

**FIRM CHARACTERISTICS, EARNINGS MANAGEMENT, TAX AMNESTY
ASSET, AND FIRM VALUE (STUDY IN INDONESIA PUBLIC LISTED
COMPANIES)**

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Abstract

This research provided two analyses: (1) whether the firm characteristics and earnings management practices might influence the amount of tax amnesty's assets presented in the financial statement; and (2) whether the amount of tax amnesty's assets influenced the firm value. There are 86 observations obtained from Indonesian public listed companies that participate in the tax amnesty program during 2016 – 2017. This research used multiple regression to conduct each analysis. The results showed that a company with a high level of earnings management discloses more tax amnesty's assets. The result also showed that the higher the tax amnesty's assets, the lower the firm value would be. These results showed that a company that conducting earnings management utilise tax amnesty as a haven for avoiding political costs, but on the other side, the tax amnesty disclosure regarded by an investor as an act of confessions of past tax sins. Moreover, these results might contribute to the new insight into tax practices in global business.

Keywords: Tax amnesty's assets; firm value; earnings management; size; leverage; SFAS 70; Indonesia.

1. INTRODUCTION

Although the information appears in the financial statements, investors still made decisions on various traditional financial ratios and performance (Bowe and Domuta, 2004; Wibowo, 2010). This research presented evidence about tax information disclosure in the financial statement. In the past, Tax information in the financial statements can be an indication of the firm's compliance with certain tax regulations (Gupta, et.al, 2014; Harding, 2017). Nowadays, users of financial statements also review tax information to measure a company's financial information. For example, the financial statement might present the information whether the company has been successful in legally reducing the income tax payable (Hanlon, 2003; Nor, et.al, 2010; Seetharaman, 2011; Barrios, et.al, 2019). Previous researches concerning tax disclosures still focused on the area of tax compliance, not in the performance. This research contributed to further study about how tax information usefulness in measuring the company's performance.

Tax-related information in the financial statement was influenced by the accounting standards. The issuance of new accounting standard also influenced the tax information, since the tax code often has the different requirement that in the accounting standards, resulted in fiscal differences that need to be managed by the company (Prakoso, 2014; Sari and Anggraeni, 2015). Tax accounting treatment is straightforward and usually only involve expenses and payables. Before the year 2016, in Indonesia, there is the only Statement of Financial Accounting Standards 46 concerning Income.

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Tax which has specific accounting treatment for tax. Tax treatment, in general, followed SFAS 1 concerning the Presentation of Financial Statements. In the year 2016, the Indonesian government launched tax amnesty program, in which provide forgiveness for noncomplying taxpayers by requiring them to disclose their past unreported income in the form of tax amnesty's assets and liabilities, and paid the redemption fee to the tax authority (Pratama, 2018; Pratama, 2019). This requirement to disclose and paid redemption fees was indeed to have an impact on the financial statements.

The quality of earnings in a company had always become a concern for an investor. The assets represented economic benefit, but the previous research also showed that the monetary amount of assets didn't always represent the potential number of earnings that would be generated (Bricker, et.al, 1995; Penman and Zhang, 2002; Schipper and Vincent, 2003; Dechow and Schrand, 2010). Previous researches also showed that the monetary amount of assets might be inflated because of creative accounting practice, like earnings management (Beyer, et.al, 2010; Dechow, et.al, 2012;). The tax information in the financial statements was usually about expenses and payables. The tax information in the financial statements usually viewed as a sign of compliance (Hanlon, 2003; Erickson, et.al, 2004; Lisowsky, et.al, 2013). Most of the previous researchers discussed tax information and earning quality in the context of tax avoidance or book-tax conformity (Hanlon and Heitzman, 2010). One method of earnings management is to conceal the income to reduce income tax payment. Tax avoidance and earnings management are unethical business action, and tax amnesty provided a clean way out for a taxpayer. The nature of unusual accounting methods for tax amnesty raised the question of whether the assets were "real" since it already existed long in the company (Das-Gupta, et.al, 1996). However, the addition of assets increased the company's performance in terms of liquidity and solvability and might be perceived as good information for investors and creditors (Nar 2015; Cahyono, 2017). Therefore, it might be possible for the "confident" investor and creditor to provide more capital in a company that resulted in increasing the future earnings, therefore increasing earnings quality (Desai and Hines, 2003; Ivkovich, et.al, 2005). However, tax amnesty participants can be said indirectly admit that they were acting improperly in the past, something that might reduce confidence in the company. Tax amnesty related research currently focused only on the legal aspects. This article contributes by providing tax amnesty research in the context of financial information in the financial statements.

