

# THE INFLUENCE OF FIRM SIZE, PROFITABILITY AND SALES GROWTH ON TAX AVOIDANCE

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## Abstract

Taxes are a country's main source of revenue, and they fund national progress. Taxes lower a company's profit after tax. So corporations can conduct various activities that don't diminish their profits after paying taxes, for example, by engaging in tax avoidance, a taxation violation that tries to reduce the tax burden by using tax provisions without breaching applicable legislation, Firm size, profitability, and sales growth are independent variables, whereas tax avoidance is the dependent variable. This study examines whether firm size, profitability, and sales growth affect tax avoidance. This analysis includes 155 Indonesia Stock Exchange-listed manufacturing companies between 2016 and 2020. Quantitative research the study sampled 31 companies using purposive sampling. The t-hypothesis was tested using multiple linear regression and EVIEWS 10 software with a 5% significance threshold. Results indicated that firm size, profitability, and sales growth harm tax avoidance. Simultaneously, firm size, profitability, and sales growth affect tax avoidance.

**Keywords:** Tax Avoidance, Firm Size, Profitability, Sales Growth.

## INTRODUCTION

Taxes are a country's source of income used to fund national development, such as facilities or infrastructure (Mehtar, 2017). People who pay taxes are called taxpayers, commonly individuals and entities that have the right to pay taxes and other obligations as regulated by the tax laws and regulations within Article 1 Paragraph 2 of Law No. 16 of 2009. However, companies see tax as a burden that reduces their net profit, and as a result, the company will take various efforts to keep its net profit from decreasing significantly. One of the efforts is to avoid tax. Tax avoidance is a tax management strategy aiming to reduce taxes by utilizing tax provisions while not violating applicable regulations (Sikka & Willmott, 2013). Broadly speaking, tax avoidance is carried out in 3 ways: (1) by delaying income; (2) tax arbitrage by taking advantage of the difference in rates that are generally related to individual taxpayers; and (3) tax arbitrage by taking advantage of different tax treatments (Nurlis et al., 2021; Prebble & Prebble, 2012).

Tax avoidance is deliberately done by companies to minimize the amount of taxes to be paid and increase their cash flow. Tax avoidance increases tax savings, which potentially reduces tax payments by increasing cash flow (Guenther et al., 2019). In addition, tax avoidance has a complicated and unique problem because it is permissible but, on the other hand, it is also undesirable (Syura & Arfan, 2020). This research uses the cash-effective tax ratio (CETR) to measure tax avoidance. The methods used to evade taxes vary widely and are generally used to cover up the truth in order to avoid taxes. Tax avoidance practices can be carried out in

various modes, for example: (1) the franchisor mode, namely by making financial reports appear to be a loss; (2) the mode of purchasing raw materials from a group company. Purchases of raw materials are made at high prices from companies within a group that is established in low-tax countries; (3) the mode of borrowing or selling bonds to affiliates of the parent company and paying back installments with very high interest; (4) the mode of shifting business costs to countries with high tax rates (cost centers) and transferring profits to countries with low tax rates (profit centers). Thus, the company's profits are viewed as small, and there is no need to pay corporate taxes; (5) the mode of attracting higher dividends is by concealing royalty fees and management services to avoid corporate taxes; and (6) the final mode is to reduce sales turnover (Tarjo et al., 2021).

Cases of tax avoidance have occurred a lot at this time; one example is the case that occurred in the Adaro Energy South Kalimantan coal mining area, which is the largest coal company in Indonesia and is owned by entrepreneur Garibaldi Thohir. The Global Witness report stated that the foreign company network PT. Adaro Energy Tbk took this step through a subsidiary in Singapore called Coaltrade Services International by dividing it into two. First, PT. Adaro Energy sold coal mined in Indonesia at low prices to Coaltrade for resale by its subsidiaries at high prices between 2009 and 2017. Global Witness notes that more than 70% of the coal sold by Coaltrade comes from Adaro's coalmines in Indonesia. The two Global Witnesses are of the opinion that Coaltrade receives commissions from third parties and other Adaro subsidiaries. The coal sales commission was valued at around US\$4 million per year before 2009. Then, from 2009 to 2017, that figure changed to US\$55 million per year.

