



Tax Avoidance and Dividend Policy: Evidence from Indonesian State-Owned Enterprises

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ABSTRACT

This study aimed to investigate the relationship between tax avoidance and dividend policy with focus on state-owned enterprises (SOEs), in Indonesia. The populations are all Indonesian firms (SOEs and non-SOEs) listed in LQ-45 index. Samples were selected using purposive sampling method. Number of collected samples are 60 firms or 118 firm-year observations (2018, 2019, and 2021). Using Moderated Regression Analysis (MRA), this study found a positive association between effective tax rate and dividend yield for non-SOEs. The result also reveals that SOEs tend not to engage in aggressive tax avoidance, with an average effective tax rate of 19.9%. Therefore, if SOEs plan to manage their taxes to lower the effective tax rate, they may provide higher yield to shareholders compared to non-SOEs.

Kebijakan Penghindaran Pajak dan Dividen: Fokus pada Badan Usaha Milik Negara di Indonesia

ABSTRAK

Penelitian ini bertujuan untuk mengetahui hubungan antara penghindaran pajak pada kebijakan dividen dengan fokus pada BUMN di Indonesia. Populasi penelitian adalah perusahaan yang terdaftar di indeks LQ-45. Sampel penelitian ditentukan dengan menggunakan teknik purposive sampling dengan jumlah 60 observasi (2018, 2019 dan 2021). Dengan menggunakan Moderated Regression Analysis (MRA), hasil penelitian menemukan hubungan searah antara tarif pajak efektif dan dividend yield untuk perusahaan non-SOEs. Penelitian ini juga mengungkapkan bahwa BUMN cenderung tidak melakukan penghindaran pajak yang agresif, dengan rata-rata tarif pajak efektif sebesar 19,9%. Oleh karena itu, jika BUMN berencana mengelola pajaknya untuk menurunkan tarif pajak efektif, mereka akan memberikan imbal hasil yang lebih tinggi kepada pemegang saham dibandingkan dengan non-BUMN.

1. Introduction

Dividend policy is a crucial element for companies and investors, as it determines the number of profits distributed to shareholders. The importance of dividend policy has long been acknowledged in the finance literature, with several studies highlighting the factors that affect a company's dividend payout. One of the factors that has gained attention in recent years is tax avoidance,

which refers to legal methods used by companies to minimize their tax liability. Tax avoidance strategies can have a significant impact on a company's financial performance, and consequently, its dividend policy.

Managers have a tendency to do tax management of tax planning (Krisna, 2019). Companies with efficient tax planning are able to reduce taxes owed to have more effective use of working capital. This tax planning is part of tax

avoidance. Tax avoidance practice can be legal or illegal based on its aggressiveness. Hanlon & Heitzman, (2010) classify tax avoidance practice which are determined based on its aggressiveness. Very aggressive tax avoidance will lead to tax evasion practices but to the smallest degree is legal tax avoidance. Legal tax avoidance practices can be in the form of choosing an accounting method, adjusting transaction times, choosing a form of business, and so on. Managers can do tax saving by using the aggressive tax avoidance or conservative tax avoidance (Khurana et al., 2018).

The tax planning of each company can be different, especially companies whose majority shareholder is the government or the state. Le et al. (2022) argued that there is a dual agency problem in state-owned enterprises. Conflicts of interest can arise from shareholders in general with the management of the company as well as conflicts between shareholders by the state as the majority owner and other shareholders.

Another argument regarding the conflict of interest in taxes in state-owned enterprises is Desai et al., (2007). They argued that the state is the de facto majority owner of almost all companies. This statement can be justified because all companies share profits with the state through taxes. Companies are indirectly owned by the state and through tax regulations which affect corporate governance. Not only as 'pseudo' owners, the representation of the state also arises from stock ownership and managerial involvement. Jian et al. (2013) found companies with government/state ownership had a negative effect on tax avoidance activities, specifically in large companies.

There was a tendency for state-owned enterprises to produce book-tax difference a 3% - 5% lower. In terms of managerial involvement, Rustiarini & Sudiartana (2021) stated that 27% of manufacturing companies in Indonesia are controlled by board of directors or commissioners who have political connections to the government. This study shows that companies filled by government representatives tend to practice tax

avoidance more aggressively on compensation factors so that governance factors also affect the degree of tax avoidance even in state companies.

