheses in this study. Hypothesis one was tested using a simple linear regression analysis. As for the second hypothesis testing, it was carried out using regression analysis with interaction or *moderated regression analysis*. Based on the results of hypothesis testing, below are presented the results of the SPSS output of linear regression analysis in Fig. 2.

5 Findings

1. Tax aggressiveness has a positive effect on the value of the company, because the higher the tax aggressiveness carried out, the higher the value of the company, in companies that are able to manage their companies well. Tax aggressiveness can determine the value of a company. It can be said to be a legal act as long as there is adequate supporting evidence, reasonable reporting and does not violate existing regulations.
2. The transparency of financial information carried out will strengthen the relationship between tax aggressiveness and the value of trading companies. The distribution of financial information is also able to build business activities to be more open to

the company, weakening competence in carrying out tax evasion. Therefore, transparency of financial information can determine the relationship between tax avoidance and company value, even with the implementation of financial information transparency can reduce competence in carrying out tax evasion.

6 Implications of Research Results

The results of this study further emphasize the previous research that the factors that affect the value of trading companies in Langowan Mianahasa Regency, are factors such as tax aggressiveness and transparency of financial information if a correct and standardized financial information transparency system is carried out. The results of this study detected that the main cause of the increase in the value of trading companies in Langowan, Mianahasa Regency, was caused by the implementation of financial information transparency against tax aggressiveness, which was 50.20%. Compared to the influence of tax aggressiveness on the value of trading companies, the effect is partially only 47.0 0%.

The results of this study provide implications that the transparency of financial information applied by trading companies needs to be given high attention by the fig of trading company owners, so that the value of the company will be high as well. Because the distribution of financial information can also reduce tax aggressiveness in the form of tax avoidance and competence in carrying out tax evasion.

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