

# **The Effect of Tax Planning, Company Growth and Investment Decisions on Company Value (Case Study on Property and Real Estate Sector Companies Listed on the Indonesia Stock Exchange in 2017-2020)**

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## **Abstract**

Companies always try to be able to pay taxes as low as possible by emphasizing tax costs, because taxes affect the reduction of income or net income, but for the government, taxes are increased to finance government administration. Property and real estate companies have become objects because currently property and real estate companies in Indonesia are growing rapidly and currently the investment trend that is developing in the community is investing money in land or property. The focus of the research is how the effect of tax planning, company growth and investment decisions on firm value in property and real estate companies listed on the Indonesia Stock Exchange. In this study, researchers used quantitative descriptive research. The variable used is the dependent variable with firm value (Y), and there are three independent variables, namely: Tax Planning (X1), Company Growth (X2), Investment Decisions (X3). The analytical method used in this research is multiple linear regression analysis which is processed using SPSS (Statistic Product and Services Solutions) version 26. The selected population is property and real estate companies listed on the Indonesia Stock Exchange in 2017-2020 with a purposive sample selection. sampling method through predetermined criteria. The total data used in this study consisted of 48 companies with a total of 192 data during the 4-year study period. The results of this study indicate that tax planning and investment decisions partially have a positive and significant effect on firm value and firm growth has no positive and significant effect on firm value. Simultaneously tax planning, company growth and investment decisions have a significant effect on firm value. The author limits the problem in this study by only using a sample of property and real estate companies listed on the Indonesia Stock Exchange in 2017-2020.

## **Keywords:**

Corporate Growth Tax Planning, Indonesia Stock Exchange 2017-2020, Investment Decisions and Firm Value, Property and Real Estate.

## **1. Introduction**

### **1.1. Background**

Considering that tax is a burden that must be borne by the company, the company makes every effort to minimize the tax burden, by doing tax planning (Hetti & Diah, 2016). One of the non-bank companies listed on the Indonesia Stock Exchange is a property and real estate company. The property and real estate sub-sector are an industry engaged in the development of services by facilitating the development of integrated and dynamic areas. The products produced by this industry can be in the form of housing, apartments, shop houses, office buildings, and shopping centers. Followed by population growth in Indonesia which increased by 1.49 percent as of July 2018 this has caused the need for housing, offices, shopping centers, amusement parks, and the need for the property and real estate sectors to increase in Indonesia, making this sector growing rapidly. For decades, the Indonesian property sector industry has grown rapidly, this has resulted in the profit growth of Indonesian property developers soaring (out of 45 property companies listed on the Indonesia Stock Exchange in 2018, 26 companies recorded net profit growth of more than 50%) and, clearly, Indonesian property prices increased in line with it. Property sector stocks are also actively traded. This trading activity was driven by the increase in property prices in Indonesia, which reached an average of 11.5 percent per year (2018 data).

This proves that the development of the property business in Indonesia is not affected by the crisis that occurred in parts of the European and American continents.

Based on the explanation above, the researcher is motivated to conduct research by investigating how tax planning, company growth and investment decisions in property and real estate sector companies are listed on

the Indonesia Stock Exchange (IDX). In addition, the authors choose the effect of tax planning, company growth and investment decisions on the value of the property and real estate sector companies because there are still few studies that examine the effect of tax planning, company growth and investment decisions made in non-bank companies, especially in the property and real estate sector.

The aims of this study are: (1.) To test and analyze the effect of tax planning on firm value, (2.) To test and analyze the effect of firm growth on firm value, (3.) To examine and analyze the effect of investment decisions on firm value, (4.) To test and analyze the effect of tax planning, company growth, and investment decisions on firm value.