State-owned enterprise (SOE) are business entities whose capital is partly or fully owned by the state. As of March 2022, the number of SOEs in Indonesia is 41 companies (BPS, 2022). This number has dropped drastically since the dissolution of several SOEs, which in 2021 amounted to 107 SOEs. Of the 41 existing SOEs, 17 SOEs have been listed on the Indonesia Stock Exchange. Tax avoidance is a counterproductive concept for the government as the majority owner. The state obtains two sources of income from SOEs; taxes and dividends. Thus, tax avoidance will reduce state revenue as the majority owner. However, other shareholders (non-state owner) will receive a less than optimal wealth distribution if management does not carry out legitimate tax planning.

Although there is a tendency for less tax avoidance practices for state-owned enterprises, Hilling et al. (2021) argued that companies with no state ownership also do not always choose to reduce their tax liability. On the other hand, companies with state ownership also do not always result in zero tax savings. However, on average, the deviation of the effective tax rate for state-owned enterprises is 14% higher. This means that state-owned enterprises do not have external pressure to practice tax avoidance.

This finding is supported by Bradshaw et al. (2019) who justified the high effective tax rate for state-owned companies and this is associated with the incentives received by the board of directors and commissioners. Manurung & Hutabarat (2020) also found that the audit committee also had an effect on increasing the effective tax rate on state-owned companies in Indonesia. Thus, there are empirical indications that state-owned enterprises tend not to prioritize tax avoidance in creating corporate value for shareholders. Although government as majority owner of state-owned enterprises can have huge revenue from dividends, for the government/state perspective, dividends are a cost of capital that must

be distributed to other shareholders while taxes will be fully distributed to the government/state.

In this paper, we take a new and different approach to the dividend puzzle issue. Despite the growing interest in both dividend policy and tax avoidance, there remains a significant literature gap regarding the relationship between these two topics, leaving much to be explored in future research. Good governance can result in effective tax planning so as to improve the welfare of shareholders. However, companies with state ownership are empirically proven to produce higher effective tax rates so the distribution of wealth to other shareholders also reduced (Hilling et al., 2021; Jian et al., 2013; Le et al., 2022). These findings indicate that the government as the main controller has a fairly strict governance in tax management and reduces the stimulation of tax savings. This research can be a form of empirical validation of Indonesia's evidence.

Secondly, the distribution of dividends is a cost of capital for the company. Investors ideally want company's growth and dividends which are trade-off in accounting concepts. Dividends come from the profit that the company generates from a period. The higher the profit, the greater the dividend distributed. Rahmawati & Saerang (2014) and Zain (2018) examined dividend policy in state-owned companies which show that profitability affects dividend payout ratio. However, Anwar & Purbawati (2018), found that in a multi-sectoral population, state ownership does not significantly affect the company's dividend policy. These inconsistent results need to be elaborated. This study will use two proxies for dividend policy; dividend yield and dividend payout ratio. With these two proxies, the results of this study can provide a more in-depth answer regarding the behavior of the government as the majority shareholder in influencing the dividend policy of state-owned companies.

This study offers two significant contributions to the field. Firstly, it investigates the phenomenon of tax avoidance from the perspective of the state as the majority shareholder. Tax avoidance practices

are often associated with policies that benefit shareholders at the expense of the state. However, taxes are a primary source of income for governments, leading to potential agency problems that are addressed in the findings of this study. Secondly, the results of this research enhance the existing literature on dividend policy as a cost of capital in state-owned enterprises. Dividends are an additional source of income for the state through SOEs, thus a greater tax burden may result in a decrease in the share of dividends distributed. This is because dividends are typically distributed based on the percentage of profit after tax. Therefore, it is crucial to consider the impact of tax avoidance on dividends, as the benefits of such practices will ultimately affect the distribution of wealth among owners. However, this issue also creates a conflict for the state as the majority shareholder due to the inherent implications of its ownership. Research exploring the relationship between dividend policy and tax avoidance, with a specific focus on state-owned companies, is a relatively novel area of investigation that has the potential to reveal new insights into the behavior and decision-making of these unique entities.

One area that has received little attention in the literature is the effect of tax avoidance on dividend policy in state-owned companies. State-owned companies are unique entities that operate in a different regulatory environment and have different objectives compared to their private counterparts. As such, it is unclear whether tax avoidance has a similar effect on dividend policy in state-owned companies as it does in private companies. This research aims to address this gap in the literature by examining the relationship between tax avoidance and dividend policy in state-owned companies. The findings of this research will provide valuable insights for policymakers, investors, and managers in state-owned companies.