Tax amnesty had always become a political program, in which the success of the program will be an indication of taxpayer's trust in the government (Balliet and Van Lange, 2013; Hofman, et.al, 2014). Tax amnesty provides forgiveness and usually, it would be provided in a more simple approach, to attract more taxpayers to participate (Alm, et. al, 2009; Bayer, et.al, 2015). Previous researches have investigated how TA's assets will influence firm value, and what motivates the firm to participate in TA itself (Rinaldi, 2017; Sadaka and Ciptani, 2017; Widodo and Darmanto, 2017; Sari and Nuswantara, 2017; Natania and Davianti, 2018;). The previous research also had a little discussion about the earnings management role in tax amnesty's related decision. All those research have not fully investigated the cause-and-effect of implementation of SFAS 70. This research would give contributions in two ways: (1) explaining the cause of a tax amnesty's assets disclosure. (2) explaining the effect of tax's amnesty's disclosure. The immediate effect of the financial information would be investor perception about the company's performance, or firm value. By providing cause-and-effect analysis this research could explain the comprehensive story about how the tax items in financial statements interact with the firms and investors.

This research will investigate the public listed companies, since tax amnesty data is secretive, and the information concerning tax amnesty only be accessible in the public listed companies' financial statements. This research will also exclude the tax amnesty's liabilities for

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a sample adequacy purposes, since only 10 public listed companies that reported tax amnesty's liabilities. This research also employed several control variables to earning persistence: cash flow from operation, accrual, leverage, and size. The rest of the paper would be divided as follows: Section 2 would explain about literature review and hypothesis development, Section 3 would explain the research method, Section 4 would explain about the result and discussions, and Section 5 would conclude the article.

2. LITERATURE STUDY

Statement of Financial Accounting Standards Number 70

SFAS 70 provides two choices for initial measurement of tax amnesty's assets and liabilities: First, at the "deemed" value (value based on taxpayer's assessments as stated in the Notice of Tax Amnesty). Second, at the original value, as regulated in SFAS 25. There is no official data about the methods that mostly used by a taxpayer, however, judging the easiness and simplicity in procedure, many taxpayers were assumed to choose the former method. (Yustiari, 2016; Pratama, 2019) Although it was simple and easy, the relevance of the information provided was in doubt. Many taxpayers did not report the assets and liabilities in the correct amount. Although the taxpayer didn't do that on purpose, the limitation of knowledge in valuing assets or liabilities might taint the true value of assets or liabilities (Ahmed and Goodwin, 2007). The tax authority also not required to check for the "correctness and fairness" of the value. However, SFAS 70 provide the option for an entity that chooses to use a deemed value at the initial measurement, to remeasure the assets and liabilities to its fair value. There was also no official data explaining how many taxpayers utilize the option. However, remeasurement is a complex and costly process, and it might discourage the taxpayer to take the option (Buckwalter, et.al, 2013). The standards also provide option for company to re-measure the tax amnesty's assets and liabilities to the value which in accordance to accounting standards and practice, but reports from authorities showed that only a few companies take this option, the high appraisal fee and the nature of the unreported assets made company seldom to take the option (Farida, 2018).

Therefore, the validity and reliability of tax amnesty's assets number in valuing the companies' situation were in a very high doubt. SFAS 70's "relaxing" requirement provides easier accounting procedure, but in the other hand, SFAS 70 might hide the important information about company's tax management, therefore will reduce the positive perception of the investor (Natania and Davianti, 2018).

