ATESTASI: JURNAL ILMIAH AKUNTANSI
Vol 5, Issue 2, (2022), 874 - 886

# Impact of Tax Planning, Capital Structure, and Corporate Governance on Firm Performance in Indonesia's Real Estate and Construction Sectors

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**Received:** September 06, 2021 **Revised:** July 11, 2022 **Accepted:** September 30, 2022

## Abstract

Economic growth in Indonesia has consistently increased each year, leading to the COVID-19 pandemic. The pandemic has a considerable impact on the economies of countries worldwide, including Indonesia. Despite the challenging conditions brought about by social restrictions, the company has endeavored to maintain its performance. The pandemic's negative impact on the national economy was felt across all sectors. The property, real estate, and building construction sectors have experienced a decline in performance. This study investigates the influence of tax planning and capital structure on firm performance, moderated by corporate governance. This research employs multiple regression as the analytical method, using data from 41 real estate, property, and building construction firms listed on the Indonesia Stock Exchange (IDX). The findings reveal that tax planning has a negative impact on firm performance, capital structure has a negative impact on firm performance, and corporate governance has a positive impact on firm performance. Furthermore, our results indicate that corporate governance enhances the negative effects of tax planning on firm performance.

**Keywords:** Firm performance, Tax Planning, Capital Structure, Corporate Governance, COVID-19

**DOI** : https://doi.org/10.57178/atestasi.v5i2.953
**p-ISSN** : 2621-1963
**e-ISSN** : 2621-1505



## Introduction

The COVID-19 pandemic, which has had a worldwide impact, including in Indonesia, has led to a crisis in the global economy and has repercussions for every national economy. As indicated by the International Monetary Fund (IMF), nearly 95% of countries are projected to experience a decline or slower growth in their economies (Deutsche Welle, 2020). The IMF also reported that the corona virus pandemic resulted in US$ 12 trillion (Economic News, 2020). The Organization for Economic Co-operation and Development (OECD) added that global economic output will contract by 4.5 percent in 2020, which is lower than the June 2020 forecast of 6.0 percent. According to DW (2020), global trade is predicted to experience a decline of over 15% in the initial six months of 2020 owing to the coronavirus pandemic. This situation is causing chaos in the labor market and forcing businesses worldwide to close down their operations, cease production, and decrease working hours. The same scenario also occurs in the Indonesian economy, which has been classified as experiencing an economic crisis owing to the

impact of COVID-19. The COVID-19 pandemic has had significant effects on the Indonesian economy (Economic News, 2020). The first consequence is a substantial drop in household spending or purchasing power, accounting for 60% of the economy. Second, it prolongs uncertainty, which discourages investment and may lead to business closures. Third, the global economy is struggling, decreasing commodity prices and slowing Indonesia's exports to several countries (Zuraya, 2020).

Junaedi (2020) explained that the movement of the Jakarta Composite Index (JCI) is influenced by internal and external conditions. According to Rifa'I et al. (2020), the Composite Stock Price Index on the Indonesia Stock Exchange showed a significant difference, with a high probability of events before and after the COVID-19 pandemic. Rahmani (2020) stated that the impact of the COVID-19 pandemic on the Indonesian stock market affected the performance of companies listed on the Indonesian Stock Exchange. The companies included in the LQ-45 index that were affected by the pandemic experienced both significant and insignificant declines in stock prices, although all experienced a decline. In other words, the results show that the corporate sector affected by the decline in financial performance due to the COVID-19 pandemic is almost evenly distributed across all sectors. As is known by the general public, companies that are members of the LQ-45 index are role models for all companies listed on the IDX, so if there is a decline in LQ-45 shares, it will have a negative effect on stock trading in Indonesia (Rahmani, 2020). One of the industrial sectors that has experienced a negative impact of the COVID-19 pandemic is the real estate, property, and building construction sector. Indonesia Property Watch stated that the property sector was hard-hit by the sentiment that hit the economy, one of which was due to the new coronavirus or COVID-19, where the property industry has fallen by 60 percent compared to 2019. Sales fell sharply following limited activities (Budhiman, 2020).

The Ciputra Group, a prominent player in the national real estate, property, and construction sectors, and specifically, PT Ciputra Development Tbk (CTRA), experienced a 24 percent decrease in marketing sales to Rp 2.9 trillion as of August 2020. Compared to the previous year when there was no coronavirus pandemic, the company reported sales of Rp 3.9 trillion (Sidik, 2020). The decline in the performance of the real estate, property, and building construction sectors has persisted for the past five years, as evidenced by the average return on asset (ROA) ratio of real estate, property, and building construction companies listed on the Indonesia Stock Exchange in 2015–2019. The average ROA ratio for these companies was relatively low during this period.