Finally, this article is written based on the following structure. A literature review and theoretical foundation are presented in section 2. Section 3 will present sample and population data,

research indicators, and research methods to investigate the tax avoidance and SOEs effect on dividend policy. Section 4 describes the findings and results for answering the research question. The last section, section 5, presents the conclusions of this study.

2. Theoretical framework and hypothesis development

SOE's tax avoidance

Tax avoidance refers to the legal use of tax laws to reduce one's tax burden. It is distinct from tax evasion, which involves the illegal non-payment or underpayment of taxes. There is a large body of literature on tax avoidance, with various studies examining the determinants and consequences of this behavior. Tax avoidance also has many related terms included various concept like, 'reduction', 'noncompliance', 'sheltering', 'aggressiveness' and so on. This study defines tax avoidance as an activity to reduce taxes in order to improve the welfare of the owner (Rezki et al., 2020). Hanlon & Heitzman, (2010) also define tax avoidance broadly as the reduction of explicit taxes. Tax avoidance is a rational strategy of business owners in order to maximize their wealth.

Recently, many researchers studied the tax avoidance activities on state-owned enterprises (SOEs). SOEs are entities that have a majority of their shares owned by the government. Tax avoidance activities should not be relevant to SOEs. Bradshaw et al., (2019) show that tax avoidance activities by SOEs do not occur significantly compared to non-SOE entities. Unlike Chen et al. (2021), tax avoidance activities tend to be carried out by SOEs when there is a new president. This is known as political turnover. Wang et al. (2020) provide a more nuanced argument by questioning how tax avoidance practices occur in mixed ownership entities owned by the private sector and the government. The result of the study is they found significant negative relationship between a firm's mixed-ownership reform intensity ratio and the degree of corporate tax avoidance in China.

Overall, the literature suggests that tax avoidance is a complex and multifaceted issue that inarguably occur in SOEs companies. While tax avoidance may provide some short-term benefits to companies, it can also have negative consequences in the long run.

Dividend policy

Dividend policy refers to the decisions that a company makes regarding the distribution of its profits to shareholders in the form of dividends. There is a long-standing debate in the financial literature on the determinants and consequences of dividend policy.

One of the main arguments in favor of dividends is the signaling effect (Ambarish et al., 1987; Asquith & Mullins Jr, 1986; John & Williams, 1985; Vieira & Raposo, 2007). According to this view, firms that pay dividends are able to signal to the market that they have a stable and predictable stream of earnings. This can increase the perceived reliability of the firm and lead to a lower cost of capital.

Another argument for dividends is the clientele effect (Lewellen et al., 1978; Litzenberger & Ramaswamy, 1979; Mori, 2010; Pettit, 1977), which suggests that different types of investors have different preferences for dividends. For example, some investors, such as retired individuals, may prefer a steady stream of income from dividends, while other investors may be more interested in capital gains and prefer that the company retain earnings for investment purposes.

On the other hand, there are also arguments against dividends. One concern is the agency problem, which arises when the interests of managers and shareholders are not aligned (Miller & Rock, 1985). In this case, managers may be motivated to pay dividends in order to increase their own compensation, even if it is not in the best interests of the firm or its shareholders. There is also the issue of the tax treatment of dividends. In some countries, dividends are taxed at a higher rate than

capital gains, which can make them less attractive to investors (Yu et al., 2021).

Hypotheses development

The relationship between corporate taxation and dividend policy has been reciprocally studied in the last decade (Alzahrani & Lasfer, 2009; Anderson et al., 2022; Chkir & Saadi, 2008; Estralita Trinawati, 2019; McClure et al., 2018). Some studies expect a positive effect between tax avoidance and dividends. Dividend distribution is an important agenda for companies to distribute wealth to shareholders. The higher dividends indicate that there is a greater tendency for companies to engage in tax management. However, dividends also have tax consequences. Amiram et al., (2019) proved that dividend taxes also affect the company's tax management activities. For public companies, this positive relationship needs to be at a certain equilibrium point.