Firm Characteristics and Tax Amnesty

Every taxpayer conducted tax management, although the level of tax management may be varied across the firm (Gerger, 2012). Tax amnesty's administration can also be included as tax management activities (Farrar and Hauserman, 2016). The tax amnesty management objective is to make tax payments conducted efficiently. By participating in tax amnesty, the taxpayer's past noncompliance was forgiven, and to achieve that forgiveness, the taxpayer will seek the most efficient way (Baer and Borgne, 2008, Malherbe, 2011). In the corporation, decisions concerning tax management were affected by many factors, one of them was the firm's performance and positions (Feller and Schanz, 2016). This research looks at two proxies of firms' characteristics: Size and leverage. Profitability was not investigated since the tax amnesty's assets presentation cannot change the accounting income and also not affecting the fiscal income.

The size of the company was often perceived as a representation of the company's capability. However, on the contrary, the company's size also indicated the problem that the company face. the higher resources and capability might contribute to the positive long-term performance, and also a positive earnings persistence (Charitou, et.al, 2003; Frankel and Litov,

2009). Various tax-related research had shown that a large-size company tends to do more tax avoidance and management (Rego, 2003; Dyreng, et.al, 2008). The large-size company has access to the various infrastructure of tax management, and the large-size company can utilize more loopholes in tax laws, due to their higher frequency of complex transactions (Pratama, 2017). The complex transactions posed many risks, including risks of tax noncompliance (Hanlon and Heitzman, 2010). However, in the political cost perspective, the larger size of the company might also pose a risk and complexity that can bring negative consequences. Many large size companies were also involved in a complex scheme of earnings management that can reduce the firm value (Ali, et.al, 2008). Therefore, this research suggests that large-size company has higher risks of noncompliance, therefore the tax amnesty's assets measured must also be large. Hence, this research developed a hypothesis as follows:

H₁: Larger companies tend to have a higher amount of tax amnesty's assets.

Tax management goals, besides tax, were also to improve the financial condition of the company. Solvency was one of the financial ratios used to measure a company's financial condition. Solvency was related to the going-concern related problem, and any insolvency might affect the trust of investors and creditors (Minnick and Noga, 2010; Badertscher, et.al, 2013). Tax amnesty's assets recognition in the financial statements increased the assets and also the equity, which might improve the solvency ratio. Although the redemption fee needed to pay by cash, the discounted redemption fee tariff might not significantly influence the cash position of the company. The company with high leverage were usually subjected to various restriction, due to the debt covenant, and many companies with the high amount of leverage pretend to have a good condition by engaging in the creative accounting practice (Nissim and Penman, 2003; Moradi, et.al, 2010). Therefore, the presence of high leverage might reduce earnings persistence. Therefore, this research suggests that a company with a high insolvency ratio will have higher tax amnesty's assets. Hence, this research developed the hypothesis as follows:

H₂: High insolvent company tends to have a lower amount of tax amnesty's assets.

Earnings Management and Tax Amnesty

The financial statement reported earning periodically. The main concern about earning is whether the earning can truly represent the results or performance of the company (Ayers, et.al, 2009). Real business performance can be a good way to measure financial performance. However, the "creative accounting" could play a part to deceive investors and creditors. Accounting sometimes provides various methods, in which the results from those choices might also varied. The method used might distort the accounting numbers, and sometimes, the financial statement preparer tends to use a method to make earnings look bigger (Dechow and Schrand, 2004; Atwood, et.al, 2010). The bigger earnings number would satisfy short term, trading investors. The weaknesses of creative accounting are the company has to do different ways and methods each year to produce bigger earnings (Mulford and Comiskey, 2005; Jones, 2011). Investors and creditors mostly have a long term perspective, and they demand the company to have a stable, bigger income every year, in which it can be achieved by maintaining a positive business performance, not by a creative accounting practice (Wild and Subramanyam, 2011).