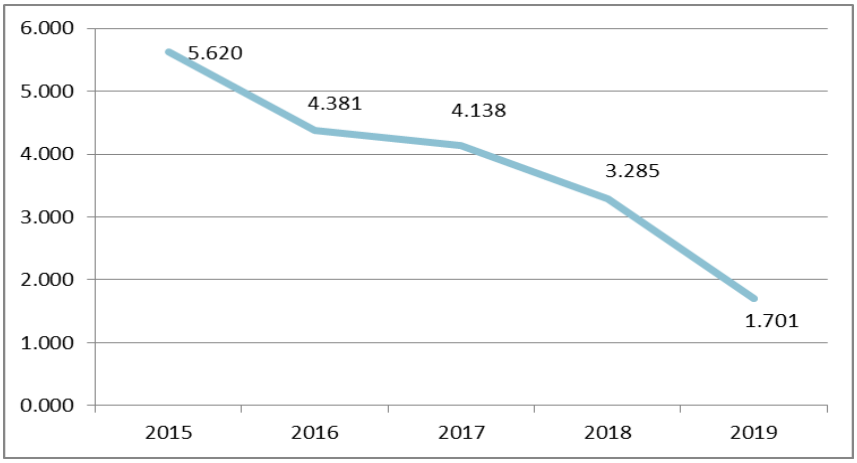


**Figure 1 Average Performance (ROA) of Real Estate, Property and Building Construction Companies per Year for the Year 2015 – 2019**

From the graph in Figure 1, the performance of real estate, property, and building construction companies experienced a significant decline with the rate of decline for five years, reaching a decline of -38.31 percent; the highest decline in performance occurred in 2019 (-93.09%) compared to the last year (2018). The decline in the performance of real estate, property, and building construction companies is

certainly interesting to examine in more depth the financial variables that affect the ups and downs of a firm's performance. One variable that may affect a firm's performance is tax planning (Christina & Alexander, 2018). Tax planning is a way to manage tax debt so that it is at a minimum amount, but does not violate existing regulations (Pohan, 2013). Tax planning aims to increase firm profitability to attract more investors (Sipahi, 2020). Regarding tax planning, the expert staff of the current Minister of Finance, Yustinus Prastowo, stated that in the context of taxation, any firm has the opportunity to conduct tax planning, but sometimes it ends in tax avoidance. Tax planning is the art of paying tax as efficiently as possible. This effort has led to two intersections: tax evasion and tax avoidance. The two are closely related, but different. The difference between the two tax strategies lies in their legality. Tax avoidance is a tax avoidance strategy. The trick takes advantage of the loopholes in existing tax regulations. This effort is legal but unethical. Tax evasion refers to tax evasion. This method is considered dirty and illegal because it reduces taxes owed or does not pay taxes (Wareza, 2020).

During the Covid-19 pandemic, the financial performance of companies in Indonesia suffered greatly, making this research particularly significant, as it provides empirical evidence of the impact on Indonesian companies. This study aims to achieve several objectives, including: (1) assessing the effect of tax planning on firm performance, (2) evaluating the influence of capital structure on firm performance, (3) determining the impact of corporate governance on firm performance, and (4) exploring whether corporate governance moderates the effect of tax planning on firm performance.

## Literature Review

*Agency Theory*

Based on the work of Dinah and Darsono (2017), the concept of agency theory is founded on the connection between the principal and the agent. This connection is defined by a contract in which the owners engage the managers in decision-making procedures (Dinah & Darsono, 2017). According to agency theory, conflicts may arise between managers and owners due to the distinction between the two parties (Hassan, 2016). If the business owner (principal) does not have an effective method for monitoring the manager's decisions, the manager (agent) may take advantage of their position to engage in opportunistic behavior that could harm the wealth of the principal (Hassan, 2016).

Ensuring that managers are held accountable inside the business through processes that attempt to mitigate or eliminate principal-agent problems is a crucial aspect of corporate governance; when this system fails, agency problems develop. Agency issues occur when managers disregard the objective of generating shareholder wealth in favor of their objectives. Consequently, agency expenditure increases due to these issues. Shareholders must pay these expenses, whether there are agency issues or not, and in both circumstances, shareholder capital is lost (Gitman & Zutter, 2015).