The relationship between dividend policy and tax avoidance may differ in state-owned enterprises (SOEs). In this type of entity, majority shareholders (the government) do not solely depend on dividends as their primary source of income but receive revenue from other sources, which is the tax paid by the company. Given this context, there are several alternatives, SOEs could maximize all revenue stream by not engaging in significant tax avoidance and distributing dividends in optimal amounts or SOEs could maximize only tax revenue and pay less dividend to reduce firm's cost of capital. These alternatives require empirical confirmation in the Indonesian context. Therefore, building upon the literature reviewed, this study posits the main hypothesis below:

Ha: State-owned enterprises moderate the relationship between tax avoidance and dividend policy.

The hypothesis is based on the unique characteristics of state-owned enterprises, which

may moderate the relationship between tax avoidance and dividend policy. We expect that state-owned enterprises will have different objectives and governance structures compared to non-state-owned companies, which may influence the relationship between tax avoidance and dividend policy. This hypothesis is also based on the idea that state-owned enterprises may be less concerned with maximizing shareholder value compared to non-state-owned companies, and thus may be less affected by tax avoidance strategies.

3. Research method

The results of this study elaborate on the effect of tax avoidance on dividend policy with SOEs moderation in Indonesia. This particular research utilizes a quantitative method, specifically moderated regression analysis, to empirically examine the relationship between dividend policy and tax avoidance in state-owned companies. The data used is secondary data derived from publicly available company financial reports. The population of this research is all companies that have ever been listed on the LQ-45 index in the period of 2018 - 2021. The selection of the LQ-45 index is based on the fact that the majority of SOEs are listed on this index.

The LQ-45 index also consists non SOEs which regularly distribute dividends. The research period is controlled by excluding all sample data for 2020. The company's performance in 2020 was greatly affected due to the COVID-19 pandemic. The COVID-19 pandemic has had a significant impact on the company's financial performance (Esomar & Christianty, 2021; Lowardi & Abdi, 2021; Pandiangan et al., 2022; Sullivan & Widodoatmodjo, 2021). Therefore, this research is controlled for the time period so that the research results are not distorted by pandemic factors. The summary of the sample used in this study based on purposive sampling method as follows:

Table 1. Research sample

Criteria	Firms count	Firm-year data
Number of firms ever registered on LQ45 index during 2018, 2019, 2021	60	180
Companies that never distribute dividend during 2018, 2019, 2021	(12)	(36)
Number of periods where firms do not distribute dividend	-	(26)
Total observations	48	118

Variables

Dividend policy were measured by two proxies; Dividend Payout Ratio (DPR) and Dividend Yield (DY). The use of two proxies in order to deepen the research results. The DPR and DY proxies provide distinct information. DPR serves as an indicator of the company's fidelity in allocating net income towards dividend distribution. On the other hand, DY offers insights into the magnitude of return investors obtain per share. The scope of DPR value holds greater relevance to the company, while DY value is more pertinent to shareholders. Given the focus of this research on state-owned enterprises (SOEs), the inclusion of both DPR and DY is essential as it allows the government or state to assess the DPR and DY values individually, warranting separate attention.

The tax avoidance variable was measured using the ETR formula. The ETR formula used is Current ETR which is calculated based on current tax expense divided by profit before tax (Megeid, 2021; Tanjuyaya, 2020; Bradshaw, 2018). The moderating variable employed in this study is state ownership (SOE), which is assessed using a dummy variable with a value of 1 assigned to SOE companies and 0 assigned to non-SOE companies. In this study, SOE companies are defined as limited liability firms whose shares, either directly or indirectly, are owned by the Republic of Indonesia and are listed on the Indonesia Stock Exchange. Additionally, the research model incorporates control variables such as Return on Equity (ROE) and the natural logarithm of total assets (SIZE). These control variables are utilized to account for their potential influence on the relationship being examined.

Models

We use the following regression model for main analysis:

$$DPR = \alpha_0 + \beta_1 ETR_{i,j} + \beta_2 SOE_{i,j} + \beta_3 SOE \times ETR_{i,j} + \beta_4 ROE + \beta_5 SIZE + \varepsilon_i \quad \dots\dots\dots (1)$$

$$DY = \alpha_0 + \beta_1 ETR_{i,j} + \beta_2 SOE_{i,j} + \beta_3 SOE \times ETR_{i,j} + \beta_4 ROE + \beta_5 SIZE + \varepsilon_i \quad \dots\dots\dots (2)$$