Tax amnesty's direct consequences are the recognition of the tax amnesty's assets (Waluyo, 2017). Tax amnesty's assets represented unreported assets that resulted from unreported income, usually as an accrual. Accruals were usually used for earnings management practice, therefore the presence of accruals might lowering the firm value, and required the company to do more creative accounting. (Dechow and Dichev, 2002; Oei, et.al, 2008) The amount can be determined freely by the taxpayer, which might not be correct per the related accounting framework and standards (Pratama, 2019). When taxpayers declared tax amnesty's assets and liabilities, many of them decide to disclosed less monetary amount of assets, so the redemption

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fee that needs to be paid by taxpayers might be reduced (Winarso and Panday, 2018). The standards itself also not required the company to present or disclose the tax amnesty's assets and liabilities into more specific accounts (such as cash, account receivable, etc) (Agustina, et.al, 2018). However, the tax amnesty's nature was to forgive all the taxpayer's past sins. By declaring the unreported assets, the assets were now official and can be utilized heavily for the company's operation. There is also a waive in an audit risk. Tax amnesty ensured that the assets were now safe and can be utilized to create more earnings, without the company have to worry about the negative consequences. Tax amnesty's assets were real but unreported assets. These assets already contribute benefit to the company's operation, but the nature of the assets was questionable (Kohlbeck and Warfield, 2007; Richardson, et.al, 2009). The hypothesis suggested was:

H₃: There is an influence of earnings management toward tax amnesty's assets.

Tax Amnesty and Firm Value

A relation between firm value and tax can be analyzed from the perspective of tax compliance against tax savings or developing against developed countries. (Salihu, et.al, 2015). In developed countries, the taxpayer compliance level already high, so the issue in the company is to decrease the tax payment in the company (Desai and Dharmapala, 2006; Jones and Catanach, 2016). Vice versa, tax compliance issue is very important for an investor in the developing countries. Indonesian investors still express considerable concern for tax avoidance. Tax avoidance can be classified as a noncompliance action (Pratama, 2017). The purpose of tax amnesty is to restore the company's tax compliance, and provide a framework for permanent compliance to the taxpayer (Kim.et.al, 2011). The tax compliance should be positive, and therefore the firm value should be affected positively. However, investors and creditors would like to analyze further tax-related information before making decisions (Jones, 2012). Tax amnesty's information is very secretive, hence investors and creditors currently can only access information related to tax amnesty's by analyzing financial statements (Junpath, et.al, 2016; Towery, 2017).

Financial statements under SFAS 70 and others, only provide limited information about tax amnesty. Most companies disclose only tax amnesty's assets. Only a few of them disclosed tax amnesty's liabilities and redemption fees (Pratama, 2019). An increase in the assets can be perceived as good news psychologically: It means solvency increases, liquidity increases, and more resources can be utilized for business (Koanantachai, 2013). However, there is a risk that tax amnesty's assets might exaggerate the true value of the resources. This asset was existed previously, so they already being used in the past and current business operations, so the inclusion of the assets should not increase the resource's capability (Agustina, et.al, 2018). Many previous kinds of research show that most of the tax amnesty's assets were only intangible assets or cash, which has no real direct benefit to the business operation (Nar 2015; Cahyono, 2017). Although, TA assets can be an indication of real assets, i.e the assets that would definitely generate cash flows in the business operation, but in another side might also be an "unidentified" assets, that were actually present long before TA, but not recognized in the financial statements (Das-Gupta, et.al, 1996). This research purpose was to determine how tax amnesty's information influencing firm value, therefore this research developed a hypothesis as follows:

H₄: There is an influence of tax amnesty's assets toward firm value.

3. RESEARCH METHODOLOGY

Variables in this research were tax amnesty's assets, firm value, earnings management, size, and leverage. The population is the company listed in the Indonesian Stock Exchange that participated in tax amnesty during 2016 – 2017. It is not possible to obtain the actual data of tax amnesty participants, due to the secrecy maintained by the Directorate General of Tax, so the participation is indicated by the information of the adoption of SFAS 70 in the company's financial statement. The total population is 552 data. From 552 data, 88 data were eliminated due to currency differences (used USD, while the common currency is IDR), 233 data were again eliminated, since they did not include any tax amnesty's asset in their statement of financial position, due to materiality concern, or the company voluntarily choose to remeasure the tax amnesty's assets to the accounting fair value. After the remeasurement did, the company classified the assets to the normal account, so it was difficult to predict how much the tax amnesty's assets in that situation, 147 companies were eliminated due to incomplete data, so the final data is 86. The data will be analyzed using multiple linear regression. Variable measurement can be seen in Table 1 below:

Table 1
Variable Measurement

Variables	Symbol	Measurement
(X ₁) Size	SIZE	Natural logarithm of total asset value
(X ₂) Leverage	LEV	Debt-to-equity (Total debt / Total equity)
(X ₃) Earnings Management	EM	Proxied using discretionary accrual model, measured by the Modified Jones model, as follows: $TAcc_{it} = \alpha + \beta_1(\Delta Sales_{it} - \Delta AR_{it}) + \beta_2 PPE_{it} + \varepsilon_{it}$ $TAcc_{it} = \text{Company's total accrual}$ $\Delta Sales_{it} = \text{Change in sales revenue amount from t-1 observation year to observation year}$ $\Delta AR_{it} = \text{Change in account receivable amount from t-1 observation year to observation year}$ $PPE_{it} = \text{Company's gross property plant equipment}$ $\alpha, \beta_1, \beta_2 = \text{Coefficient estimate of non-discretionary accrual}$ $\varepsilon_{it} = \text{error term (estimate of discretionary accrual)}$
(Y) Tax Amnesty Assets	TA	Natural logarithm of tax amnesty's asset value
(Z) Firm Value	FV	Measured using Tobin's Q. The equation of Tobin's Q can be derived as follows: $(\text{Total Market Value} + \text{Total Book Value of Liabilities}) / \text{Total Book Value of Assets}$

To answer all four hypotheses proposed in the previous section, this research used two models. The first model designated size, leverage, and earning management as independent variables and tax amnesty's assets as a dependent. The second model designated tax amnesty's assets as an independent variable and firm value as a dependent. In this second model, size, leverage, and earnings management were employed as control variables.

First model:

$$TA_t = \alpha_0 + \alpha_1 SIZE_{t-3months} + \alpha_2 LEV_{t-3months} + \alpha_3 EM_{t-3months} + \varepsilon \quad (1)$$

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Second model:

$$FIRM_{t+3months} = \alpha_0 + \alpha_1 TA_t + \alpha_2 SIZE_t + \alpha_3 LEV_t + \alpha_4 EM_t + \varepsilon \quad (2)$$

For the first model, the decision to participate in TA is based on the previous performance of company management. Therefore, the researcher set a 3 months lag period. For the second model, the investor valuing the firm needs to understand the information presented in the financial statement, therefore, the researcher set a 3 months lag period. 3 months lag period was deemed suitable to represent information flow in a weak market structure, like happen in Indonesia. The data will be analyzed using a multiple linear regressions model.

4. RESULT AND DISCUSSIONS

Descriptives

The descriptive and correlation of the data presented in Tables 2 and 3, respectively. From the firm characteristics, the mean values showed that firms that participated in the tax amnesty have high total assets and a high amount of leverage. These results confirmed that tax amnesty participation was related to the political cost theory. By participating in the TA, the taxpayer can eliminate the tax risks associated with noncompliance. TA participation was complicated in nature, therefore only large taxpayer that have adequate resources to participate in the TA (Winarso and Pandai, 2018). The correlation results also showed moderate positive results between TA and SIZE. Therefore, the correlation results supported the previous arguments. Descriptives showed that companies that participated in TA tend to have a high level of leverage. Companies can utilize debt to conduct tax avoidance practices such as thin capitalization or transfer pricing (Tondkar, et.al, 2005; Martins, 2012; Taylor and Richardson, 2013). Therefore, the descriptives showed us that high leverage companies used TA to purify the related party debt, which is often subject to various tax-related audits (Nekhili and Cherif, 2011; Armstrong, et.al, 2015). However, the correlation showed little to no correlation between leverage and TA assets. It was a normal result, since company debt can come from various financing activities, and many of the companies that participate in TA also tend to not present their TA liabilities since it can negatively affect the company's financial performance. TA assets amount was varied, the high level of standard deviation confirmed the findings. TA assets positively correlate with the SIZE and EM, on the other hand, SIZE and EM are also positively correlated. These results show that creative accounting practice did happen in the company that participates in the tax amnesty. Both tax amnesty and earnings management need a significant amount of resources, which can be afforded only by big companies. TA has little to no correlation to leverage. TA does not correlate with leverage, might be because TA assets cannot be related to certain particular liabilities, i.e the TA assets were a past unreported income that already becoming an asset. The firm value also has a very little positive correlation with size and moderate positive correlation with debt. The sign was different from previous researches concerning firm value, and it also has a low correlation, compares with the previous researches that indicated a high correlation. TA also has little negative correlation with firm value. This might be a sign that the investor took a cautious step in analyzing a firm that participates in TA. Although TA eliminates the tax risks of the firm, the results of the TA cannot be reliable, due to the uncertainty of law enforcement (Ibrahim, et.al, 2017).