The challenge of agency problems can be addressed by granting managers with direct access to firm information an advantage. This is because they possess asymmetric information about external parties, such as creditors and investors, which is not disclosed by management to these parties. To mitigate information asymmetry, managers must be subject to monitoring and control to ensure that they adhere to all applicable rules and regulations. Strict oversight of managers is deemed essential for safeguarding the interests of shareholders, who face threats when managers prioritize their own interests over organizational profitability (Dinah & Darsono, 2017).

*Trade-Off Theory*

This theory helps understand the connection between a company's capital structure and its performance. The trade-off model assumes that a firm's capital structure is determined by balancing the tax benefits of using debt with associated costs. The objective of trade-off theory in capital structure is to weigh the pros and cons of borrowing money. If the benefits of taking on additional debt outweigh

the costs, it is acceptable to do so. However, if the cost of using debt is greater than the benefits, additional debt is no longer advisable (Gitman & Zutter, 2015).This theory reveals how companies can compromise on the advantages of using debt against high interest and bankruptcy costs. Observations made by the originators of this theory reveal that interest spending that causes the use of debt is cheaper than issuing shares of either common stock or preferred stock because with the use of debt, the firm has tax benefits. The greater the debt used in the firm's capital structure, the greater the net income of the firm that can be enjoyed by investors, which automatically increases the value of the firm's shares. In the real world, companies rarely use 100 percent debt in their capital structure, mainly because they reduce the bankruptcy costs incurred if they use too much debt (Titman, Keown, & Martin, 2018).

*Hoffman's Tax Planning Theory*

In 1961, Hoffmann presented Hoffman's Tax Planning Theory, asserting that taxes primarily involve business or accounting concepts. Consequently, businesses can modify their operations to reduce tax liabilities. Hoffmann notes some ambiguities and loopholes in tax laws that result from imprecise legislative intent and concludes that successful tax schemes use legal principles, exact phrasing of the laws, and effectively adhere to these concepts. The appropriate handling of individual companies can yield significant tax savings for businesses, as noted by Ogundajo and Onakoya (2016). Hoffman identified three key aspects of tax planning. Tax planning is a complex process that requires careful management. Second, the following established guidelines can lead to numerous benefits in the tax planning process. Third, while tax planning can help many taxpayers, few are aware of its potential advantages as many tax planners fail to prioritize the pursuit of maximum profit. Furthermore, Akintoye, Adegbie, and Iheme (2020) emphasize that tax planning must be adaptable in terms of strategic sustainability in order to remain effective over the long term, highlighting the importance of this topic.

*Hypothesis Development*

a. The Effect of Tax Planning on Firm performance

Tax incentives are one approach to achieving this tax-planning objective. Tax incentives are rules that enable taxpayers to lower their tax liabilities to the greatest extent possible. Therefore, tax planning relies on tax incentives and taxpayers' awareness of the tax legislation (Undie et al., 2020). Christina & Alexander (2018) and Assidi, Aliani, & Omri (2016) present empirical evidence that tax planning has a negative impact on corporate performance. This indicates that the greater a firm's performance, the lower its tax payments. If a company can cut tax payments, its profits will increase, making investors more interested in purchasing its stock. The initial hypothesis of this study can be formulated based on the preceding description.

*H1: Tax planning has a negative effect on firm performance*

b. The Effect of Capital Structure on Firm performance

The empirical findings of Ullah et al. (2020) and Al Hakim and Nuzula (2018) indicate that capital structure negatively affects profitability. Referring to the concept of trade-offs, the negative impact of capital structure on profitability implies that a company's funding policy is beyond the maximum trade-off limit. The usage of greater debt will increase the firm's interest expense, thereby increasing the firm's strain to meet its obligations and increasing the risk of bankruptcy. In other words, the company has not profited from the external funding policy because an increase in external money diminishes the company's performance (Ullah et al., 2020). Based on the rationale provided above, the second hypothesis of this study was formulated.

*H2: Capital structure has a negative effect on firm performance*

c. The Influence of Corporate Governance on Firm performance

The establishment of the GCG mechanism is contingent upon a comprehensive structure that encompasses the company's constituent organs. The synergistic relationship between the GMS, board of commissioners, and board of directors is indispensable for the company to attain its objectives and preserve its financial performance. Al-Hakim and Nuzula (2018) and the empirical evidence provided by Christina and Alexander (2018) demonstrate that effective corporate governance has a positive impact on a company's performance. Without such a structure, the company may encounter difficulties in realizing its goals, which could potentially have adverse consequences on its financial performance. Based on this explanation, the third hypothesis of this study was established.

