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THE EFFECT OF SALES GROWTH, COMPANY SIZE, LEVERAGE ON TAX AVOIDANCE

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ABSTRACT
This study aims to gain knowledge regarding the effect of sales growth, company size and the effect on tax avoidance practices on companies. Companies often avoid taxes in ways that are not following the law. The practice of tax avoidance is a practice carried out by companies legally following the law. Sales growth, company size, and leverage are all factors in legal tax evasion. The research method used is a quantitative approach using the financial statements of companies listed on the Indonesia Stock Exchange for 2020-2022. The research sample consists of several companies from the trading sector. The conclusion from this research is that all companies from various sectors need to study the factors of tax avoidance as an efficient tax decision-making and payment.

Keywords: Sales Growth, Company Size, Leverage Tax Avoidance

INTRODUCTION

Taxes are the strongest funding source for state needs, such as the need for carrying out economic activities, providing facilities for the people of Indonesia and so on. Taxes are imposed on all Indonesian people, including taxpayers consisting of individuals and business entity taxpayers. Taxes for corporate businesses have different rates depending on the type of business entity. Each year the company is required to pay taxes on the company it runs at a rate based on the profit earned during one period. The tax that must be paid is calculated based on a certain percentage of the income or profits from the business entity's operations. It is noted that every year many cases of tax evasion are carried out in ways that violate laws and regulations. According to The State of Tax Justice 2020, tax evasion cases in Indonesia are ranked 4th in Asia (Muntaz & Jihan Rafida, 2023). This research finding proves that tax avoidance cases are very high in Indonesia. One example of a case that occurred in 2019 was the case of tax evasion by PT. Adaro Energy Tbk is a coal mining company that conducts tax evasion with a transfer pricing scheme. Transfer pricing minimizes business tax obligations by taking advantage of gaps in tax provisions both domestically and internationally (Huda et al., 2017).

In taxation, some practices are allowed in order to provide relief to both personal and business taxpayers. Tax evasion is an action or practice carried out by individuals or companies to reduce or avoid paying taxes that must be paid based on applicable tax laws (Evy et al., 2022). The company aims to achieve maximum profit and a high level of liquidity. Therefore, tax avoidance is required to minimize the tax that must be paid. High financial margins mean the company is doing better. (Ummah and Yuliana, 2023). Some factors influence companies to practice tax avoidance that is: 1) company size, large-scale companies can utilize third parties to regulate corporate taxes, 2) leverage, companies that have high levels of debt can take advantage of this to reduce the burden of taxes in order to be able to pay debts owned, 3) stock returns, companies can use profits that must be distributed as dividends to reduce the tax burden, 4) capital intensity, companies that require large capital investments try to be able to use more funds for capital investment and reduce the tax that must be paid, 5) sales growth, high sales will result in high profits, so companies try to take advantage of the tax that must be paid and 6) the composition of independent commissioners, the board of commissioners who do not care about taxation aspects tends to practice tax avoidance.

According to research that has been conducted by (Ayu et al., 2020) in the Factors Influencing the Occurrence of Tax Avoidance in Manufacturing Companies Registered on the Indonesian Stock Exchange it is stated that the variables consisting of return on assets, company size and institutional ownership no effect on tax avoidance. Meanwhile, Gusti Agung and Ketut Jati (2020) also used the same variable. I gave the result that company size has a negative effect on tax avoidance, and institutional ownership also has a negative effect on tax avoidance. Another

research was conducted by Anggraini Nicken Destriana (2022) in a study entitled Tax Avoidance in Manufacturing Companies. The variables in this study are all factors of tax avoidance. The results found that only sales growth as a variable and tax avoidance factor affected tax avoidance.

Anisa Risqana Putri (2022) conducted research on the Effects of Profitability, Company Size and Leverage on Tax Avoidance. According to the research, profitability and firm size have a negative effect on tax avoidance, while leverage has a positive effect on tax avoidance. Another study was conducted by Thalia Renata Octavia and Dian Purnama Sari (2022) with the title Effects of earnings management, leverage and Facilities for reducing income tax rates on tax evasion. This study shows that earnings management, by emphasizing the tax burden to be paid, has a negative effect on tax evasion, while the size of leverage does not. Another study by Muhammad Faris Azhar and Windhy Puspitasari (2023) entitled Effects of Thin Capitalization, company size, sales growth and company age on Tax Evasion. The results of this research are that firm size and firm age do not affect tax avoidance, while sales growth has a positive effect on tax avoidance.

Based on several previous studies found differences and similarities in research results. There are differences in results in several studies using the same variables. Therefore, to strengthen the results of previous research, the researcher conducted another study to strengthen the results of previous research. This research uses financial statements listed on the Indonesian stock exchange as the object.

