

Effect of Sales Growth, Profitability, Firm Size and Leverage on Tax Avoidance (Case Study of Automotive Companies on the Indonesia Stock Exchange 2017 – 2021)

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This study aims to analyze the Effect of Sales Growth, Profitability, Company Size and Leverage on Tax Avoidance in Automotive Companies on the Indonesia Stock Exchange in 2017 – 2021. This study uses a quantitative approach. The sampling technique used in this study used a purposive sampling approach, the number of samples used in this study were 38 samples. The results of this study indicate that sales growth has an effect on tax avoidance, profitability has no effect on tax avoidance, company size has an effect on tax avoidance, company size has an effect on tax avoidance and sales growth, profitability, company size and leverage have an effect simultaneously on tax avoidance. This research limits the problem that is taken, which lies in the object where this research limits only using Automotive Companies on the Indonesia Stock Exchange in 2017 - 2021 then researchers also limit the variables used, namely the independent variables Sales Growth, Profitability, Company Size and Leverage and the dependent variable tax avoidance. For companies, it can be used as a useful consideration for making decisions related to better policies regarding tax avoidance that occur in companies.

Keywords:

Company Size, Leverage and Tax Avoidance, Profitability, Sales Growth.

1. Introduction

According to Mardiasmo, (2016). Tax is a people's contribution to the State based on the law and can be imposed by not getting direct compensation. Taxes in Indonesia generally consist of income tax, value added tax (VAT), sales tax on luxury goods, stamp duty, land and building tax (PBB) and land and building rights acquisition fees. Taxes are also one of the main sources of state revenue to keep running. Corporations as taxpayers and governments as tax collectors have different interests. For companies, tax is a burden that can reduce the income of the company because increasing income can make the tax burden paid by the company also higher, so the company will look for ways to minimize the amount of tax payments in the company which makes the company take action from Tax Avoidance.

According to Stawati, (2020) Tax avoidance where companies will reduce their tax burden in a legal way and this does not conflict with applicable tax laws. This problem is a complicated and unique problem because in this case, tax avoidance does not violate the law (legal), but on the other hand, tax avoidance is not expected by companies. Taxpayers are given full discretion in calculating, paying and reporting their own tax obligations. The application of this taxation seems to open opportunities for taxpayers to manipulate the amount of tax figures to be paid in an effort to reduce company costs, including in the tax burden.

The link between sales growth and tax avoidance, namely high sales growth, illustrates the good ability of the company to carry out its operational activities, in other words, reflects the success of a company (Harahap, 2016). Increased sales growth will also increase profits for the company, so this can indicate tax avoidance by the company. The link between profitability and tax evasion is according to Hery, (2016) Profitability is the ratio used to measure a company's ability to generate profits from its normal business activities. The higher the company's ability to generate profits, the higher the tax that must be paid to the government, so that in this case the company will create a tendency to carry out tax avoidance.

The relationship between company size and tax avoidance is according to Hartono, (2015), company size is the size of a company that can be measured by the total assets or assets of the company using the logarithmic value of total assets. Company size directly reflects the high and low operating activities of a company. The larger a company, the greater its activities, so that the transactions carried out will be more complex. So, this allows companies to take advantage of existing loopholes to carry out tax avoidance from each transaction.

The link between leverage and tax avoidance, according to Hery, (2016), Leverage is a depiction of a company's ability to fulfill its obligations. Leverage is a ratio used in measuring a company's ability to fulfill all of its obligations, both short term and long-term obligations. The higher the leverage in a company, the less the tax burden borne by the company, so that the debt measure is preferred by management as an effort to avoid a larger tax burden. The increasing leverage makes the company more willing to do tax avoidance.

1.1. Agency Theory

Agency theory according to Jensen & Meckling, (1976) in Saputra, R, A, (2021) is a theory that has underlies corporate business practices in the world. This theory is one of the theories that emerged in the development of accounting research which is a modification of the development of the financial accounting model by adding aspects of human behavior in the economic model. The main principle of this theory is to describe the existence of a working relationship between parties who give authority, namely investors or shareholders, and parties who receive authority or agents, namely company management.