Table 2
Descriptives

Measures	TA	<i>SIZE</i> <i>t-3months</i>	<i>SIZE</i> _{<i>t</i>}	<i>LEV</i> <i>t-3months</i>	<i>LEV</i> _{<i>t</i>}	<i>EM</i> <i>t-3months</i>	<i>EM</i> _{<i>t</i>}	<i>FV</i>
Mean	21.02701	28.40721	28.88774	1.554802	1.234696	0.08765	0.079391	1.396535
Maximum	31.57903	32.03987	32.04000	7.014855	7.590000	0.30000	0.280000	4.900072
Minimum	9.210340	23.55702	25.84000	0.707107	0.030000	0.09000	0.080000	0.746845
Std. Dev.	2.536938	1.596604	1.465728	0.372172	1.266257	-0.11200	-0.120000	0.511199

Table 3
Correlation

Variables	TA	<i>SIZE</i> _{<i>t</i>}	<i>LEV</i> _{<i>t</i>}	<i>EM</i> _{<i>t</i>}	<i>FV</i>
TA	1.0000	0.593**	-0.034	0.512**	-0.234*
<i>SIZE</i> _{<i>t</i>}	0.593**	1.0000	0.185	0.679**	0.060
<i>LEV</i> _{<i>t</i>}	-0.034	0.185	1.0000	0.279*	0.382**
<i>EM</i> _{<i>t</i>}	0.512**	0.679**	0.279*	1.0000	-0.142
<i>FV</i>	-0.234*	0.060	0.382**	-0.142	1.0000

Notes:

** : significant at $\alpha = 1\%$

* : significant at $\alpha = 5\%$

Hypothesis testing

In this section, the previous two models tested. The results of the test showed in Tables 4 and 5 respectively. In the first model, *SIZE* and *EM* positively influenced the *TA* assets, therefore confirmed the first and third hypotheses. *LEV* negatively influenced the *TA* assets, therefore confirmed the second hypothesis. The R-squared for this model was 38.50%. Generally, these results showed that the firm that participated in tax amnesty indeed had an objective to eliminate the tax-related risk caused by past noncompliance. The negative sign of the *LEV* indicated that the high debt company might have difficulties in obtaining cash to a paid redemption fee. besides, the company with high debt is more focusing on restructuring the financial condition of the company, therefore they were less enthusiastic in the *TA* program. In the second model, all of the independent variables influenced firm value. *TA* significant value is less than $\alpha = 1\%$, and *TA* had a negative sign, therefore the fourth hypothesis was accepted. This result was strengthening the argument that *TA* assets is a sign of noncompliance, and it was questionable nature. The distortion of the accounting recognition and measurement method added the concern to the investors that this might be a practice of creative accounting. The control variables showed common results. The sign of the *SIZE* and *LEV* was positive. Companies that have higher total assets are expected to have more resources to conduct additional activities that will improve the companies' business, therefore increasing firm value. This result also showed that debt is not always a burden for a company, but can be a tool for optimal capital structure. Generally, increases in leverage result in increases in risk and return. The *LEV* increased the firm value because debt is not subject to future tax monitoring. The debt can be viewed as a less costly source of capital compared to the equity, and in the tax perspectives, interest from debt can be deductible, therefore produce tax savings. The *EM* sign was negative. Earnings management was an unethical action that can reduce investor confidence in the company. The R-squared from this model was 26.28%, therefore showed that tax-related information still has little impact on the investors in analyzing company performance.