Furthermore, the Tax Justice Network said there were cases of tax avoidance in which Indonesia was estimated to have lost up to \$4.86 billion in US dollars, or IDR 68.7 trillion in rupiah (based on IDR 14,149 per US dollar). According to the report "State of Tax Equity 2020: Tax Justice in the Age of COVID-19" by the Tax Justice Network, corporate tax avoidance in Indonesia is \$4.78 billion, or equivalent to IDR 67.6 trillion VND. Meanwhile, the remaining \$78.83 million, or around IDR 1.1 trillion, came from individual taxpayers. In addition, multinational companies transfer profits to the state, which is considered a tax utopia. This is done in order not to report the amount of profit actually obtained from the country where the business is located. Thus, a business entity that engages in this practice ends up paying less tax than it should. Then, in the case of individual taxpayers who belong to the upper classes of society, they hide assets and income declared abroad in order to avoid the reach of the law in their country.

The Ministry of Finance has firmly determined the tax revenue target for 2020 to reach IDR 1,198.82 trillion. Thus, the estimated avoidance is equivalent to 5.7 percent of the final 2020 target. At the equivalent value of tax avoidance, it is estimated to be equivalent to 5.16 percent when compared to the 2019 tax revenue realization of IDR 1,332 trillion. Tax avoidance actions are certainly not justifiable. After all, taxes are one of the ways the community provides assistance, which is then managed by the government for the benefit of the community, particularly in the fight against the COVID-19 pandemic. Meanwhile, the amount of avoidance by corporations and individual taxpayers reached 1.09 million salaries for medical staff.

Referring to health promotion in the National Economic Recovery Program, tax avoidance of IDR 68.7 trillion can cover 70.5% of the total medical limit of IDR 97.26 thousand billion. Factors that influence tax avoidance are firm size, return on assets (profitability), and sales growth (Puspita & Febrianti, 2017). When a company has a large size and generates profitability (profit) due to the steady growth of its sales over a certain period, the company tends to be subject to large tax costs, and of course, the company does not want this kind of tax payment because a company always wants gains. Huge profit even after tax. This will affect the quality of the financial statements of the company. So, if the company believes that the tax burden being borne is too large or heavy, it will ask management to take various measures to alleviate this, such as tax avoidance.

The firm size, which is determined by the assets belonging to one entity, can be used to manage the company. The larger the company, the more relevant its size is to the financial decisions that it will take to optimize its value. Therefore, it can be said that as companies grow, the state will become more and more the center of attention and give rise to tax avoidance tendencies. Profitability is the ability of a business to generate profit at certain levels of sales, assets, and equity over an exact period of time. Profitability includes several metrics, one of which is the return on assets (ROA). ROA measures a business's effectiveness in using its resources. A "profitability indicator" is a form of assessment of the effectiveness of managing a company's assets in accordance with the profits achieved. If the profit gained is higher, it is said that the company's management is better. In terms of generating profit, their ability shows good company performance because profitability is often used as a yardstick to measure a company's performance. Therefore, the higher the ROA value, the more profitable the company is. If operating profit increases, the amount of income tax also increases, so the tendency of business actors to avoid taxes also increases.

In addition to these factors, tax avoidance can also affect profit growth. This is supported by research that reveals how sales growth significantly affects CETR. Sales growth is a good or bad indicator of a company's sales growth rate. Companies can estimate how much profit they will make based on sales growth. Companies can appropriately optimize the available resources by looking at the previous year's sales. Increased growth allows the company to increase its capacity to perform better. On the other hand, a slowdown in company growth will have an impact on operating capacity. Increased sales growth made the company reap big profits. As a result, companies will tend to avoid taxes.

Related to some understanding of tax avoidance in 31 manufacturing companies listed on the Indonesia Stock Exchange for the 2016-2020 period, this research was conducted to determine the effect of company size, profitability, and sales growth on tax avoidance in 31 manufacturing companies listed on the Indonesia Stock Exchange for the 2016-2020 period.