1.2. Tax Avoidance

Resistance to taxes are obstacles that occur in tax collection resulting in reduced state treasury revenues. Resistance to taxes consists of active resistance and passive resistance. Taxpayers always want small tax payments. Therefore, the taxpayer will try to practice tax avoidance that is both legal and called tax avoidance. A country certainly wants large tax revenues so that it can be used for development, but is constrained by people who are still reluctant to pay taxes so that it can lead to tax avoidance behavior. According to Mardiasmo, (2016) Tax Avoidance is an attempt to lighten the tax burden by not violating the law. Saputri & Sofianty, (2021) Tax avoidance is defined as an act of legally manipulating income that is still in accordance with the provisions of tax laws and regulations to reduce the amount of tax owed. According to Pohan, (2017) tax avoidance is an effort that is carried out legally and safely for taxpayers because it does not conflict with tax provisions, were the methods and techniques used tend to take advantage of the weaknesses (gray areas) contained in the tax regulation law itself. to reduce the amount of tax owed.

1.3. Sales Growth

The definition of growth according to Kasmir, (2016) is a growth ratio (Growth Ratio) which is a ratio that describes a company's ability to maintain its economic position amid economic growth and its business sector. According to Houston & Brigham, (2017) company growth is a change (increase or decrease) in total assets owned by the company. In this case, companies with fast growth rates must rely more on external funds. Growth (company growth) can be seen from changes in the company's total assets in a period, because changes in assets can show that the company is developing or not, if the company's assets have increased, it can be said that the company is growing and if the company's assets have decreased, it can be said that the company is not growing. If the company's assets increase, it can be estimated that the company's operational results will also increase so that the greater the level of trust from outsiders to the company. When viewed from the investor side, a company that is experiencing good growth is expected to generate a higher rate of return on the investment made by investors. If the company's growth is indicated by an increase in total assets, it will get a good response from the market.

1.4. Profitability

The profitability ratio is the ratio used to measure a company's ability to earn profits. According to Kasmir, (2016) that the profitability ratio is the ratio used to see the company's ability to seek profits in a certain period. The growth rate of profitability ratios is one type of financial ratio that is often used by investors in viewing the company's prospects in the future. With the maximum profit gain, the company can do a lot for the welfare of the shareholders. This will certainly attract the attention of investors and trigger the level of demand so that the stock price will increase. According to Hery, (2016) high profitability will give an indication that the company is good, so that it can trigger investors to increase demand for shares and will affect the increase in the company's stock price.

1.5. Company Size

According to Abdillah & Hartono., (2015) in Aulia & Mahpudin, (2020) company size is a scale where the size of the company can be classified according to various ways (total assets, log size, stock market value, and others). The greater the total assets owned by the company, the greater the size of the company. The size of the total assets also affects the total productivity of the company, so that the profits generated by the company will also be affected. Profits generated by companies that have large assets will affect the value of the company will increase.

1.6. Leverage

Leverage is a description of the company's ability to fulfill its obligations. The leverage ratio is the ratio used in measuring a company's ability to fulfill all of its obligations, both short-term and long-term obligations (Hery, 2016). Leverage is able to show how far the company's financing is by debt with the company's ability as shown by capital (Harahap, 2016). The high level of leverage indicates that the company is more dependent on funding from debt. The higher the debt, the higher the interest expense will be. The interest expense is one of the advantages for the company to reduce its taxes. Companies with high leverage tend to do tax avoidance because of the tax incentives on interest expenses that companies earn in reducing the tax burden.

1.7. Research Framework

The following will explain the research framework, namely:

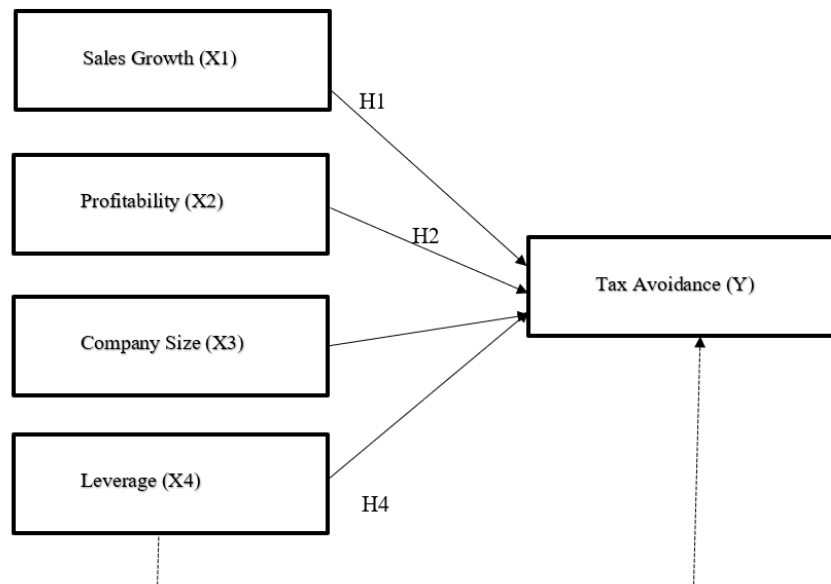


Figure 1. Research Framework

From the model above, the research hypothesis is arranged as follows:

- H1: Sales Growth Influences Tax Avoidance
- H2: Profitability Affects Tax Avoidance
- H3: Firm Size Influences Tax Avoidance
- H4: Leverage Has an Influence on Tax Avoidance
- H5: Sales Growth, Profitability, Firm Size and Leverage Affect Tax Avoidance

2. Methodology

2.1. Types of Research

The type used in this research is quantitative. Quantitative can be interpreted as a research method used to examine certain populations or samples with the aim of testing established hypotheses (Sugiyono, 2017).

Population is a generalized area consisting of objects or subjects that have certain qualities and characteristics determined by researchers to study and draw conclusions (Sugiyono, 2017). The population of this study are automotive companies listed on the Indonesia Stock Exchange in 2017 - 2021

The sampling technique in this study was carried out using purposive sampling method. The purposive sampling method is taking samples based on the considerations of the research subjects, the samples are selected based on the suitability of the characteristics with the sample criteria determined in order to obtain a representative sample. The following are the criteria for taking samples using the purposive sampling method:

1. Automotive companies listed on the Indonesia Stock Exchange during the 2017-2021 period.
2. Automotive companies that publish financial reports on the Indonesia Stock Exchange during the 2017-2021 period.
3. Automotive companies that use Rupiah in their financial statements during the 2017-2021 period.

2.2. Data Types and Sources

The type of data in this study uses quantitative data types and data sources in this study use secondary data sources. Secondary data in this study uses financial reports for automotive companies for the period 2017 – 2021 by accessing the websites of each sample company.

2.3. Variable Operational Definition

The variables in this study consist of independent variables and dependent variables. The variables involved in this study include:

Dependent Variable

The dependent variable in this study is tax avoidance, Saputri & Sofianty, (2021). Tax avoidance is defined as an act of legally manipulating income that is still in accordance with the provisions of tax laws and regulations to reduce the amount of tax owed. According to Aulia & Mahpudin, (2020) in this study it was measured using the Cash Effective Tax Rate (CETR). measurement using Cash ETR can answer the existence of problems and limitations on measuring tax avoidance. The smaller the Cash ETR value indicates that the greater the tax evasion is, and vice versa." The formula used according to Aulia & Mahpudin, (2020), namely:

$$\text{CETR} = \frac{\text{Tax Payment}}{\text{Profit before tax}}$$

2.3.1. Independent Variable

2.3.1.1. Sales Growth

Sales growth reflects the investment success of the past period and can be used as a prediction of future growth with the aim of the company getting the desired profit. Sales growth is a ratio that describes a company's ability to maintain its economic position amid economic growth and its business sector (Kasmir, 2016). The formula used according to Ainniyya et al., (2021), namely:

$$\text{Sales Growth} = \frac{\text{Sales}_n - \text{Sales}_{n-1}}{\text{Sales}_{n-1}}$$

2.3.1.2. Profitability

According to Kasmir, (2016) that the profitability ratio is the ratio used to see the company's ability to seek profits in a certain period. Profitability ratios can be measured by Return on Assets (ROA), according to Kasmir, (2016) ROA is used to show a company's ability to generate profits by using its total assets. The formula used according to Aulia & Mahpudin, (2020), namely:

$$\text{ROA} = \frac{\text{Net Profit}}{\text{Total Assets}}$$

2.3.1.3. Company Size

Company size (Firm Size) describes the size of a company aimed at total assets. The formula used according to Aulia & Mahpudin, (2020), namely:

$$\text{Size} = \text{LN}(\text{Total Assets})$$

2.3.1.4. Leverage

Leverage is a description of the company's ability to fulfill its obligations. The leverage ratio is the ratio used in measuring a company's ability to fulfill all of its obligations, both short-term and long-term obligations (Hery, 2016). The formula used by Aulia & Mahpudin, (2020) is:

$$\text{DER} = \frac{\text{Total Debt}}{\text{Total Equity}}$$

3. Result and Discussion

3.1. Descriptive statistics

Descriptive statistics can provide an overview or description in a data obtained from the average value (mean), standard deviation, variance, maximum and minimum (Teresia & Hermi, 2016).