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Table 4
First model hypothesis testing

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-1.457291	3.037958	-0.479694	0.6328
SIZE	0.550558	0.142012	3.876845	0.0002**
LEV	-0.237639	0.112484	-2.112652	0.0377*
EM	0.284701	0.133143	2.138312	0.0355*
Adjusted R-squared	0.385182			
F-statistic	18.33313			
Prob(F-statistic)	0.000000**			

Notes:

** : significant at $\alpha = 1\%$
* : significant at $\alpha = 5\%$

Table 5
Second model hypothesis testing

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2.628334	0.291196	9.026002	0.0000**
TA	-0.022452	0.010701	-2.098051	0.0391*
SIZE	0.043333	0.014815	2.924997	0.0045**
LEV	0.045008	0.011063	4.068432	0.0001**
EM	-0.039045	0.013103	-2.979847	0.0038**
Adjusted R-squared	0.262848			
F-statistic	8.398873			
Prob(F-statistic)	0.000011**			

Notes:

** : significant at $\alpha = 1\%$
* : significant at $\alpha = 5\%$

Discussions

The results presented in the previous section provided many insights. First, tax amnesty participation interrelated with political cost theory. Company tax management activities tend to produce more aggressive tax planning and harmful tax activities (Wang, et.al. 2018). Large-sized companies tend to conceal more income since large-sized companies need to tend to large payments of dividends to its stakeholder, and it also needed to maintain safe cash flow for operational-related payment (Christensen, et.al, 2014; Kim and Zhang, 2015). By disclosing the higher amount of tax amnesty asset, it will reduce detection risk from the tax authority, since it was a normal condition for a big company to report big tax amnesty's assets (Austin and Wilson, 2017). A company that had a high level of debt would also need to maintain higher confidence to its creditor, by taking conservative action, and focusing on how to reduce the level of the debt by initiating restructuring and strategy plan. (Anderson, et.al, 2004; Zhang, et.al, 2013). Tax amnesty would create tax amnesty's assets that would increase the solvability level. Tax amnesty assets would also be perceived to increase the economic resources that the company had, therefore lowering the risks of not going concern problems in the company

(Gordon and Lee, 2001). Generally speaking, the results of the first model indicated that the taxpayer was very pragmatic when it comes to tax amnesty's decisions. These results could explain why the Indonesian tax amnesty program was very successful since the benefit of the program would indeed eliminate companies' risks, and therefore reduce political costs.

Second, tax amnesty participation indeed decreases the firm reputation. Indonesian investor was somewhat pragmatic, as it also the case for Indonesian taxpayer (Dvorak, 2005; Brahmana, et.al, 2012). Many Indonesian investors were looked at the bottom line of the financial information, i.e total assets, total liabilities, net income/loss, etc, therefore the detail of an information, the accounting recognition and also the measurement, and the accounting standards implementation, seemed not to analyze deeply by an investor (Suhari, et.al, 2011; Pertiwi and Yuningsih, 2019). Tax accounting was a conservative one (Jones and Catanach, 2016). It always measured the assets on the basis that would constitute the reliable calculations for tax. The income measured in terms of tax often based on operating cash flows rather than accruals (Hanlon, 2003). This could explain why the company with higher accruals and tax amnesty's assets would likely losing its value. Generally, the investor will react differently to the tax policy enacted by the government. If tax policy provides more tax savings for the company, the investor will react positively (Adu, et.al, 1992; Shackelford, 2000) However, investor will negatively react to the neutral or negative information, because in nature tax is an expense that needs to be reduced, and self-assessment system will always bring uncertainty to the tax, since the value can be re-assess by tax authority in uncertain future. (Robinson and Schmidt, 2013) Investors perceived the tax amnesty disclosures information as the information regarding non-compliance acts in the past (Towery, 2017). Noncompliance act reduces confidence in the investors since the risk-averse investor will choose a company that complies with the rules since the risk level of that company is much lower (Campbell, 2007).