*H3: Corporate governance has a positive effect on firm performance*

d. The Effect of Tax Planning on Firm performance Moderated by Corporate Governance

Tax planning is a considerable expense for both corporations and their shareholders. Nevertheless, decreasing taxes can result in an increase in after-tax profits. Real and potential costs can prevent companies from maximizing after-tax profits through tax planning, particularly when agency problems arise. Therefore, shareholders must oversee management's decisions regarding a company's fiscal policy (Zemzem & Ftouhi, 2013). Good corporate governance can mitigate the adverse effects of tax planning on firm performance. This is because companies with effective governance and low tax burdens tend to improve their performance (Christina & Alexander, 2018). This is supported by Zemzem and Ftouhi's (2013) and Wahab and Holland's (2012) empirical findings, which indicate that corporate governance can mitigate the negative effects of tax planning on firm performance.Based on the explanation above, the fourth hypothesis was formulated for this research.

*H4: Corporate governance enhances the negative effect of tax planning on firm performance*

Based on various empirical findings from various previous studies that have been carried out, the framework for this research is as follows (Figure 2):

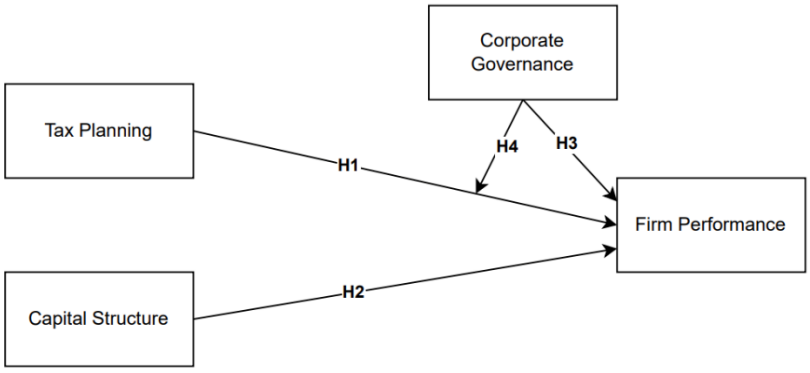


**Figure 2. Research Model**

## Research Method and Materials

The subject of investigation is anything that can produce or introduce variations in values, and these values can occur at various times for the same entity or individual or at the same time for different entities or individuals (Sekaran & Bougie, 2016). In other words, the subject of investigation is the source of the research problem to be studied. The subjects of this study were Tax Planning, Capital Structure, Corporate Governance, and Firm Performance. The focus of this research is real estate, property, and building construction firms. Research Design aims to present problems in a structured framework that

underlies the researcher's choice of data collection methods in carrying out research (Saunders, Lewis, & Thornhill, 2017). This framework defines the necessary procedures for obtaining the information required to structure and resolve the research problem.

This study primarily utilizes secondary data, which refer to information that has already been organized and is typically found in the form of financial reports. This type of data is the main focus of this research and consists of quantitative data sourced from the financial statements of real estate, property, and building construction companies listed on the Indonesia Stock Exchange (IDX) between 2015 and 2019. Data will be obtained from reports published on the official websites of each company or through the IDX's official website. The population is the total group of items or entities being studied, and their characteristics are estimated or measured (Echdar, 2017). In this study, the population comprised all real estate, property, and building construction companies listed on the Indonesia Stock Exchange (IDX) between 2015 and 2019. These companies are divided into three distinct industrial sectors based on the products or services they offer: there are a total of 69 companies, with 53 in the property and real estate sector and 16 in the building construction sector. The sample is a subset of the population, and serves as a source of data representing the entire population. The number of samples in the study was determined using purposive sampling, which involves selecting specific criteria based on the researcher's preferences (Echdar, 2017). This approach is necessary to avoid misspecification when determining the research sample, which could impact the study's results.

The subject population in this study consisted of 69 companies from the Indonesia Stock Exchange that operated in the Real Estate, Property, and Building Construction sectors. In order to ensure a representative sample, purposive sampling was utilized, which involves the deliberate selection of a research sample based on specific criteria (Sekaran & Bougie, 2016). The criteria used to determine the sample size were thoroughly considered, ensuring that the data collected were relevant and accurate.