Table 1: Descriptive statistics

	N	Minimum	Maximum	Mean	Std. Deviation
CETR	38	.0002	2.3393	.384332	.4654156
Sales Growth	38	-.3248	.6497	.090636	.2168988
Profitability	38	-.0021	.3099	.062014	.0703056
Company Size	38	26.4627	33.5372	29.741134	1.8810515
LEVERAGE	38	.0898	2.9672	.818806	.7482128
Valid N (listwise)	38				

Tax avoidance obtained a sample size of 38 and obtained the lowest value of 0.002 and the highest value of 2.3393 with an average value of 0.384332 and a standard deviation of 0.4654156.

For the sales growth variable, the number of samples is 38 and the lowest value is -0.3248 and the highest value is 0.6947 with an average value of 0.090636 and a standard deviation of 0.2168988.

For the variable size of profitability, the number of samples is 38 and the lowest value is -0.0021 and the highest value is 0.3099 with an average value of 0.062014 and a standard deviation of 0.0703056.

For the company size variable, the number of samples is 38 and the lowest value is 26.4627 and the highest value is 33.5372 with an average value of 29.741134 and a standard deviation of 1.8810515.

For the leverage variable, the number of samples is 38 and the lowest value is 0.0898 and the highest value is 2.9672 with an average value of 0.818806 and a standard deviation of 0.7482128.

3.2. Significant test (F test / Simultaneous test)

The F test (Simultaneous Test) is to test how the independent variables jointly influence the dependent variable. In testing the hypothesis, the first step that must be taken by researchers is to know the basis for making decisions in the F Test (simultaneous). There are methods used in the basis of decision making, namely as follows:

1. If the Significance value (Sig.), $< 0,01, 0,05$ and $0,10$ then there is a joint effect of the independent variable (X) on the dependent variable (Y). Hypothesis accepted.
2. If the Significance value (Sig.), $> 0,10$ then there is no joint effect of the independent variable (X) on the dependent variable (Y). The hypothesis is rejected.

Table 2: Significant test (F test / Simultaneous test)

Type	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	3.806	4	.951	7.459	.000b
Residual	4.209	33	.128		
Total	8.015	37			

Based on the results of the F test table, it can be seen that the simultaneous test results (F test) have a significance value of 0.000 so that it is less than 0.01 (1%) ($0.000 < 0.01$) thus indicating that simultaneously sales growth, profitability, company size and leverage effect on tax avoidance.

3.3. Significant test (t test / Partial test)

According to Astuti, (2017) Partial test (t test) is carried out to find out whether the independent variables partially have an influence on the dependent variable. This test is carried out by determining the significant level (α) which is 1%, 5% and 10%.

Table 3: Significant test (t test / Partial test)

Type	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
Sales Growth	-.493	.276	-.230	-1.789	.083	.965	1.036
Profitability	.794	.934	.120	.850	.402	.799	1.252
Company Size	-.096	.033	-.390	-2.912	.006	.888	1.127
Leverage	.431	.092	.692	4.704	.000	.735	1.361

Based on table 3 the results of the t test on the independent variables can be explained in detail as follows:

3.3.1. Sales Growth Against Tax Avoidance

The first hypothesis in this study was accepted, sales growth has a significance value of 0.005 so that it is more than 0.10 (10%) ($0.083 < 0.05$) thus indicating that partially the sales growth variable influences tax

avoidance. Because sales growth has an effect on tax avoidance. Increased sales growth will also increase profits for the company, so this can indicate tax avoidance by the company. These results are consistent with research from Ainniyya et al., (2021) which obtained the result that sales growth had an effect on tax avoidance, which was not in accordance with the results of research from Saputra, R, A, (2021)s which obtained the result that sales growth had no effect on tax avoidance.