Third, Indonesian investors also looked very cautiously concerning tax amnesty's impact on the company. There was an obligation for a tax amnesty participant to report the tax amnesty's assets balance and related transactions annually, not only in the tax return but in the specific forms (Hamilton-Hart and Gunther, 2016; Kusumawati and Sawardjuwono, 2019). Failure to comply with the rules would result in penalties and sanctions. Large size firm has more tendency to failed to report the tax amnesty's assets due to its complexity (Ibrahim, et.al, 2018). Large size firms also had bigger risks of unreported tax amnesty's assets, and it would reduce more investors' confidence, therefore for tax amnesty's participants, higher total assets equal to higher political costs. Tax amnesty's participant with a high level of debt would gain benefits to more interest expense. Compare with another cost of capital, interest can be less costly compared to dividends, since interest is a deductible expense, and therefore can produce tax savings (Clemente-Almendros, 2018). Although the company with higher debt face higher political costs, higher tax amnesty's assets would increase the company's reputation, hence generate more opportunity to acquire new debt, and reduce the interest costs. In general, there was an investor concern about post-tax amnesty. This research also showed that investors already incorporated some consequences of tax amnesty's participation in the valuation of the companies. This also explains why the results of the firm characteristics for the tax amnesty's participants were quite different from the normal situation. A company that participated in tax amnesty had a requirement to report tax amnesty's asset using specially designated forms, and the procedure to report the tax amnesty's assets were complex and risky (Waluyo, 2017).

This research showed that how the business world can be affected by the tax information. Desai and Dharmapala (2006) also stated that investors will view aggressive tax avoidance as a reduction in firm value, especially in a company with a lack of good corporate governance. Kim et al. (2011) stated that complex tax avoidance creates tools and manipulation schemes for managers to manufacture earnings and conceal negative operating outcomes for an extended period. However, in a company with strong corporate governance, tax avoidance will

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have a positive effect on firm value. Wang (2010) stated that companies with high-value transparency tend to conduct less aggressive tax avoidance, and tax avoidance practice is deemed as a normal practice of companies to yield tax savings. Globally, almost all tax amnesty achieve success, but this practice of tax amnesty keeps being repeated over and over by many countries. Alm et.al (2009) stated that although several advocates of tax amnesty thought that tax amnesty would increase tax revenue and future compliance, but several countries experience a very small increase in tax revenue, many honest taxpayers resent the government since tax amnesty provide "special treatment" for tax evaders, and tax evaders might reduce their compliance if they think there will be another tax amnesty opportunity in the future. Therefore, tax amnesty can always be viewed in the multiperspective approach and had positive and negative consequences for a business and country.

5. CONCLUSIONS

In the end, this research showed that tax amnesty's assets amount were influenced by the firm characteristics, and the decision to participate in the tax amnesty's can be driven to eliminate political costs associated with the company. This research also showed that although tax amnesty's assets increased the firm value, the consequences of tax amnesty's participation would increase future political costs, and provide more opportunities for safer tax savings. This research contributed by explaining that the company that participates in the tax amnesty was very opportunistic, they would gain the benefit, and tax amnesty helped them to conceal their unethical business behaviour.

This research provided us with another evidence that tax-related information is sensitive information for Indonesian investors, and in the end, the bottom line of the information was still a main source of information for most investors. This research also can provide information that tax management and earning management were interrelated. It can be suggested to the relevant authorities to introduce more disclosure and more awareness of the tax-related information to the investors. Since tax-related information not only showed the compliance level of taxpayers but can provide information about the financial prospects and burden of the company.

This research is not without limitations. The secrecy of tax amnesty information made all the information about tax amnesty can be only obtained in the financial statement. The disclosure of the tax amnesty in the financial statement was also limited to the amount of tax amnesty's assets and information concerning the date of the tax amnesty's related documentation and administration. The future researcher needs to do more exploration to overcome the obstacle if they want to research the post-tax amnesty era.

Finally, this research showed that tax amnesty related researches can be enriched, for the government to evaluate the demographic and behavioral characters of its taxpayer. This research can be expanded to include SME's since SMEs have less requirement of tax amnesty compare to the public companies, but the limitation of data prevents us to present the results in this paper. Next researchers can do more investigations on certain types of taxpayers and see how the tax amnesty's participation dynamics for these taxpayers.

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