LITERATURE REVIEWS

Planning Behavior Theory

The theory of Planned Behavior explains that subjective norms and attitudes toward behaviour cause the intention to do something. Then this theory was developed into a theory of planning behaviour. Suppose the theory of planning behaviour is implemented in this study. In that case, it is classified for whether tax avoidance includes subjective norms and for the variable sales growth, firm size and leverages, whether it includes attitudes towards behaviour. The theory of planning behaviour has three independent variables, namely attitudes towards behaviour, the second is subjective norms, and the third is behaviour which refers to the reasons people carry out a behaviour.

Business Entity Tax

Business entity tax is a tax imposed on a business entity that has been regulated in accordance with the law. The tax levied on business entities is not only the result of the profit earned during the year. However, some business entity taxes must be deposited. As for some of the taxes that must be paid, namely: 1) Corporate Income Tax: Taxes imposed on income earned by business entities during one tax year. Corporate income tax rates vary from country to country, depending on the amount of income and the government's fiscal policy. 2) Value Added Tax: Tax is given on the sale and service of goods and services carried out by business entities. VAT or Value Added Tax (VAT) is usually borne by the end consumer, but corporate businesses must collect and pay this tax to the government. 3) Regional Levy Tax: This tax is levied by the local government on business entities operating in the area—regional levies in the form of hotel taxes, restaurant taxes, and advertisement taxes

Business entities must prepare financial reports as an analysis tool for company performance, as an important reference in decision-making, as a form of accountability and as information for tax calculations. At the end of the accounting period, companies are required to produce financial reports consisting of income statements, reports on changes in capital, statements of financial position, cash flow statements and notes to financial statements. In the concept of taxation, the tax imposed on business entities is calculated based on the net profit generated from the company's activities. The concept of tax accounting is defined as the process of recording, classifying and summarizing related financial transactions with tax obligations. In accordance with the latest information, in addition to preparing financial reports, companies are also required to prepare tax reports, which means that these reports comply with applicable tax regulations. Fiscal correction is one of the procedures for generating tax reports. Financial reports that have been fiscally corrected will produce accurate information following the provisions of the applicable tax laws. Therefore, tax avoidance is present in tax regulations as a legal tax management strategy to balance sales growth and taxes that must be paid. Legal tax avoidance factors can be studied in depth, and companies can take advantage of these loopholes in effective resource management, cost reduction and revenue optimization.

Sales Growth

Sales growth is based on the current year's sales level reduced by the previous year's sales and then reduced by the previous year's sales. This sales growth is used to determine how high the level of sales is from year to year and to assess the level of tax that must be paid each year. In the accounting concept, high sales growth will increase profits, which is a good thing; on the other hand, in taxation concepts, this will also increase the tax the companies must pay. Company management needs to carry out an analysis of tax savings through tax avoidance legalized by law.

Leverage

Leverage or debt level is a ratio company's ability to use the debt to fund the company's activity. The use of this debt will cause debt costs. Therefore, leverage is a factor of tax avoidance because the large interest expense can be used to reduce the corporate income tax burden. However, this debt level is regulated by tax regulations, and interest on debt that can be recognized as an expense is the highest (3:1) for debt to capital.

Company Size

Company size is determined by the amount of assets used in accordance with company assets. Company size affects the amount of funding received from both internal and external parties. The bigger the company's size, the more likely it is to get funding.

Fiscal loss compensation

Compensation for fiscal losses is relief provided by the tax apparatus for companies that experience losses in the current year's business so as not to be taxed. Fiscal losses can be used as compensation or, in other words, can be used as compensation in tax avoidance practices.

Institutional Ownership

Institutional ownership is sharing ownership by a company or other institution. The ownership is in the form of a proportion of the increase in one company's shares.

METHODS

Research using quantitative methods. Quantitative research is used because the population used is considered broad. Secondary data is used in this study from financial reports listed on the Indonesia Stock Exchange for companies in the trading sector during 2020-2022. This study examines three independent variables (independent variables): sales growth, company size and leverage. The dependent variable studied is tax avoidance or tax avoidance.

This study used the analysis model with multiple linear regression, descriptive statistical methods, and a classical assumption test. These tests were conducted to examine the relationship between the two dependent variables and the independent variables.