3.3.2. Profitability Against Tax Avoidance

The second hypothesis in this study was rejected, profitability has a significance value of 0.402 so it is less than 0.10 (10%) ($0.402 > 0.10$) thus indicating that partially the profitability variable does not affect tax avoidance. Because profitability has no effect on tax avoidance, the reason is that it has no effect because the ROA value owned by the sample in the study does not affect tax avoidance, both when the value has increased or when the value has decreased. ROA shows that the sample companies have used their assets effectively to gain profit from the use of all of their assets. Companies that are able to generate profits mean that they are able to manage their income and tax payments so that in this case the company will prefer to pay the tax burden rather than having to take tax avoidance measures. This is because to practice tax avoidance will also require other costs that must be incurred such as tax consulting fees for carrying out tax avoidance, loss of reputation, legal threats and fines paid to the tax authority. The costs that must be borne in carrying out tax avoidance practices must be considered. These results are consistent with research from Maulani et al., (2021) which obtained the result that profitability has no effect on tax avoidance. This is not in accordance with the results of research from Saputri & Sofianty, (2021) who obtained the result that profitability affects tax avoidance.

3.3.3. Company Size Against Tax Avoidance

The third hypothesis in this study was accepted, Firm size has a significance value of 0.006 so that it is less than 0.01 (1%) ($0.006 < 0.01$) thus indicating that partially the firm size variable has an effect on tax avoidance. Because company size has an effect on tax avoidance, the reason is because company size is the size of the company which can be measured by the size of the company's total assets or assets using the logarithmic value of total assets. Company size directly reflects the high and low operating activities of a company. The larger a company, the greater its activities, so that the transactions carried out will be more complex. So, this allows companies to take advantage of existing loopholes to carry out tax avoidance from each transaction. These results are consistent with research from Saputri & Sofianty, (2021) who obtained results that company size had an effect on tax avoidance, which was not in accordance with research results from Ainniyya et al., (2021) who obtained results that company size had no effect on tax avoidance.

3.3.4. Leverage Against Tax Avoidance

The fourth hypothesis in this study was accepted, leverage has a significance value of 0.000 so that it is less than 0.01 (1%) ($0.000 < 0.01$) thus indicating that partially the leverage variable affects tax avoidance. Because company size has an effect on tax avoidance, the reason for influencing leverage is the depiction of a company's ability to fulfill its obligations. Leverage is a ratio used in measuring a company's ability to fulfill all of its obligations, both short term and long-term obligations. The higher the leverage in a company, the less the tax burden borne by the company, so that the debt measure is preferred by management as an effort to avoid a larger tax burden. The increasing leverage makes the company more willing to do tax avoidance. These results are consistent with research from Aulia & Mahpudin, (2020) who obtained the result that leverage has an effect on tax avoidance, which is not in accordance with the results of research from Hidayat, (2018) who obtained the result that leverage has no effect on tax avoidance.

3.3.5. Sales Growth, Profitability, Company Size and Leverage Against Tax Avoidance

The fifth hypothesis in this study was accepted, the simultaneous test results (Test F) have a significance value of 0.000 so that it is less than 0.01 (1%) ($0.000 < 0.01$) thus indicating that simultaneously sales growth, profitability, firm size and leverage affect tax avoidance. Because Sales Growth, Profitability, Company Size and Leverage have a simultaneous effect on Tax Avoidance, the reason is influential because According to Stawati (2020) Tax avoidance where companies will reduce their tax burden in a legal way and this does not conflict with applicable tax laws. This problem is a complicated and unique problem because in this case, tax avoidance does not violate the law (legal), but on the other hand, tax avoidance is not expected by companies. Taxpayers are given full discretion in calculating, paying and reporting their own tax obligations. The application of this taxation seems to open opportunities for taxpayers to manipulate the amount of tax figures to be paid in an effort to reduce company costs, including in the tax burden, so that the variables that can affect tax avoidance are Sales Growth, Profitability, Company Size and Leverage.

4. Conclusion

1. The first hypothesis in this study is accepted, because sales growth has an effect on tax avoidance, the reason is that increased sales growth will also increase profits for the company.
2. The second hypothesis in this study was rejected, because profitability has no effect on tax avoidance, the reason has no effect because the ROA value owned by the sample in the study does not affect tax avoidance.
3. The third hypothesis in this study was accepted, because company size has an influence on tax avoidance, the reason is that the bigger a company, the greater its activities, so that the transactions carried out will be more complex. So, this allows companies to take advantage of existing loopholes to carry out tax avoidance from each transaction.
4. The fourth hypothesis in this study is accepted, because company size has an influence on tax avoidance, the reason is that the higher the leverage in a company, the less the tax burden borne by the company will be, so that the debt measure is preferred by management as an effort to avoid the tax burden bigger.
5. The fifth hypothesis in this study is accepted, because Sales Growth, Profitability, Firm Size and Leverage have a simultaneous effect on Tax Avoidance.

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