Analysis of the Effect of Company Size, Profitability, *Leverage*, and *Sales Growth* on Tax Avoidance

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ARTICLE INFO

Received: 10 September 2022
Revised: 15 September 2022
Accepted: 20 September 2022

Keywords: *Size, Leverage, profitability, Sales Growth, Tax Advoidance*

A B S T R A C T

Manufacturing companies engaged in the trade, services and investment sub-sectors aim to improve sales strategies in order to increase company assets. Company size, profitability, leverage and sales growth in manufacturing companies are listed on the Indonesian Stock Exchange (IDX) from 2018 to 2020 by determining the sample using the purposive sampling method, according to the sampling criteria of 90 companies. Multiple linear regression analysis technique performed with the application of SPSS 26 multivariate analysis shows that Company size and Leverage have no effect on Tax Advoidance. Profitability, and leverage have an influence on tax avoidance. This study provides suggestions that companies can develop tax planning strategies, to avoid tax evasion which can affect the company's performance among investors.

1. Introduction

High corporate competition often makes companies strive to develop strategies to increase revenue through the company's sales growth. Increasing sales is accompanied by increasing revenue, which results in an increase in the company's obligation to pay taxes. Taxes play a very important role that supports the country's household economy to support the implementation of physical and non-physical disclosure. Taxes as a mandatory contribution to the state based on coercion without obtaining compensation directly which is used to finance the government's household needs for the welfare of the people. Taxes play a role in continuing to grow in Indonesia and require good management. The largest composition as the main source of state budget revenue of 80% comes from tax revenue (Mustikasari, 2007). Knowing the importance of the role of taxes, the government is trying to optimize taxes so that it faces obstacles in the form of tax evasion or tax evasion (Swingly & Sukartha, 2015).

Effort to avoid tax obligations that can be carried out legally without violating or contradicting tax regulations by using means and techniques take advantage of loopholes in the implementation of tax provisions which are often known as the term tax avoidance (Pohan, 2017). In contrast to tax evasion which is an illegal act against tax regulations. In reality, in practice,

wiping behavior is considered normal for some people, such as misuse of tax funds for individual or joint benefit, lack of taxation system and the existence of regulations tax laws that are considered to be in favor of certain parties and other adverse (Indriyani, Nurlaela, & Wahyuningsih, 2016).

In contrast, there are still many tax avoidance activities in Indonesia. Based on the results of observations of the level of tax avoidance by manufacturing companies in the field of trades, services and investments listed on the Indonesian stock exchange, there are still companies that pay less than 25% tax. This phenomenon is part of the study so researchers added sales *growth* variables to expand on previous research (Riskatari & Jati, 2020). In addition to sales growth, there are still several factors, including size, profitability, leverage, and sales growth. From previous studies that discussed tax avoidance, and the inconsistency of the results of the study. There are research results analyzed by Selviani, Supriyanto, & Fadillah (2019) which show that business scale affects tax avoidance. Meanwhile, according to Riskatari & Jati (2020) states that company size does not affect tax avoidance which shows that tax avoidance can be affected by profit. Meanwhile, research Monica & Irawati (2021) was able to prove the absence of a significant influence of profit variables on tax avoidance. Riskatari & Jati (2020) proves that leverage does not have a significant influence on tax avoidance. Meanwhile, Monica & Irawati (2021) obtained results that showed no significant influence of sales growth variables on tax avoidance.

By realizing the importance of the role of taxes for the state, the government is trying to manage well to optimize tax revenues. Problem faced in the form *of tax avoidance* (Swingly & Sukartha, 2015). Based on this phenomenon, it is still necessary to conduct further research by analyzing the influence of company size, profitability, leverage, and sales growth on tax avoidance. The results of this research are expected to be able to provide the usefulness of interested parties, including providing additional knowledge, providing information for the right investors in making their investments.

2. Theoretical Background

Company size is the amount of resources owned by the company can be in the form of assets, intellectual property, technology, and so on. Companies with larger company sizes are easier to gain trust so that capital is easier to obtain than small companies. Trust in the company in obtaining debt can be supported by assets owned by the company is quite large. The company is trying to use grey areas to do tax evasion. According to Handayani (2018), the size of the company shows that there is an influence on tax avoidance, the greater the company size will

carry out tax avoidance activities. The results of research from Handayani (2018), Selviani, Supriyanto, and Fadillah (2019) show that size affects the company's tax avoidance.

H1: Company size has a significant effect on tax avoidance.