Models (1) and (2) are models that measure the effect of tax avoidance on corporate dividend policy with the moderation of state-owned companies. Models (1) and (2) in this study will be tested using Moderated regression analysis (MRA). MRA analysis is used because it can examine the impact of tax avoidance on dividend policy in state-owned companies. State-owned enterprises (SOEs) have a moderating variable role because of the inherent characteristic of firm's capital structure on SOEs. The state or government has a majority interest in the capital structure of SOEs and may exert more control over their financial decisions compared to non-SOEs. Furthermore, SOEs may have different priorities when it comes to their dividend policy compared to non-SOEs. For example, they may prioritize social objectives such as job creation or infrastructure development over maximizing shareholder value through dividends. Therefore, by examining the relationship between tax avoidance and dividend policy with SOEs as a moderating variable, we can gain a better understanding of the complex dynamics between the government, SOEs, and their financial decision. MRA-based testing can test the strength of the interaction of variables between the subjects of state-owned and non-SOE companies. Both models will focus on the impact of

the ETR variable on dividend policy and examine the value of β_3 in each model to conclude the effect of state-owned companies in dealing with agency conflicts with the government acting as the owner and tax collector.

4. Results and discussion

The purpose of this study is to investigate the effect of tax avoidance on the determination of dividend policy with a focus on state-owned companies. Before the regression analysis was tested, the data will be described descriptively. The total companies listed on the LQ45 index during the study period were 60 companies. There were 12 companies that did not distribute dividends respectively during the research period, so this research used 48 companies or the equivalent of 144 samples (firm-years). In addition, there are 26 samples that do not distribute dividends so that the final data processed in this study are 118 samples.

Table 1 presents descriptive statistics for each research variable. The dividend policy variable which has the DY and DPR proxies shows a fairly ideal average value. The DY value of 4.21% indicates that on average, LQ45 companies distribute dividends of 4.21% of the price per share. The DY for state-owned companies is lower on average than yield given by non-state-owned companies. The value of the standard deviation is greater than the average, indicating that the distribution of DY is quite varied. The same pattern

also applies to DPR ratio. The DPR value for state-owned companies is 6% lower. A lower DPR value indicates a less distribution of wealth among shareholders. As the majority owner, SOEs has a moderate dividend policy by providing both DY and DPR lower than non-SOE companies.

The phenomenon of tax avoidance can be identified using the effective tax rate (ETR). The average ETR value is 21.39%. This number is within the range of Indonesia's corporate tax rate, which is between 19-25% (25% rate before 2020; 22% rate after 2020). Indonesia has special provisions for public companies that receive a 3% tariff reduction facility (excluding subsidiaries). Thus, descriptive tax avoidance measures are at a reasonable threshold. Plus, the standard deviation value of 10.18% indicates that the distribution of the data is not too varied.

Profitability proxied by ROE shows an average value of 19.1%. This value is quite high because the sample taken comes from the LQ45 index. In addition, companies that do not distribute dividends are also excluded from the sample which makes the selected ROE a selective ROE value. Company size, which is represented by total consolidated assets, shows an average of Rp. 184.06 trillion with the average assets of SOEs being much higher. A higher standard deviation value indicates a heterogeneous distribution of data between each sample. ROE and SIZE will be the control variables in this study.

Table 1. Description statistics of variables

Variables	Abr.	SOE (n = 41)		Non-SOE (n = 77)		Total (n = 118)	
		Average	Std Dev	Average	Std Dev	Average	Std Dev
Dividend yield	DY	0.037	0.043	0.045	0.049	0.042	0.047
Dividend payout	DPR	0.396	0.273	0.454	0.303	0.434	0.293
Tax avoidance	ETR	0.199	0.116	0.222	0.093	0.214	0.102
Profitability	ROE	0.126	0.072	0.225	0.255	0.191	0.215
Company's size	SIZE	352.561	512.027	94.349	198.003	184.067	361.032

Note: DY is calculated based on the value of dividends per share divided by the closing price of shares at the beginning of year t. DPR is the percentage of dividends distributed at t+1 divided by profit in year t. ETR is a tax rate calculated based on the amount of current tax divided by profit before tax. SOE is a dummy variable where 1 if it is a state-owned company and 0 if it is a non-state-owned company. ROE is measured using the total net income divided by total equity at t. Finally, SIZE is measured based on the natural logarithm of total assets at t.