## 2.1. Theory Overview

### 2.1.1. Signal Theory

Signal theory explains the actions taken by companies to provide clues and information for investors about how management views and values the company. Investors and managers have the same information about the prospects of a company (Putri, 2019)

### 2.1.2. Agency Theory

According to Jensen & Meckling, (1976) in Putri, (2019) define agency theory as "an agency relationship as a contract between the principal/company owner and agent/manager to perform a service for the interests of the owner including the delegation of decision-making authority to the agent". Conflicts of interest can occur due to differences in interests between company owners and managers, so that information imbalance/information asymmetry can occur. From this, managers have a tendency to manipulate financial information to suit the wishes of the company owner.

## 2.2. Research Framework

From the background and existing theories regarding the effect of tax planning, company growth and investment decisions on firm value, the research framework is as follows:

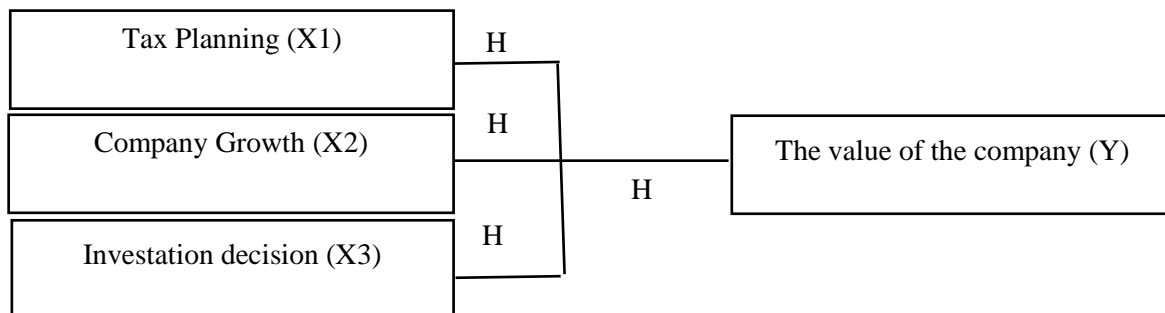


Figure 1. Research Framework

In this research, several hypotheses can be formulated according to the related variables, namely as follows:

- H1 : Tax planning has a positive effect on firm value
- H2 : Firm growth has a positive effect on firm value
- H3 : Investment decisions have a positive effect on firm value
- H4 : Tax planning, company growth and investment decisions have a positive effect on firm value

## 2. Research Method

In this study, researchers used quantitative research. The quantitative research used is comparative quantitative, namely by comparing two or more treatments on a variable or several variables at once. In addition, the selection of quantitative methods because the data to be processed is ratio data and the focus of this research is to determine the magnitude of the influence between the variables studied (Sugiyono, 2017).

### 2.1. Research Instruments

#### 2.1.1. Population and Sample

The population studied in this study were all property and real estate sector companies listed on the Indonesia Stock Exchange. The sample is part of the number and characteristics possessed by the population. The sample in this study uses property and real estate sector companies listed on the Indonesia Stock Exchange

in 2017 – 2020. The sampling technique used is purposive sampling, namely a sample collection technique with certain considerations (Sugiyono, 2017).

### 2.1.2. Variable Operational Definition

Operational definitions of several variables used in this study are:

#### 2.1.3. Dependent Variable

According to Husnan, (2014) Price to Book Value describes how much the market appreciates the book value of company shares systematically, price to book value (PBV) can be calculated by the following formula:

$$PBV = \frac{\text{Price per Share}}{\text{Book Value Per Share}}$$

#### 2.1.3. Independent variable

##### 1. Tax Planning (X1)

Tax planning in this study is proxied using the Effective Tax Rate or ETR as in the research of Dewi & Noviari, (2017) can be calculated by the following formula:

$$ETR = \frac{\text{Payment of taxes}}{\text{Profit before tax}}$$

##### 2. Company Growth (X2)

The company's growth in this study is calculated using changes in the company's total assets as in the research of (Ramdhonah & Ikin Solikin, 2019) with the following formula:

$$\text{Company growth} = \frac{\text{Total assets}_t - \text{Total assets}_{t-1}}{\text{Total assets}_{t-1}} \times 100\%$$