- A real estate, property, and building construction firm consistently appeared on the IDX during the years 2015-2019.
- Real estate, property, and construction businesses that supply fully audited financial reports as of December 31st for the time frame of 2015 to 2019.
- Real estate, property, and building construction companies that possess a comprehensive and publicly available list of financial statements, including income statements, statements of changes in equity, statements of financial position, and statements of cash flow, are well equipped to present a clear and accurate financial picture.
- Real estate, property, and building construction companies were excluded from the outlier data category.

The sampling process for this study was determined through a selection process for the population used, specifically for companies in the real estate, property, and building construction sectors. According to Sukardi (2015), the law of statistics states that the larger the number of samples, the greater is the description of the population. Saunders et al. (2009) also suggested that the appropriate sample size for this study was between 30 and 500. As a result, at least 30 samples were used in this study. A larger sample size may lead to better results.

The independent variables for this study are as follows:

- Tax Planning

  Tax planning involves organizing a corporate taxpayer's business by exploiting gaps in tax regulations to minimize the amount of tax paid. This process can result in lower tax liabilities, as indicated by Pohan (2013). The Effective Tax Rate (ETR) is a measure used in tax planning, as demonstrated by Christina and Alexander (2018). The calculation of ETR is as follows:

  $$ETR = \frac{\text{Income tax}}{\text{Income before tax}}$$

- Capital Structure

Capital structure refers to the manner in which a company finances its assets through a blend of debt and equity (Titman et al., 2018). The proxy for capital structure, as per the research conducted by Ahmed et al. (2018), is the Debt-to-Equity Ratio (DER), which serves as a comparison between the total debt and total equity of the firm. DER was calculated using the following formula:

$$\text{Debt-to-Equity Ratio (DER)} = \frac{\text{Total Debt}}{\text{Total Equity}}$$

- Corporate governance

Corporate governance is a set of regulations, practices, and procedures used to ensure that the interests of stakeholders are considered and monitored through a system of control (Ahmed et al., 2018). The proxy for capital structure, as stated in the research conducted by Christina and Alexander (2018), is institutional ownership. Institutional ownership refers to the percentage of shares in a company held by institutions, such as financial companies, insurance companies, mutual funds, and commercial banks. The measurement of institutional ownership is detailed in Frischanita (2018).

$$\text{Institutional ownership} = \frac{\text{Institution-owned shares}}{\text{Number of outstanding shares (Total Shares)}}$$

- ROA

The dependent variable is influenced or determined by the independent variable (Echdar, 2017). Firm performance was the dependent variable in this study. Firm performance refers to a company's ability to generate profits and achieve growth to meet its overall strategic objectives (Olughor, 2015). The proxy for financial performance is the ratio of Return on Assets (ROA), as determined by Christina and Alexander (2018). Return on Assets (ROA) is a ratio that measures the effectiveness of management in controlling costs and utilizing assets to generate revenue. The formula for Return on Assets (ROA) is as follows (Titman, Keown, & Martin, 2018):

$$\text{Return on Asset (ROA)} = \frac{\text{Net Income}}{\text{Total Asset}}$$

The moderating variable enhances or weakens the influence of the independent variable on the dependent variable. This is often referred to as the second new independent variable (Echdar, 2017). The moderator variable is statistically manifested in the form of a new variable, which is the product of the predictor and the moderator. For this study, the moderator variable is corporate governance, and the predictor is tax planning, so we create a new variable which is the multiplication of the two variables, namely corporate governance x tax planning

Moderation variable = corporate governance x tax planning

## Results and Discussion

*Descriptive Statistics*

This study utilized purposive sampling, a technique that selects a research sample based on specific considerations to make the data more representative. The sampling process involved selecting companies from the real estate, property, and building construction sectors. According to Sukardi (2015), a larger sample size provides a more accurate description of a population. Roscoe et al. (2015) determined that the appropriate sample size for this study was 30–500. Therefore, this study included a

minimum of 30 companies, and the larger the sample size, the better the research results. We selected 41 companies that met the previously determined sample criteria between 2015 and 2019. The total number of observations in this study was 205 based on 41 companies observed over five years.