Management seeks to show success in managing the company with the profit derived from sales and investments (Weston and Brigham, 1988). The company's profitability can be seen through profitability ratios such as Return on Asset (ROA). According to Kurniasih and Sari (2013) ROA has an effect on tax avoidance. Increasing profitability supports companies to be able to get optimal taxes, by minimizing their tax burden, the company tries to do tax avoidance, which means increasing the company's profitability resulting in company tax avoidance increased (Riskatari & Jati, 2020) and (Monica & Irawati, 2021).

H2: Profitability has a significant effect **on tax avoidance.**

The existence of total assets with equity or the use of liability to increase profits can be identified by leverage Husnan (2002). This ratio is known to determine that the companies financing comes from liability or external parties with the company's projected capability with equity. The higher leverage ratio results in a reduction in the tax burden borne by a company, so that the step to carry out tax avoidance will be an alternative to company management as a form of avoiding an increase in the tax burden. This studies in line with Handayani (2018); Devi, Adnyana and Made (2020); Renny, Joko and Haqi (2019) prove that leverage has a significant influence on tax avoidance.

H3: Leverage has a significant effect on tax avoidance.

Corporate strategy is needed to support sales growth and reflects the company's ability to successfully execute its strategy (Muamala, 2019). This indicates that increased sales will affect tax avoidance activities (Akbar Z, et all, 2020). Several studies including Devi, Adnyana, & Made (2020) prove that there is a significant effect of profitability on company tax avoidance.

H4: Sales growth has a significant effect **on tax avoidance.**

3. Research Methodology

Observation establishes its research by quantitative methods. The sample collection technique uses purposive sampling method. In the observation sample of manufacturing companies with sub sektor trade, services, and investments listed on IDX from the beginning of 2018 to 2020.

Tax avoidance is a legal reduction or elimination of tax debts without violating tax regulations (Ngadiman & Puspitasari, 2014). Tax avoidance is often done by companies that want to minimize the tax burden that must be paid to the government and increase the company's cash

flow. Tax avoidance can be known by the variable CETR (Cash Effective Tax Rate)(Zs & Astuti, 2020).

The size of the company size can be known from the value of the company, the value of the equity, or the total value of asset. The size of the company is prorated into the natural arithmetic Log formula of the entire amount of assets (Khalid Alkhatib, 2012). Assets company is funded with debt capable of being projected with a leverage ratio. Rasio leverage increases then the value of the company's debt increases. Leverage ratio is calculated by comparing debt to the ratio of total assets (Brigham & Houston, 2011).

The sales growth of a company is known by the calculation of sales for the final period of a given year minus the sales of the end of the period in the previous year and divided by the sales of the end of the period of the previous year. Profitability is a measure of the condition of a company's financial stability that is projected to achieve profit in a certain period (Hermuningsih, 2013). To measure profitability, using a profitability level proxy, namely Net Profit Margin (Widodo, 2014).

Multiple liner regression is performed to determine its impact on two or more free variables against bound variables, as well as being able to show how much influence free variables have on bound variables can be performed with multiple liner regression tests. The regression model used is:

$$\textbf{Tax Avoidance} = \alpha + \beta_1\textbf{Size} + \beta_2\textbf{Profitability} + \beta_3\textbf{Leverage} + \beta_4\textbf{Sales Growth} + \textbf{e}$$

4. Results and Discussion

Descriptive statistical analysis has the aim of obtaining an overview of the results studied on a data that projects the measurement results of the mean value, standard deviation, maximum-minimum to describe research variables (Ghozali, 2011). Based on out SPSS 26 in table 1 of descriptive statistical test results, it shows that the data analyzed amounted to 85 sample data obtained from the financial report of 30 manufacturing companies listed on IDX from 2018 to 2020.

Table 1.
Descriptive Statistics

	N	Min	Max	Mean	Std Dev
Size	85	26.336	31.717	28.848	1.324
Profitability	85	0.001	0.316	0.076	0.056
Leverage	85	0.001	0.782	0.373	0.194
Sales Growth	85	-9.923	0.967	-0.026	1.106
Tax Avoidance	85	0.006	1.393	0.316	0.246

Source: Processed Data, 2022.

Normality Testing aims to test whether in a regression model independent and bound variables have a normal distribution or not. Tabel 2 shows normality testing with N = 85 it can be seen that the results of the normality statistical test above show a Monte Carlo Sig (2-tailed) value of 0.235. In the normality test above the normally distributed residual data, this can be seen from the significant > value of 0.05.

Multicollinearity testing is carried out using tolerance and VIF to determine whether there is a correlation between free variables or not. The VIF is below the 10% mark where the error standard in the study is set so that this is in accordance with the requirements of the tolerance value > 0.10 and the VIF < 10.00 which indicates no symptoms of multicollinearity.