##### 3. Investment Decision (X3)

Investment decisions in this study are proxied by Price Earnings Ratio (PER) as in Brigham & Joel F. Houston, (2009) in Ahmad et al., (2020) can be calculated by the following formula:

$$PER = \frac{\text{Stock Market Price}}{\text{Earnings Per Share}}$$

## 2.2. Data analysis method

### 2.2.1. Descriptive Statistical Analysis

Descriptive statistics can provide an overview or description in a data obtained from the average value (mean), standard deviation, variance, maximum, minimum, number, range, kurtosis, and skewness (win distribution (Teresia & Hermi, 2016).

### 2.2.2. Classic assumption test

In this study, the classical assumption test used was the normality test, autocorrelation test, multicollinearity test and heteroscedasticity test.

Multiple Linear Regression Analysis

Multiple Linear Regression is expressed in the following equation:

$$Y = \alpha + b_1X_1 + b_2X_2 + b_3X_3 + e$$

Keterangan:

- Y : Company Value
- $\alpha$  : Constant
- b : Variable Coefficient
- $X_1$  : Tax Planning
- $X_2$  : Company Growth

$X_3$  : Investment Decision  
 $e$  : Error

### 2.2.3. T test (Partial Test)

The t test (Partial Test) is to test how much influence each independent variable has partially on the dependent variable. In testing the hypothesis, the first step the researcher must take is to know the basis of decision making in the t-test (partial). There are methods used in the basis of decision making, namely as follows:

1. If the significance value (Sig.),  $< 0.01, 0.05, 0.1$  then there is an effect of the independent variable (X) on the dependent variable (Y). The hypothesis is accepted.
2. If the significance value (Sig.),  $> 0.01, 0.05, 0.1$  then there is no effect of the independent variable (X) on the dependent variable (Y). The hypothesis is rejected.

### 2.2.4. F Test (Simultaneous Test)

The F test (simultaneous test) is to test how the independent variables jointly affect the dependent variable. In testing the hypothesis, the first step the researcher must take is to know the basis for making decisions in the F (simultaneous) test. There are methods used in the basis of decision making, namely as follows:

1. If the significance value (Sig.),  $< 0.01, 0.05, 0.1$  then there is a joint effect between the independent variable (X) on the dependent variable (Y). The hypothesis is accepted.
2. If the significance value (Sig.),  $> 0.01, 0.05, 0.1$  then there is no combined effect of the independent variable (X) on the dependent variable (Y). The hypothesis is rejected.

## 3. Discussion and Finding

### 3.1. Descriptive Analysis Test

Table 1 Descriptive Statistics Test

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Tax Planning	192	-1.007	8.153	.23625	.897418
Company Growth	192	-.999	1.580	.07374	.253877
Investation decision	192	-81.662	1605.562	28.27571	121.350810
The value of the company	192	.001	6.759	1.76906	1.410184
Valid N (listwise)	192				