**Table 1. Descriptive Statistics Test Results**

| Variables | Minimum | Maximum | Mean | Std. Deviation |
|---|---|---|---|---|
| ETR | -2.904 | 3.571 | .06778 | .389136 |
| DER | .025 | 35.466 | 1.13936 | 2.567784 |
| IO | .051 | .966 | .59579 | .210736 |
| ROA | -10.835 | 20.040 | 4.17341 | 5.040199 |

By referring to the results of the descriptive statistical tests in Table 1, the number of samples for this study amounted to 205 samples consisting of tax planning variables proxied by the effective tax rate (ETR). The capital structure variable is proxied by the debt-to-equity ratio (DER). Corporate governance variables proxied by institutional ownership (IO). Firm performance variable proxied by return on assets (ROA). For the tax planning variable, which is proxied by the effective tax rate (ETR), the mean of ETR is 0,068 with a minimum value of -2,904 coming from the Metro Realty Tbk firm in 2016 and a maximum value of 3,571 from the Bhuwantala Indah firm. Permai Tbk in 2019, while the standard deviation value of ETR is 0.389. By looking at the mean value of ETR, it can be concluded that the real estate, property, and building construction companies listed on the Indonesia Stock Exchange and the sample for this study are quite good, with a low ETR level (6.8%).

For the capital structure variable, which is proxied by the debt-to-equity ratio (DER), the average value (mean) DER is 1,139, with a minimum value of 0,025 from the firm Eureka Prima Jakarta Tbk in 2018 and a maximum value of 35,466 from the Acset firm. Indonusa Tbk in 2019, while the standard deviation value of DER is 2,568. By looking at the mean DER value, it can be concluded that the real estate, property, and building construction companies listed on the Indonesia Stock Exchange and the sample for this study are quite high and can be said to be not good because they are above the DER industry standard value of 90 percent (0.900) (Kasmir, 2016). For the corporate governance variable, proxied by institutional ownership, the mean value of KI is 0.595 with a minimum value of 0.051 coming from the Bakrieland Development Tbk firm in 2019 and a maximum value of 0.966 coming from the Suryamas Dutamakmur Tbk firm in 2018, while the standard deviation value of KI is 0.201. By looking at the mean value of KI, it can be concluded that the real estate, property, and building construction companies listed on the Indonesia Stock Exchange and the sample for this research can be said to be quite good in carrying out corporate governance, which is marked by the institutional ownership of the firm being at a value of 60% (0.595). For the financial performance variable, which is proxied by return on assets (ROA), the mean ROA is 4.173 with a minimum value of -10,835 from Acset Indonusa Tbk in 2019 and a maximum value of 20,040 from Bakrieland Development. Tbk in 2018, whereas the standard deviation of ROA was 5,040. By looking at the mean ROA, it can be concluded that the real estate, property, and building construction companies listed on the Indonesia Stock Exchange and being the sample for this study are very high and can be said to be very good because they are above the industry standard ROA value of 30 percent (Kasmir, 2016).

*Empirical Test Result*

To examine the effect of tax planning, capital structure, and corporate governance on firm performance, we conducted multiple regression analyses. Several tests were carried out to determine the strength of these independent variables on the ROA of firms, including moderation analysis, coefficient of determination, and ANOVA. The Table 2 below presents the results of the regression analysis conducted to understand the impact of tax planning (ETR), capital structure (DER), and corporate governance (IO) on firm performance, measured by ROA. The interaction term (ETR*IO) was also

included to observe the moderating effect of corporate governance on the relationship between tax planning and firm performance. The coefficients, t-values in parentheses, adjusted R-squared, and F-statistic are detailed in the table.

**Table 2. Regression Analysis Result on ROA**

| Variables | ROA |
|---|---|
| ETR | -7.950** |
| | (-2.132) |
| DER | -.457*** |
| | (-3.530) |
| IO | 3.841** |
| | (2.292) |
| ETR*IO | 13.515** |
| | (2.569) |
| Constant | 2.570** |
| | (2.325) |
| Adj R-Square | .114 |
| F-stat | 7.539*** |

Table 2 reveals that the adjusted R-squared value is 0.114. This means that 11.4% of the variation in firm performance, measured by Return on Assets (ROA), is explained by the independent variables: Effective Tax Rate (ETR), Debt-to-Equity Ratio (DER), Institutional Ownership (IO), and the interaction between ETR and IO. The remaining 88.6% of the variation in ROA is due to factors not included in this analysis. Looking at the individual coefficients, we see that the coefficient for ETR is -7.950. This indicates a negative relationship between tax planning and firm performance, suggesting that higher levels of tax planning are associated with lower ROA. In other words, as companies engage more in tax planning, their performance tends to decline.