## LITERATURE REVIEW

In fact, tax avoidance often involves tax planning. Tax planning is done through tax administration, where tax avoidance is used for tax savings due to the use of legal tax reserves and minimizing tax obligations. The methods and techniques used to avoid taxes tend to exploit

weaknesses (gray areas) in tax laws and regulations. According to the OECD Finance Committee, tax avoidance has three characteristics (Berg & Davidson, 2017):

- 1) There is an element of subterfuge that makes it appear as if there are other regulations that are actually not without an element of tax.
- 2) Such systems often exploit existing loopholes or regulations for various purposes, even when legislators do not intend to.
- 3) Secrecy is also a form of this scheme, in which the consultant demonstrates ways or methods of tax avoidance, often on the condition that the taxpayer keeps them secret (Secretariat of Tax Agencies, 1991).

Factors that encourage taxpayers to avoid taxes include:

- 1) There are no direct rewards for paying taxes.
- 2) The application of tax provisions that are not the same for all taxpayers and tax objects results in inequality in fulfilling tax obligations.
- 3) Inadequate tax administration in a country
- 4) Law enforcement implementation, which is not the same for taxpayers.

Tax avoidance is measured using the Cash Effective Tax Rate (CERT), which aims to accommodate the amount of cash taxes being paid at this time by the company. CERT is calculated using the following formula (Dyreng et al., 2010):

$$\text{CERT} = \frac{\text{Payment of Taxes}}{\text{Profit Before Tax}} \quad (1)$$

Information:

The amounts of cash taxes paid by the company are referred to as “tax payments”.

Firm size is a measurable scale that classifies businesses into small or large categories determined by their assets, logs size, etc. Consequentially, a large company holds a bigger total asset. A company always wants a large profit, even after tax, because it will affect the quality of its financial statements. As a result, if the company believes that the tax burden being borne is too large or heavy, it will request that management take various measures to alleviate this, such as tax avoidance.

Firm size is assessed by the company's net sales during a certain year. Considering that the total sales value is quite large, the measurement is converted into natural logarithms (Ln). Firm size can be calculated by the natural logarithm (Ln) of total assets, which is formulated as follows (Hartono, 2015):

$$\text{Size} = \frac{\text{Ln}}{\text{Total Assets}} \quad (2)$$

Profitability is the ability to get a profit on operating results in connection with the use of capital (Baresa et al., 2016). So it is said that when a company has high profitability, it will affect investment decision-making because it will make investors interested. Profitability is a measure to determine the amount of profit earned by a company. A higher profit level determines a better management system within the company itself (Kapoor & Goel, 2017). Company's ability to generate profits over a certain period; companies with the ability to generate good profits show good company performance because profitability is often used as a measure to assess company performance (Anggraini & Tanjung, 2020).

Thus, profitability is a measuring tool used to determine the level of profit obtained by a company or the company's ability to earn profits. When a company generates profits for a certain period, it will affect investment decision-making because it will make investors interested. When making an investment decision, an investor evaluates the company's performance to determine whether or not it has the potential to earn profits. If a company's level of profitability goes up, it will run better and be able to make more money. ROA can affect tax avoidance, meaning that companies with high profitability tend not to commit tax avoidance because the higher the profitability ratio, the better the company's performance. You can use the following formula to measure ROA (Freedman & Jaggi, 2005):

$$\text{ROA} = \frac{\text{Net Income}}{\text{Total Assets}} \quad (3)$$

Sales growth is the increase or decrease in a company's sales from year to year as reflected in the income statement. Through this sales growth report, the success rate of investments made in the previous period can be seen, as can predictions of sales growth in the future. Sales growth indicates how much the company's sales can increase in relation to total sales. Sales growth is the most crucial indicator of a company's products' market acceptance, and sales revenue is the fragment that measures it. Revenue growth sometimes reflects the company's ability. As a company's sales growth rate increases, it can be concluded that they are successful in implementing their strategy.

Thus, it can be said that sales growth is the process of increasing a company's sales from year to year, and if the sales growth rate is high, it can be said that the company has succeeded in carrying out strategic performance and its operational efficiency has increased. Sales growth causes the company to generate large profits. As a result, companies will tend to avoid taxes. Sales growth can be calculated using the following formula (Oktamawati, 2017).

$$\text{Sales growth} = \frac{\text{Sales}_t - \text{Sales}_{-t}}{\text{Sales}_{-t}} \quad (4)$$

The research hypothesis is a temporary solution to a problem that still needs to be tested empirically to find out whether the statement or alleged answer is acceptable or not (Sugiyono, 2013). Based on what was said about the relationship between firm sizes, profitability, sales growth, and avoiding taxes, this study's hypothesis is:

#### Hypothesis 1

H0 : Firm size has no effect on tax avoidance.