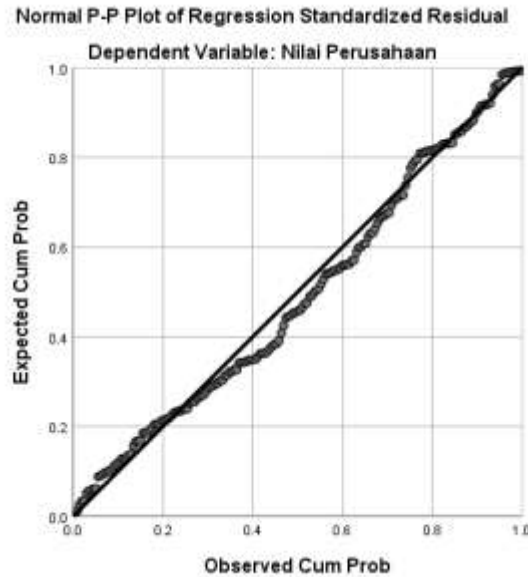
Source: processed data

Based on the results of the descriptive statistical calculations in Table 1, 192 samples were used in statistical testing that the independent variable, namely tax planning, had a minimum value of -1.007 and a mean value of 0.23625 with a standard deviation of 0.897418. The independent variable (X2) Company growth has a minimum value of -0.999, a maximum value of 1.580, and a mean value of 0.07374 with a standard deviation of 0.253877. The independent variable (X3) Investment Decision has a minimum value of 81,662, a maximum value of 1605,562, and a mean value of 28,27571 with a standard deviation of 121.350810. And the dependent variable (Y) Firm Value has a minimum value of 0.001, a maximum value of 6759, and a mean value of 1.76906 with a standard deviation of 1.410184.

### 3.2. Classic assumption test

#### 1. Normality test

The normality test aims to test whether the regression model, confounding variables or residuals are normally distributed or not. A good regression model is the data distribution is normal or close to normal. In this study, the normality test uses two approaches, namely the normal probability graph plot approach. The following are the results of the normality test using a normal probability plot graph analysis in Figure1



Source: processed data

Figure 2 Normality Test Results Using P-Plot Graph

Based on Figure 2 above, it shows the spread of data points along the diagonal line and following the direction of the diagonal line, this means that the data is normally distributed so that the regression model is feasible to use in this study.

## 2. Autocorrelation Test

The autocorrelation test aims to test whether in the linear regression model there is a correlation between confounding error in period  $t$  and confounding error in period  $t-1$  (previous). A good regression model is a regression that is free from autocorrelation or no autocorrelation. The following are the results of the autorelation test using the *Durbin Watson* (DW) method:

Tabel 2 Autocorrelation Test

<u>Durbin-Watson grades</u>
<u>1.929</u>

Source: processed data

Based on the results shown in the table above, Durbin Watson's score is 1.929. These values are then compared with the values of  $d_u$  and  $4-d_u$ . The value of  $d_u$  is taken from the DW table with the number of samples ( $n$ ) = 192 and the number of independent variables ( $k$ ) = 3. Based on the DW table, the lower limit value ( $d_l$ ) is 1.7322 and the upper limit value ( $d_u$ ) is 1.7956, so that the value of  $4 - d_l = 2.2678$  is obtained. Therefore, the Durbin Watson value of 1.929 is greater than the ( $d_u$ ) value of 1.7956 and smaller than 2.2678 or can be expressed by the term  $d_u < d < 4-d_u$  ( $1.7956, < 1.929 < 2.2678$ ). From these provisions, it can be concluded that there is no autocorrelation between disturbance errors in period  $t$  and errors in period  $t-1$  (previous). So that the regression model is feasible to use.

Table 3 Multicollinearity Test

Variable	Tolerance	VIF
Tax Planning	0.990	1.010
Company Growth	0.989	1.011
Investation decision	0.998	1.002

Source: processed data

In table 3 the tax planning variable has a tolerance value of  $0.990 > 0.10$  and a VIF value of  $1.010 < 10$ , the tax growth variable has a tolerance value of  $0.989 > 0.10$  and a VIF value of  $1.011 < 10$ , while the investment decision variable has a tolerance value of  $0.998 > 0.10$  and VIF  $1.002 < 10$ , then the data in this study does not occur multicollinearity symptoms.