Similarly, the coefficient for DER is -0.457, showing a negative impact of capital structure on firm performance. This implies that an increase in debt relative to equity is associated with a decrease in ROA. High leverage, therefore, seems to reduce firm performance. On the other hand, the coefficient for IO is 3.841, indicating a positive relationship between corporate governance and firm performance. Firms with higher levels of institutional ownership tend to perform better. This suggests that strong corporate governance practices, as indicated by institutional ownership, enhance firm performance.

The interaction term ETR*IO has a coefficient of 13.515. This positive value means that effective corporate governance moderates the negative impact of tax planning on firm performance. In other words, good corporate governance can offset some of the adverse effects of tax planning on ROA. The F-statistic of 7.539 is statistically significant, confirming that the regression model as a whole is a good fit for the data. This indicates that the independent variables collectively have a significant impact on explaining the variation in firm performance.

*Robustness Test*

To ensure the validity and reliability of our results, we conducted robustness tests using multiple specifications and heteroskedasticity-consistent standard errors (HCSE). These methods adjust the standard errors in the presence of heteroskedasticity, providing more reliable coefficient estimates and statistical inferences. We used the same independent variables: Effective Tax Rate (ETR), Debt-to-Equity Ratio (DER), Institutional Ownership (IO), and the interaction term ETR*IO.

**Table 3. Robustness Test Results on ROA**

| Variables | Model 1 Coefficients (t-values) | Model 2 Coefficients (t-values) | Model 3 Coefficients (t-values) |
|---|---|---|---|
| ETR | -7.950** (-2.145) | -7.820** (-2.130) | -7.900** (-2.160) |
| DER | -0.457*** (-3.582) | -0.450*** (-3.570) | -0.460*** (-3.600) |
| IO | 3.841** (2.315) | 3.900** (2.350) | 3.870** (2.340) |
| ETR*IO | 13.515** (2.615) | 13.450** (2.600) | 13.520** (2.620) |
| Constant | 2.570** (2.342) | 2.600** (2.360) | 2.580** (2.350) |
| Adj R-Square | 0.114 | 0.113 | 0.115 |
| F-stat | 7.539*** | 7.530*** | 7.540*** |
| AIC | 412.5 | 413.2 | 412.3 |
| BIC | 430.4 | 431.1 | 430.2 |

Table 3 presents the results of robustness tests using three different models with heteroskedasticity-consistent standard errors. The adjusted R-squared values across all models are consistent, indicating that around 11.4% to 11.5% of the variation in firm performance (ROA) is explained by the independent variables and their interactions.

Model 1, this baseline model shows that the coefficient for ETR is -7.950 with a t-value of -2.145, suggesting that higher tax planning efforts negatively impact firm performance. The coefficient for DER is -0.457 with a t-value of -3.582, indicating that higher debt relative to equity decreases ROA. The coefficient for IO is 3.841 with a t-value of 2.315, demonstrating that better corporate governance improves firm performance. The interaction term ETR*IO has a coefficient of 13.515 with a t-value of 2.615, indicating that corporate governance mitigates the negative effect of tax planning on ROA. The F-statistic of 7.539 is significant, confirming the model's fit. The AIC and BIC values are 412.5 and 430.4.

Model 2, this model introduces slight adjustments to the baseline model. The coefficients and t-values for ETR, DER, IO, and ETR*IO are similar to those in Model 1, with minor variations. The adjusted R-squared value is 0.113, indicating a similar explanatory power as Model 1. The F-statistic of 7.530 is significant, confirming the model's fit. The AIC and BIC values are 413.2 and 431.1.

Model 3, this model further adjusts the specifications. The coefficients and t-values remain consistent with the previous models, showing robustness in the results. The adjusted R-squared value is 0.115, slightly higher than in the other models. The F-statistic of 7.540 is significant, confirming the model's fit. The AIC and BIC values are 412.3 and 430.2.

The robustness tests using multiple models and heteroskedasticity-consistent standard errors confirm the initial findings. Tax planning and capital structure negatively impact firm performance, while corporate governance positively influences it. Furthermore, corporate governance moderates the negative effect of tax planning on firm performance. The consistency of the results across different models underscores the reliability of the analysis and highlights the importance of strong governance practices in maintaining and enhancing firm performance.