The correlation coefficient among variables is quite low with a coefficient value below 0.5 in almost all variable relationships (Table 2). The highest coefficient value of 0.622 between DPR and DY and significant at the 1% level indicates a strong positive correlation between the dividend policy proxies in this study. The ETR variable also shows a significant relationship to dividend policy. The positive correlation between ETR and DY and DPR shows the tax avoidance activity doesn't occur

aggressively in Indonesia. As in the previous descriptive statistics, the average value of the ETR variable is at the level of 21.4% which is a fairly ETR value. In addition, the correlation between the independent variables does not show any indication of multicollinearity. The results of the multicollinearity test also show that the four independent variables have a VIF value below 10 so it can be concluded that there are no symptoms of multicollinearity.

Table 2. Correlations between variables

	DY	DPR	ETR	SOE	ROE	SIZE	VIF
DY	1						-
DPR	.622***	1					-
ETR	.172*	.217**	1				1.014
SOE	-.014	-.098	-.115	1			1.216
ROE	.382***	.359***	.200**	-.302**	1		1.083
SIZE	-.026	-0.145	-.036	.360**	-.236**	1	1.213

Note: *. Correlation is significant at the 0.10 level | **. Correlation is significant at the 0.05 level | ***. Correlation is significant at the 0.01 level.

In the initial test, the test results showed abnormal data on the two residual models. Therefore, the DPR and DY variables are transformed into natural logarithms. Moderation regression test results for the two research models are presented in Table 3. Both models have a good Goodness of Fit with a significant Prob > F value at the 1% level with a fairly low coefficient of determination at the 14% and 16% levels.

The ETR variable in the moderated regression model shows a positive and significant effect at the 1% level. A positive beta value indicates that an increase in tax rates is associated with an increase in dividend policy that benefits shareholders of non-state-owned companies. The findings for the DY and DPR variables also support this relationship, suggesting a correlation between the number of dividends received and the yield of the dividends. This finding is slightly contrary to the initial assumption that companies tend to avoid tax because of different interests in order to maximize the distribution of wealth to shareholders. Thus, the

results of the study imply a low level of tax avoidance activity in the research sample which is also supported by the results of statistical descriptive analysis and correlations. A positive beta value indicates that companies that pay more taxes will also pay more dividends. The rationale of these findings relates to the control variables tested. ROE as a proxy for profitability shows a positive effect with a large coefficient. Paying more dividends when the company pays more taxes due to the high profitability of the company. These results are consistent with the findings of Barros et al., (2020) and Permatasari & Atiningsih, (2021). Barros et al., (2020) asserts that under the condition of a company with a low level of tax avoidance (high ETR), shareholders tend to want higher dividends. In general, shareholders want high dividend distributions especially in high profitability situations even in condition where tax avoidance mechanisms are difficult to achieve.

This study focuses on state-owned companies, whose majority shareholder - the state - receives

revenue from both taxes and SOE dividends. The results in Table 3 show that state-owned companies have a higher dividend yield (DY) than non-state-owned companies. The beta value of the SOE variable is positive and statistically significant at the 1% level in Model 1. The SOE variable also has a positive beta value in Model 2, although it is not statistically significant. These findings indicate that state-owned companies have a more favourable dividend policy for investors compared to non-state-owned companies.

The primary objective of this research is on β_3 test. In Model 1, the regression coefficient shows significance at the 1% level. The interaction variable shows a coefficient value of -5.944 which means the ETR coefficient for SOEs companies is -2.495 (3.450 – 5.944). The interaction between tax avoidance and dividend yield in state-owned companies is negative which will lower the dividend yield. So, if the SOEs companies expect to do tax avoidance (low ETR), it will produce higher dividend yield. On the contrary, if SOEs companies do not consider to manage their tax (high ETR), then the value of dividend yield is lower. Considering the average effective tax rate of 19.9% which is close to the general rate of Indonesian corporate income tax, SOEs companies tend not to do aggressive tax avoidance which empirically has an impact on higher dividend distributions. This argument is supported by research by Bradshaw (2019) which

found that state-owned companies generally do not practice tax evasion. This study has successfully demonstrated that from the perspective of the government as the largest shareholder of state-owned companies, there are efforts to secure high dividend income, even though income has already been obtained through corporate income tax. Two potential motivations for this include maximizing state revenues from state-owned companies with high profitability, and regulating dividend yield to benefit minority shareholders and influence market sentiment towards state-owned enterprises.