### 3. Heteroscedasticity Test

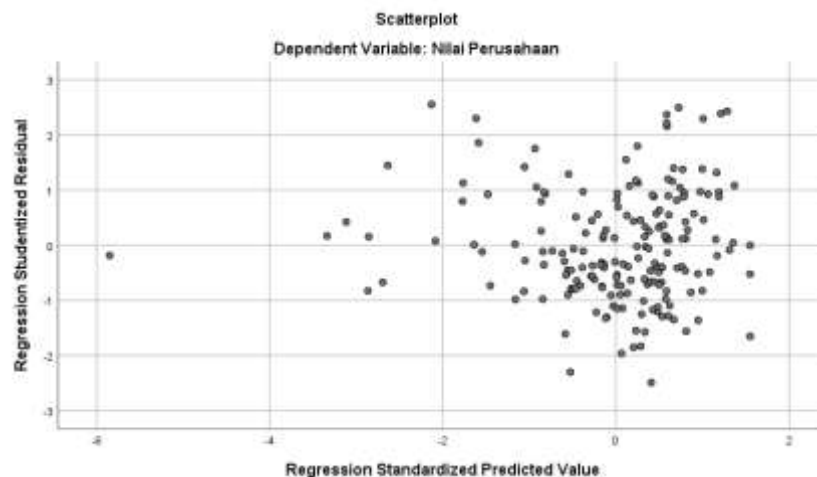
Table 4 Heteroscedasticity Test with Glejser Test

Variable	Significant
Tax Planning	0.211
Company Growth	0.758
Investation decision	0.264

Source: processed data

Table 4 shows that the significance value  $> 0.05$  ( $\alpha = 5\%$ ) with the tax planning variable having a significant value of 0.211, the company growth variable having a significant value of 0.758, and the investment decision variable having a significant value of 0.264 so that it can be concluded in the model regression in this study did not occur heteroscedasticity.

Reinforced by using a scatterplot graph, the results of this heteroscedasticity test are as follows:



Source: processed data

Figure 3 Heteroscedasticity Test Results Using Scatterplot Graph

Figure 3 shows the points spread randomly, do not form a certain pattern and are not stacked so that it can be said that the data used passes the heteroscedasticity test or does not occur heteroscedasticity.

### 4. Multiple Linear Regression Analysis

Table 5 Multiple linear regression analysis

Variable	Beta Value
(Constant)	1.435
Tax Planning	0.191
Company Growth	-0.300
Investation decision	0.020

Source: processed data

Based on table 5, the multiple regression equation can be arranged as follows:

$$Y = 1.435 + 0.191X_1 - 0.300X_2 + 0.020X_3 + e$$

### 5. Coefficient of Determination (R<sup>2</sup>)

Table 6 Coefficient of Determination Test

Adjusted R Square
0.510

Source: processed data

The regression results in table 6 show the Adjusted R square value of 0.510 or 51%. The dependent variable of firm value can be explained significantly by the variation of the independent variable. The independent variables are tax planning, company growth and investment decisions by 51%. While the remaining 49% is explained by other variables not observed in this study.

#### 6. F Test (Simultaneous)

Table 7 F Test (Simultaneous)

Model	F	Level of confidence	Sig.
Regression	4.404	0.05	,005 <sup>b</sup>

Source: processed data

Based on table 7, the calculated F value is 4.404 with a significance level of 0.005. If the significance value (Sig.), < 0.01, 0.05, 0.1 so that the significant value of 0.005 is smaller than 0.05, it can be said that tax planning, company growth and investment decisions together affect the firm value.

#### 7. T Test (Partial)

Table 8 Partial T Test

Description	Beta	Sig.	Significant Level	Results
Tax Planning	0.191	0.040	< 0.05	(+)Received
Company Growth	-0.300	0.573	>0.1	Rejected
Investation decision	0.020	0.035	<0.05	(+)Received

Source: processed data

### 3.3. Interpretation of Results and Discussion

#### 3.3.1. Tax Planning Affects Firm Value

Based on the results of the t-test that has been carried out for the tax planning variable, the regression value is 0.191 with a significance level of 0.040 < 0.05. This shows that the tax planning variable partially has a positive effect on firm value. This means that the greater the tax planning that is carried out, it can increase the value of the company.