H1 : Firm size has an effect on tax avoidance.

#### Hypothesis 2

H0 : Profitability has no effect on tax avoidance.

H2 : Profitability has an effect on tax avoidance.

#### Hypothesis 3

H0 : Sales growth has no effect on tax avoidance.

H3 : Sales growth has an effect on tax avoidance.

#### Hypothesis 4

H0 : Firm size, profitability, and sales growth have no effect on tax avoidance.

H4 : Firm size, profitability, and sales growth have effect on tax avoidance.

## RESEARCH METHODS

The study used an explanatory research approach and confirmatory research, both of which aim to connect or explain relationships between variables and prove or test a hypothesis or theory (Sugiyono, 2013). This type of research is quantitative. The population used in this study is all the annual reports of 155 manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the 2016–2020 period. The sampling collection technique used a purposive sampling technique. The number of research samples for the 2016-2020 period was 31 companies with sampling criteria, namely manufacturing companies listed on the Indonesia Stock Exchange (IDX). The data analysis used in this study is secondary data analysis in the form of annual reports of manufacturing companies listed on the IDX for the 2016-2020 period. This study uses classical assumption testing while developing and testing hypotheses using Eviews Statistics. The research data analysis technique uses a quantitative analysis approach and regression weights, while the variables in this study are the independent variable (X) (company size (X1), profitability (X2), and sales growth (X3)) and the dependent variable (tax avoidance (Y)).

## RESULTS AND DISCUSSION

### Results of the Data Analysis

#### Classical Assumption Testing

The normality test is used to see if the dependent and independent variables are regularly distributed. According to Gujarati (2021), detection can be done by looking at Jarque Bera, which is asymptotic (a large sample based on ordinary least square residuals). Test this by looking at the probability of Jarque Bera (JB) as follows:

- 1) If the probability is greater than 0.05, the data is normally distributed.
- 2) If the probability is 0.05, then the data is not normally distributed. So in this study, the Jarque-Bera value is 352.6818 with a probability value of 0.235, which is greater than 5% or 0.05. Then, the model in this research is normally distributed because the probability value of 0.235 is greater than 0.05.

### **Multicollinearity Test Results**

According to Matondang and Nasution (2022), "The multicollinearity test analyzes if a link exists between the independent variables in the regression model." Multicollinearity is not required for a decent regression model. Based on the test results, no variable has a correlation value greater than 0.80. That is, this regression model does not cover multicollinearity problems, so it includes independent variables from multicollinearity problems.

### **Heteroscedasticity Test Results**

The variance difference test is used in the regression model to determine whether there is an uneven variance from one residual observation to the next. The White test is used to determine whether or not there is a heteroscedasticity problem; hence, the foundation for reaching a judgment is as follows:

- 1) If the prob. chi-square is 0.05, then there is an indication of heteroscedasticity problems.
- 2) If the prob. chi-square is greater than 0.05, then there is no indication of heteroscedasticity problems.

Based on the Obs\*R-Squared chi-squared probability value of 0.6423, this is greater than 5% or 0.05. As a result, the model in this study does not suffer from heteroscedasticity issues.

### **Autocorrelation Test Results**

An autocorrelation test is when there is a correlation between the residues of one observation and other observations sorted in a time series. To find out whether or not there is autocorrelation using the Lagrange multiplier test. The decision is then made on the following grounds:

- 1) If the Prob. Chi-Squared Obs\*R-Squared  $< 0.05$ , then there is an autocorrelation problem.
- 2) If the Prob. Chi-Square Obs\*R-Squared  $> 0.05$ , the autocorrelation problem is ruled out.

Based on the chi-square probability value, the probability value is 0.5458, which is larger than 0.05. This signifies that the data in the regression model is free of autocorrelation issues.

### **Hypothesis Testing Results**

#### **Panel Data Regression Analysis**

Since the panel data regression is determined by the population model. Based on the equation above, the results can be explained as follows:

- 1) A constant value of 1.2485 states that if the variables firm size, profitability, and sales growth have a value equal to zero (0), then the dependent variable, namely profit avoidance,

will have a value of 1.2485.