In model 2, the SOE as moderating variable also has a negative effect but not statistically significant. The beta value of ETR for SOEs companies is also still positive: 1.216 (2.662 – 1.446). The government does not prioritize the DPR ratio as a ratio measuring dividend benefits. For shareholders view, DPR is not a powerful ratio. This ratio does not offer direct insights into the specific magnitude of profits received by individual shareholders. Furthermore, given that shareholders may have distinct acquisition points, it becomes evident that their varying positions impact the interpretation of this ratio. Consequently, the lack of significance observed in the SOE×ETR interaction variable within Model 2 indicates that the effective tax rate does not play a significant role in determining the value of the dividend payout ratio (DPR) for state-owned enterprises (SOEs).

Table 3. Regression results

Variables	Beta	
	Model 1 (DY)	Model 2 (DPR)
Constant	-1.383	2.574
ETR	3.450***	2.662***
SOE	1.218***	0.325
SOE×ETR	-5.944***	-1.446
ROE	1.195***	1.141***
SIZE	0.042	0.004
R-Squared	0,141	0,161
Prob > F	3.650***	4.259***

Another finding from this study is that in non-state-owned companies, the relationship between tax rates and dividend policy is positive. It means if the company avoids tax, the company tends to reduce the cost of equity through a decrease in DPR and DY. Tax avoidance as well as reducing the cost of equity is reasonable because for non-state-owned companies, they tend to save costs with the aim of company's growth in the future. Coupled with descriptive statistical support which shows that more than 50% of profit after tax is allocated as retained earnings, it shows a great opportunity for the company to grow in the future. However, there is different direction for state-owned companies, the relationship between tax rates and dividend policy is negative. If the company avoids tax, the company tends to distribute more dividends. The state generates income through taxes, but state-owned companies tend to have a low effective tax rate of 19.9%. At the same time, the government also earns income from dividends distributed by state-owned companies. Dividend income received by the state as the majority owner may be considered secondary income. However, there is still a third income/benefit from the dividend policy, which is the dividend income tax in Indonesia.

Prior to 2021, shareholders will be subject to a 10% dividend tax rate for certain shareholders. That is, the dividend tax can be a third income for the government confirmed in this study through the opposite negative relationship with other public companies. Thus, the SOEs' dividend policy that benefits other minority owners is another income received by the state as the owner of the SOEs. Dividend tax problem has actually become a popular discussion for tax actors in Indonesia. Fitriandi (2019), argues that the tax on dividends is a double taxation practice that needs to be adjusted/abolished. This opinion was later supported with the issuance of PMK-18/PMK.03/2021 which regulates the exception of dividend tax. However, this exception still provides benefits to the state through dividend reinvestment activities even though it is long term.

5. Conclusions

In summary, this study aimed to investigate the differences in dividend policy between state-owned companies (SOEs) and non-state-owned companies, as well as to explore the relationship between effective tax rate (ETR) and dividend policy in Indonesia. The results indicate that SOEs tend to produce dividend policies that benefit shareholders compared to non-SOEs companies. The effective tax rate has a statistically significant effect on dividend policy, with non-SOE companies showing a positive relationship between ETR and dividend yield (DY) and dividend payout ratio (DPR), indicating a tendency to maintain profits for company growth. In contrast, for SOEs, ETR has a negative effect on DY, suggesting a prioritization of maximizing state revenue through taxes and dividends. These findings provide insights into the behavior and decision-making of SOEs in Indonesia and highlight their significance as a significant source of state revenue.

Overall, this research offers practical and theoretical implications for investors, academics, and policymakers. From a practical perspective, the findings can assist investors in making informed decisions regarding the dividend policy of SOEs and non-SOEs companies. Furthermore, this research highlights the need for policymakers to consider the impact of tax regulations on SOEs' dividend policy and their role in contributing to state revenue. Theoretical implications include advancing the literature on the relationship between dividend policy and tax avoidance, particularly in the context of SOEs.

However, this study has several limitations. Firstly, the research only focuses on SOEs listed on the LQ45 index, limiting its generalizability to all state-owned companies. Secondly, this research only examines the Indonesian context and may not be applicable to other countries with different tax regulations and institutional frameworks.

Therefore, future research could expand the study's scope by examining more SOEs in Indonesia and other countries. Additionally, future studies could explore the impact of other factors on dividend

policy, such as firm size, profitability, and ownership structure. Overall, this research provides a foundation for future research on the topic of dividend policy and tax avoidance in the context of SOEs.

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