The autocorrelation test was carried out to determine whether in linear regression models there was a correlation between usage errors in the t period and usage errors in the previous period (t-1). Auto correlation arises because of the sequential gagging all the time. Regression models that are free from autocorrelation are good models (Ghozali, 2013). Symptoms of autocorrelation can be detected with Durbin-Watson (D-W) test, provided that dU < d < 4-dU. The sample 88 DW values of 1.534 with dU values = 1.7930 and 4-du = 2.466, which indicates that autocorrelation has occurred can be corrected by means of chrocane or cut has been corrected with chrocane or cut with sample data of 87 obtained value DW = 1.937 with a dU value of 1.7485 and a 4-du value of 2.063. Then the conclusion dU can be drawn < d < 4-du = 1.7485 < 1.937 < 2.063, meaning that it does not show autocorrelation.

To find out the inequality between residual variants of one observation to another data was carried out with a heteroscedasticity test. The test results showed that the research data was heteroscedasticity. Multiple linear analysis can determine the influence of independent variables on Tax Avoidance. Using the SPSS 26 multivariate application obtained the results of table 3. N adjusted R2 indicates that size (X1), profitability (X2), leverage (X3), sales growth (X4) has an influence of 23.7% on tax avoidance (Y). Meanwhile, other variables not mentioned in this study had an effect of 76.3 percent.

Table 3
Multiple Linear Regression

	B	t
Cons	1.649	-1.712
Size	0.427	1.826**
Profitability	0.778	-2.735*
Leverage	0.315	1.843**
Sales Growth	0.296	2.840*

The * and ** signs mean significant at the level of 1% and 10%
Source: Processed Data, 2022.

Company size has no significant effect on tax avoidance, it is projected that the value of 0.071 > 0.05 or H1 is rejected. If the company has a large size, it has the appeal of the government in this case to observe the assets, profits and sales levels obtained to be taxed according to tax regulations. The absence of this variable can be due to the existence of tax regulations that still require companies to be orderly in their obligations to pay taxes so that company sizes, both large and small, do not affect management not to do tax avoidance. This is in line with the research of Riskatari & Jati (2020); Almaidah, Kartika & Siti (2017) that size has no effect on tax avoidance. This study is inconsistent with Rini Handayani (2017); Renny, Joko & Haqi (2019) who finds that company size has a significant influence on tax avoidance.

This study resulted in profitability with a significance of 0.008 affecting tax avoidance, as opposed to tax avoidance. With tax planning, companies can compile the right tax planning so that they can reduce tax obligations that must be paid. This is in line with research from Riskatari & Jati (2020) which states that profitability affects tax avoidance and disagrees with the results of Rini Handayani's analysis (2017).

Leverage has asignificance of 0.069 which can be interpreted as leverage has a significant influence on corporate tax avoidance. Leverage projections between debt and company assets where leverage can illustrate how a company manages its funding decisions in terms of the amount of debt and the number of assets held. Internal and external sources of funds have no effect on the company's tax activities, so it is not possible for the company to carry out tax avoidance practices for the purposes of funding its debts. This can show leverage cannot affect tax avoidance in line with research from Riskatari & Jati (2020) that leverage not influence tax avoidance. But in contrast with Devi, Adnyana & Made (2020), Renny, Joko & Haqi (2019).

Sales growth of 0.006 indicates an effect on tax avoidance. Sales can affect the company's assets. With the increase in selling will affect the increase in company assets. Tax compliance theory explains that nonindividual has sincerely committed an act in the absence of lead fromwhat has been done. With a high bonus reward as a bonus/reward will give attractiveness to the management to try to increase sales. As sales increase, it increases the company's chances of tax avoidance. This statement supports Devi, Adnyana & Made (2020) which shows Sales Growth has a significant influence on tax avoidance. However, this research is different from Bella & Wiwit (2021) which shows that Sales Growth does not have a significant influence on company tax avoidance.

5. Conclusion

Conclusions can be drawn from the results of the analysis, namely being able to prove that the company's size and leverage do not affect tax avoidance, while profitability and Sales Growth affect tax avoidance. The results of the study suggest that Indonesian manufacturing companies in the trades, services and investment sectors should improve the quality of their financial reporting to avoid tax avoidance practices that can harm the company's performance among users of financial statements.

This research has limitations focusing on manufacturing companies in the trade, services and investment sectors and should be extended to companies listed on the Indonesia Stock Exchange. Based on the conclusions and implications, the researcher suggests: (1) The next researcher is expected to complete the characteristics and expertise of the Committee's audit. (2) Subsequent studies added other variables such as the audit committee, number of employees, and age of the company.

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