- 2) The value of the regression coefficient for firm size is 0.0311 and is negative, which means that if the variable firm size increases by 1 unit, then the dependent variable, namely tax avoidance, will decrease by 0.0311.
- 3) The value of the profitability regression coefficient is 1.7129 and is negative, which means that if the profitability variable increases by 1 unit, then the dependent variable, namely tax avoidance, will decrease by 1.7129.
- 4) The value of the regression coefficient of sales growth is 0.1472 and is negative, which means that if the sales growth variable increases by 1 unit, then the dependent variable, namely tax avoidance, will decrease by 0.1472.

### Results of T-test

Based on the above column of probabilities, here is how each independent variable affects the dependent variable:

- 1) Testing the firm size variable on tax avoidance

H0:  $\beta_1 = 0$  means that firm size has no significant impact on tax avoidance. H1:  $\beta_1 > 0$  means that firm size has a significant impact on tax avoidance. The study's primary premise is that business size has a major influence on tax avoidance. The probability value of the firm size variable is known to be 0.0094. Because the significance value is 0.0094, which is less than the probability of 0.05, we may infer that H1 is accepted and H0 is rejected, implying that business size has a substantial negative influence on tax avoidance.

- 2) Testing the Company's Profitability Variable on Tax Avoidance

H0:  $\beta_2 = 0$  means that profitability has no significant impact on tax avoidance. H2:  $\beta_2 > 0$  means that profitability has a significant impact on tax avoidance. The study's second premise is that profitability has a substantial impact on tax avoidance. The probability value of the firm size variable is known to be 0.0005. Because the significance value is 0.0005, which is less than the probability of 0.05, we may infer that H2 is accepted and H0 is rejected, implying that tax evasion has a significant negative impact on profitability.

- 3) Testing the impact of sales growth on tax avoidance

H0:  $\beta_3 = 0$  means that sales growth has no significant impact on tax avoidance. H3:  $\beta_3 > 0$  means that sales growth has a significant impact on tax avoidance. The third premise of this study is that increased sales have a major impact on tax avoidance. The probability value of the sales growth variable is known to be 0.0116. Because the significance value is 0.0116, which is less than the probability of 0.05, we may infer that H3 is accepted and H0 is rejected, implying that sales growth has a substantial negative influence on tax evasion.

### Results of F-test

The F test is used in a study to identify the influence of the independent variable on the dependent variable, whether concurrently or simultaneously. This research will use a



significance value of 5%, or 0.05, in the F test, with the criteria that if the probability value is greater than 0.05, H0 is accepted, indicating that there is no significant effect of the independent variables on tax avoidance; if the probability value is less than 0.05, H0 is rejected, indicating that there is a significant influence of the independent variables on tax avoidance.

The provisions of the hypothesis based on the results of the table above are as follows:

- 1) H0: Firm size, profitability, and sales growth variables simultaneously have no significant impact on tax avoidance.
- 2) H1: Firm size, profitability, and sales growth variables simultaneously have significant impact on tax avoidance.

Based on the probability value of the f-statistic of 0.0000, which is less than the alpha of 5% or 0.05, then hypothesis 1 is accepted, or, in other words, that the variables' firm size, profitability, and sales growth simultaneously have a significant impact against tax avoidance.

#### Test Results for the Coefficient of Determination

The coefficient of determination (R-Square) in a research regression model attempts to quantify in percent units how much the proportion of independent or independent factors explains the dependent or dependent variable. The R-Square value is 0.504, or 50.4%, as determined by the R-Square value. This figure indicates that the variables firm size, profitability, and sales growth may explain 50.4% of the tax avoidance variable, while the remaining 49.6% is impacted by variables other than the independent variables that are not investigated.

## DISCUSSION OF DATA ANALYSIS RESULTS

### Descriptive Statistics Calculation Results

Descriptive statistics are a subset of statistics that only process and present data without making population-level decisions. In other words, just look at the general description of the data obtained. Descriptive statistics can be defined as a method related to collecting, summarizing, and presenting data so as to provide information on the organization, summarization, and presentation of data. The tool used to perform descriptive statistical calculations in this study is EViews 10. The statistical data processing used includes minimum values, maximum values, average values, and standard deviation values, which are presented in Table 1.