#### 3.3.2. Company Growth Affects Firm Value

Based on the t test for the company's growth variable has a regression value of -0.300 with a significance level of 0.573 > 0.1. This shows that the company's growth variable partially has no effect on firm value. The absence of this influence indicates that if the company's growth increases, the value of the company will not increase.

#### 3.3.3. Investment Decisions Affect Firm Value

Based on the t-test, the investment growth variable has a regression value of 0.020 with a significance level of 0.035 < 0.05. This shows that the investment growth variable partially has a positive effect on firm value. The higher the PER, the value of the company will increase in front of investors because a high PER will give the view that the company is in good health and shows the company's growth.

#### 3.3.4. Tax Planning, Corporate Growth, and Investment Decisions Affect Firm Value

Based on the simultaneous F test, it is found that tax planning, company growth, and investment decisions have a calculated F value of 4.044 with a significance level of 0.005. If the value of the significance level (Sig.), < 0.05, so that the significant value of 0.005 is less than 0.05, it can be said that tax planning, company growth and investment decisions together affect the value of companies in the property sector and real estate companies. listed on the Indonesia Stock Exchange (IDX) for the period 2017-2020. This means that the variables of tax planning, company growth and investment decisions can be used to measure the firm value of the companies sampled in this study.

## 4. Conclusions and suggestion

### 4.1. Conclusion

Conclusions based on the results of research and hypothesis testing that have been carried out, some conclusions can be drawn as follows:

1. The tax planning variable partially has a positive effect on firm value. This is evidenced by having a significance level of 0.05 with a significance value of 0.040 < 0.05. Thus it can be stated that the first hypothesis (H1) which states that tax planning has a positive effect on firm value is accepted.
2. The company's growth variable partially has no effect on firm value. This is evidenced by having a significance level of 0.1 with a significance value of 0.573 > 0.05. Therefore, it can be stated that the second hypothesis (H2) which states that tax planning has a positive effect on firm value is rejected.

3. The investment growth variable partially has a positive effect on firm value. This is evidenced by having a significance level of 0.05 with a significance value of  $0.035 < 0.05$ . Therefore, it can be stated that the third hypothesis (H3) which states that investment decisions have a positive effect on firm value is accepted.
4. The variables of tax planning, company growth and investment decisions together have a positive effect on firm value. This is evidenced by having a significance level of 0.05 with a significance value of 0.005 which is smaller than 0.05. Thus, jointly tax planning, company growth and investment decisions are able to explain well the value of the company in property and real estate companies listed on the Indonesia Stock Exchange. (IDX) for the period 2017-2020.

#### 4.2. Suggestion

Based on the results of the research and discussion that have been described, the researchers provide several suggestions related to the research carried out as follows:

1. In future research, it is necessary to add other variables that affect firm value, such as capital structure variables, funding decisions, asset management decisions, interest rates, etc. As well as increasing the observation period and adding a sample of companies not only the real estate sub-sector companies, to obtain a better distribution of data.
2. For investors and potential investors who want to invest in a company, it is hoped that they will be more careful by looking at the condition of the company that will be selected, both from internal factors and external factors of the company. Besides that, investors must also pay attention to the investment decisions of a company because based on research results show that investment decisions have a positive and significant effect on firm value.
3. The company is expected to increase or maximize the value of the company so that it can attract investors to invest in the company. This can be done by carrying out the right financial management function, where one decision will affect other financial decisions and have an impact on the value of the company.

#### 4.3. Limitations

Limitations in this study are as follows:

1. The population in this study is limited to property and real estate sector companies with a limited period, namely the period 2017-2020.
2. Sampling in this study was determined by the criteria determined by the author using the purposive sampling method so that the results of this study cannot be generalized widely to every public company listed on the Indonesia Stock Exchange (IDX).
3. This study only uses the independent variables of tax planning, company growth and investment decisions with a very limited ability to explain the dependent variable so that there are still many other factors that affect firm value that are not explained in this research model.

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