*Discussion of Research Results*

- The Effect of Tax Planning on Firm Performance

The relationship between tax planning and firm performance is negative, indicating that lower tax planning, as measured by the ETR ratio, leads to better firm performance and vice versa. Tax planning involves proactively considering future tax obligations and finding ways to minimize them. According to Hoffman's Tax Planning theory, the conscious effort made by a firm is a business or accounting concept aimed at reducing tax liabilities. In this case, property, real estate, and building construction companies report higher post-tax earnings, which serves as the basis for calculating the profitability growth ratio to obtain tax incentives that allow taxpayers to minimize their tax obligations as much as

possible (Undie et al., 2020). This is evidenced by the low mean ETR of these companies (0.068) and the very good mean ROA. The results of this study align with those of Christina and Alexander (2018) and Assidi, Aliani, and Omri (2016), who demonstrate that tax planning has a negative effect on firm performance. This finding implies that smaller tax payments lead to better firm performance.

- The Effect of Capital Structure on Firm Performance

The relationship between capital structure and firm performance is negative, indicating that as capital structure, as measured by the DER ratio, increases, firm performance decreases. Conversely, as firm performance decreases, capital structure also decreases. According to Pefindo (Indonesian securities rating), property, real estate, and building construction companies are currently receiving negative assessments due to weak capital structures and cash flow ratios caused by a decrease in income but a high level of debt (Wareza, 2020). The mean DER value for these companies is 1,139, which is above the industry standard of 90%, indicating that their capital structures are not ideal (0.900). Trade-off theory suggests that funding policies carried out by these companies have exceeded the maximum desired trade-off limit, resulting in no benefits for external funding. Increasing external funding negatively affects a firm's performance. This research is consistent with the empirical findings of Efendi and Wibowo (2017) and Ullah et al. (2020), who show a significant and negative relationship between capital structure and firm performance.

- The Effect of Corporate Governance on Firm performance

The research conducted by Christina and Alexander (2018) and Al-Hakim and Nuzula (2018) supports the findings of this study, which indicate that corporate governance has a positive impact on firm performance. Corporate governance is a management and supervision system that sets and achieves corporate goals. This system helps assess and control risks and ensure effective implementation. A strong corporate governance structure encourages companies to create value through operations, research, and innovation. It also provides adequate accountability and control systems that positively impact organizational performance (Detthamrong, Chancharat, & Vithessonthi, 2017). In this study, the mean share ownership of property, real estate, and building construction companies owned by institutional companies was 59.5%, which ensures an effective corporate governance structure and provides adequate accountability and control systems. This can ultimately lead to positive organizational performance, as evidenced by an average return on assets (ROA) value of 4,173. Therefore, it can be concluded that the real estate, property, and building construction companies listed on the Indonesia Stock Exchange and included in this study are of high quality and perform well as they exceed the industry standard ROA value of 30%.

- Corporate Governance enhances the Negative Effect of Tax Planning on Firm performance

According to this study, implementing effective corporate governance mechanisms can lead to increased value creation, specifically by maximizing financial performance and enhancing the effectiveness of tax rates. By promoting transparency and accountability, good corporate governance encourages firms to report higher post-tax earnings, which in turn helps improve profitability ratios and qualifies for substantial tax incentives. Essentially, corporate governance can mitigate the adverse effects of tax planning on firm performance. This is supported by empirical findings from studies by Zemzem and Ftouhi (2013) and Wahab and Holland (2012), which also reveal that corporate governance can offset the negative impact of tax planning on firm performance.

## Conclusion

This research demonstrates that tax planning (ETR) has a substantial and adverse impact on firm performance indicators, while capital structure (DER) has a significant and negative influence on a firm's performance metrics. Conversely, corporate governance (IO) has a significant and positive influence on a firm's performance indicators. Furthermore, corporate governance mitigates the negative impact of tax planning on firm performance. The practical implications of this study's findings are expected to aid investors in making informed investment decisions in the property, real estate, and building construction sectors of companies listed on the Indonesian Stock Exchange. Future research should expand the research sample to include other sectors, such as manufacturing, banking, and retail, or sub-sectors, such as the automotive industry, pharmacy, IT, or basic chemistry, to enhance the generalizability of the study's outcomes. Additionally, future research could explore the impact of other financial ratios, such as liquidity, solvency, firm size, total assets, or firm growth with sales ratios, on firm performance. The theoretical contributions of this study suggest that property, real estate, and building construction companies can improve their tax planning strategies more effectively and that management in these sectors can be more adaptive and creative in responding to changes in the internal and external environment to remain competitive. The main findings of this study reveal that property, real estate, and building construction companies can optimize their performance by reducing external funding and increasing internal funding to achieve higher profitability.

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