**Table 1. Results of Descriptive Statistics**

	<b>Y_CETR</b>	<b>X1_SIZE</b>	<b>X2_PROFIT</b>	<b>X3_SALES</b>
Mean	0.281191	28.14078	0.058393	0.061935
Median	0.250979	28.06489	0.051123	0.072000
Maximum	0.971211	30.74739	0.182264	0.662638
Minimum	0.001666	23.15064	0.000282	-0.998619
Std. Dev.	0.161603	1.272820	0.040813	0.218482

From Table 1, it is explained that the descriptive statistical test is as follows:

- 1) The variable "firm size" shows an average value of 28,140; the maximum value of firm size is 30,747 for PT. Kalbe Farma Tbk in 2020; and the minimum value is 23,150 PT. Kimia Farma's 2018 schedule is unknown. The standard deviation value is 1.272820.
- 2) The profitability variable shows an average value of 0.058, the maximum profitability value is 0.182 at PT. Siantar Top Tbk in 2020, and the minimum profitability value is 0.00028 at PT. Star Petrochem Tbk in 2018. The standard deviation value is 0.040813.
- 3) The Sales Growth variable shows an average value of 0.061; the maximum value of sales growth is 0.662 at PT. Alkindo Naratama Tbk in 2018; and the minimum value of sales growth is -0.9986 at PT. Kimia Farma's 2018 schedule is unknown. The standard deviation is 0.218482.
- 4) The Tax Avoidance variable shows an average value of 0.281; the maximum tax avoidance value is 0.97121 at PT. Star Petrochem Tbk in 2018 while the minimum tax avoidance value is 0.00167 at PT. Star Petrochem Tbk in 2020. The standard deviation value is 0.161603.

## DISCUSSION OF HYPOTHESES

### Effect of Firm Size on Tax Avoidance

Firm size is a scale or metric that may categorize a corporation as large or small based on total assets, log size, and other factors (Josefy et al., 2015). The larger the corporation, the higher its overall assets. In this research, the firm size variable in manufacturing businesses is listed on the IDX and fluctuates from 2016 to 2020. Of the 31 sample companies, it is known that the average value of firm size is 28.1408. PT. Kalbe Farma Tbk has the highest firm size value in the 2020 period, namely 30,747, and the lowest is PT. Kimia Farma Tbk also obtained a value of 23,151 in the 2018 period.

According to the findings of this study, business size has a negative influence on tax avoidance; that is, the greater the firm size (as measured by the log total assets), the lower the tax avoidance or acceptance of H1. This is consistent with Yanti and Hartono (2019) findings that business size influenced tax avoidance in automotive sub-sector manufacturing companies listed on the IDX between 2012 and 2017. This was corroborated once again by a study undertaken by Puspita and Febrianti (2017), who discovered that business size influenced tax avoidance in manufacturing companies listed on the IDX between 2011 and 2014.

Large companies tend to have larger total assets and indicate higher profits, so they also have to pay higher taxes. However, for the company to maintain a good corporate image, management will reduce the tendency to avoid taxes. As a result, the larger the corporation, the less the tax avoidance. Firm size has a negative impact on tax avoidance because, as the firm grows in size, management attempts to avoid tax avoidance in order to maintain the company's public image. Furthermore, the larger the firm, the lower the evasion. This is feasible because the corporation does not use the authority it possesses to carry out tax planning because of limitations such as the potential of being in the limelight and the focus of regulatory actions.

The results of this study are the same as those of the study by Karundeng et al. (2020), firm size has no impact on tax avoidance. This is possible because debts result in interest charges that can be deducted from profit, while interest on loans from banks is not allowed as an expense that can be deducted from taxable income. Research conducted by Sembiring and Sa'adah (2021) also shows contradictory results, where it is said that firm size has no impact on tax avoidance. This is because paying taxes is an obligation for all citizens and entities or companies. Large corporations will be able to meet their tax obligations while also having good long-term prospects, so there is no need for tax avoidance.