RESULTS

Multiple Linear Analysis

Table 1. Coefficients [a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	std. Error	Betas		
1	(Constant)	-57,645	29,612		-1,947	,078
	Size_Company_UP	1,984	,993	,545	1,997	,071
	Leverage_L	-.097	.095	-,257	-1.024	,328
	Growth_Sales_PP	-2,012	2,053	-,268	-,980	,348

a. Dependent Variable: Tax_Avoidance_TA

Source: Processed data 2023

Table 2. Anova

ANOVA [b]						
Model		Sum of Squares	df	MeanSquare	F	Sig.
1	Regression	12,643	3	4,214	1,810	, 204 [a]
	residual	25,611	11	2,328		
	Total	38,254	14			

a. Predictors: (Constant), Growth_Sales_PP, Leverage_L, Size_UP_Company
b. Dependent Variable: Tax_Avoidance_TA

Source: Processed data 2023

This test was conducted to determine the effect of each variable X on variable Y. The firm size variable has a sig value of .071, where this value is <0.050, with the conclusion that firm size does not affect tax avoidance.The leverage variable has a sig value of .328, where this value is <0, with the conclusion that company size does not affect tax avoidance.The sales growth variable has a sig value of .0348, where this value is <0.050, with the conclusion that company size does not affect tax avoidance.

Classic assumption test

The test was conducted to test the ability of the independent variables of more than one independent variable to predict the dependent variable. It can be seen in the test of normality table 3 each Sig has a value of <0.05, so the residuals of the data used are normally distributed. Table 4 can be seen in the table that the tolerance value for each variable is >0.10 based on the VIF value <10.00 so that multicollinearity does not occur. This variable is said to be good because there is no multicollinearity. Table 5 was found that the average value of firm size was 29.6967, with the largest value being 30.59 and the smallest value being 29.27. The average leverage value is 3.2047, with the largest value being 13.78 and the smallest value being 0.29. The average value of sales growth is 0.1008, with the largest value, 0.31, and the smallest value, -0.46.

Normality test

Table 3. Tests of Normality

	Kolmogorov-Smirnov [a]			Shapiro-Wilk		
	Statistics	df	Sig.	Statistics	df	Sig.
Unstandardized Residuals	,204	15	,094	,882	15	.050

a. Lilliefors Significance Correction

Source: Processed data 2023

Multicollinearity Test

Table 4. Coefficients [a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	std. Error	Betas			tolerance	VIF
1	(Constant)	-57,641	29,611		-1,947	,078		
	Size_Company_UP	1,984	,993	,545	1,997	,071	,817	1.225
	Leverage_L	-.097	.095	-,257	-1.025	,327	,968	1.033
	Growth_Sales_PP	-2.013	2,053	-,268	-,980	,348	,813	1,230

a. Dependent Variable: Tax_Avoidance_TA

Source: Processed data 2023

Descriptive statistics

Table 5. Descriptive Statistics

	N	Minimum	Maximum	Means	std. Deviation
Size_Company_UP	15	29,27	30.59	29.6967	,45432
Leverage_L	15	,29	13.78	3.2047	4.36653
Growth_Sales_PP	15	-,46	,31	-,1008	,22030
Tax_Avoidance_TA	15	,00	5.55	1.1548	1.65301
Valid N (listwise)	15				

Source: Processed data 2023

DISCUSSION

Effect of the Influence of sales growth on tax avoidance

From the results of the t-test that has been carried out, the result is that sales growth has no effect on tax avoidance. So the researcher's hypothesis that there is a positive influence between sales growth on tax evasion is rejected. Companies that experience high sales growth, then these companies can pay the tax payable; in this case, tax avoidance practices do not need to be done.

Effect of company size on tax avoidance

The results of the t-test that has been carried out, the results show that company size does not affect tax avoidance. So the researcher's hypothesis that has been made that company size has a negative effect on tax avoidance is accepted. The results of this study are strengthened by previous research by (Nawang et al., 2021); firm size and firm value have no significant effect on tax avoidance.

Effect of Leverage on tax avoidance

The results of the t-test that has been carried out, the results show that leverage has no effect on tax avoidance. So the hypothesis of a positive influence between leverage on tax evasion is rejected. The use of debt originating from external funding sources originates from the long-term debt interest expense by the company. As a result, the company value is low because low-interest costs cannot affect tax evasion (Tebiono & Sukadana, 2019).

CONCLUSION

From the results of the research that has been done, get the conclusion that all the X variables in this study, namely, sales growth, firm size and leverage, have no effect on tax evasion. Even though sales growth has no effect on tax avoidance, it is expected that each company will still correctly calculate VAT on sales that have been made and must be paid. For the variable company size, even though the size has no effect, small and large companies still have to pay attention to the payable taxes paid. Because both small and large-scale companies still pay taxes, which cannot be avoided. The research has many limitations; this study only used 15 samples and 45 company data from financial reports listed on the Indonesia Stock Exchange in 2020-2022. The researcher hoped that the next research by others could increase the research time to get more data and research samples.

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