### **Effect of Profitability on Tax Avoidance**

Profitability is a measure to determine the level of profit earned by the company. The higher the profit level, the better the management of the company (Kapoor & Goel, 2017). In this research, the profitability variable for manufacturing companies listed on the IDX in 2016–2020 shows a fluctuating value. Of the 31 sample companies, it is known that the average value of profitability is 0.05839. PT. Siantar Top Tbk has the highest profitability value in the 2020 period, namely 0.18226, and the lowest is PT. Star Petrochem Tbk, which obtained a value of 0.00028 in the 2018 period. Profitability has a negative impact on tax avoidance or receiving H2 because profitable firms are better suited to manage their activities effectively, and the government will compensate them by giving them a lower effective tax rate than less lucrative ones (tax subsidies). In other words, corporate management prefers to participate in tax avoidance, even limiting the opportunities for tax avoidance, because firms with large profits must pay more taxes.

Additionally, a company's tax avoidance is reduced as profitability increases, allowing it to pay taxes in compliance with the law. High-income companies have no problem issuing or paying taxes because they have sufficient cash flow to do so. Because public firms employ a sample that allows shareholders to monitor every manager's behavior, companies do not need to hide in order to avoid paying taxes because shareholders are delighted with big profits, which drive up the stock price. Managerial attempts at tax avoidance could harm the company's reputation if the taxing authority finds out. The stock price will drop if the company's reputation suffers. So that despite its enormous profits, the corporation does not participate in tax avoidance. The results of this study are the same as those of Puspita and Febrianti (2017) and Sembiring and Sa'adah (2021) studies, which found that profitability has an impact on tax avoidance. The higher the profitability, the less tax avoidance there is. The findings of this study go counter to those of a study by Wulandari and Mahpudin (2020), which claims that tax avoidance is not predicated on a company's profitability and that profitability has no bearing on tax avoidance. But that depends on the management of the business.

### **Effect of Sales Growth on Tax Avoidance**

Sales growth is the change in a company's sales from year to year, which may be observed in the income statement of the business. Sales growth demonstrates how much room a business has to grow in terms of overall sales. In this research, the variable sales growth in manufacturing companies listed on the IDX in 2016–2020 shows a fluctuating value but tends

to decrease. Of the 31 sample companies, it is known that the average value of sales growth is 0.06194. PT. Alkindo Naratama Tbk has the highest sales growth value in the 2018 period, namely 0.66264, and the lowest is PT. Kimia Farma Tbk, which obtained a value of -0.9986 in the 2018 period.

Growth in sales has a detrimental impact on tax avoidance. Sales growth demonstrates how sales levels change over time. Sales growth affects tax avoidance because it relates to higher profits, so company management tends to avoid taxes. Sales growth that has a negative impact on tax avoidance demonstrates that businesses with high sales growth rates function well, and as business earnings tend to rise, high tax payments will also be the result. As a result, management will try to save money or avoid paying taxes. Taxes by avoiding taxes. The results of this study are the same as those of Dewinta and Setiawan (2016), Puspita and Febrianti (2017), Sembiring and Sa'adah (2021), and Priccila and Sinabutar (2021) studies, which found a correlation between sales growth and tax avoidance.

### **Effect of Firm Size, Profitability, and Sales Growth on Tax Avoidance**

The results of this study indicate that firm size, profitability, and sales growth have a significant effect on tax avoidance or accepting H4. This can be interpreted to mean that as a company's size grows, as do its profitability and sales growth, the possibility of tax avoidance also grows. This is consistent with Priccila and Sinabutar (2021) research, which found that firm size, sales growth, and profitability all have a simultaneous (joint) effect on manufacturing company tax avoidance listed on the IDX for the 2018-2019 period.

### **CONCLUSION**

Based on the data analysis and discussion of the influence of the independent variables on the dependent variable of manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the 2016-2020 period, several conclusions can be drawn as follows: The size of the company has an impact on tax avoidance. The correlation between firm size and tax avoidance takes the form of a negative influence; therefore, the larger the company, the less tax avoidance there is. Tax avoidance is influenced by profitability. Profitability and tax avoidance have a negative relationship, meaning that the more profitable a business is, the less it will avoid paying taxes. Sales growth has an impact on tax avoidance. Sales growth and tax avoidance have a negative symbiotic relationship, meaning that as sales growth in a company increases, tax avoidance decreases. Tax avoidance is influenced by firm size, profitability, and sales growth. The nature of the relationship between a firm's size and impact.

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