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The Effect of Profitability and Sales Growth on Tax Avoidance With Profit Management as a Moderating Variable in Food & Beverage Companies Listed on the Indonesia Stock Exchange

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Abstract: This study aims to examine whether profitability and sales growth have an impact on tax avoidance, with earnings management as a moderating variable in the food & beverage sector companies listed on the Indonesia Stock Exchange. The study uses a sample of 12 food & beverage companies listed on the Indonesia Stock Exchange for the period 2014-2023. The purposive sampling technique was applied, and multiple regression analysis was used to test the hypotheses. Data were analyzed using Eviews 13 software to identify the research model and discuss the results. The findings indicate that sales growth significantly affects tax avoidance, while profitability and earnings management have a significant impact on tax avoidance. Furthermore, the interaction between sales growth and earnings management also significantly affects tax avoidance. Based on these findings, companies should pay close attention to earnings management to avoid excessive tax avoidance practices, especially with rapid sales growth. On the other hand, these results suggest that stricter tax policies and more intense supervision by the government can limit companies' ability to engage in tax avoidance.

Keywords: Profitability, Sales Growth, Tax Avoidance, Earnings Management.

INTRODUCTION

High population growth in Indonesia, accompanied by increasing levels of public consumption, makes the food and beverage sector one of the main drivers of the national economy. The food and beverage sector in Indonesia continues to play a significant role in the national economy. In 2023, the sector's contribution to non-oil and gas industry GDP reached 39.10%, and contributed 6.55% to national GDP. This growth was supported by an increase in export value which reached USD41.70 billion during 2023, as well as investment realization of IDR85.10 trillion in the same year(Ministry of Industry, 2024). The data confirms that the food and beverage sector remains an important pillar in driving Indonesia's economic growth.(Novianti et al., 2022).This condition creates a great opportunity for companies to develop their business amidst high consumer demand. In addition, this sector also attracts the attention of investors, both domestic and foreign, to invest their capital in order to maximize profits and support the sustainability of their business ((Balqis & Safri, 2022). In practice, companies often optimize profits not only by increasing revenue, but also by managing existing expenses, including tax burdens. This tax burden management is often carried out through tax avoidance strategies, namely efforts to reduce tax obligations legally but not always ethically. This practice is often a major challenge for the Directorate General of Taxes (DGT), considering that the food and beverage sector is one of the main contributors to state tax revenues (Ministry of Finance, 2023)

The case of financial report manipulation to reduce tax burden was also found in PT GarudaFood Putra Utama. In 2019, the company was reported to have manipulated loss data to reduce tax obligations. This manipulation reflects the importance of transparency in financial reporting.(Balqis & Safri, 2022). On the other hand, PT Nestlé Indonesia uses a strategy of moving production activities to areas with lower tax rates, which although legal, is still considered aggressive tax avoidance.(Novianti et al., 2022).

The COVID-19 pandemic that began in 2020 has had a major impact on economic stability, including the food and beverage manufacturing sector. A study from Andalia et al. (2023)shows that tax avoidance practices in food and beverage sub-sector companies increased sharply from 24% in 2019 to 53% in 2020. According to the Tax Justice Network, Indonesia loses potential tax revenue of up to US$4.86 billion or IDR69.1 trillion each year due to tax avoidance practices, placing the country in fourth place in Asia after China, India, and Japan.(Khoirunnissa et al., 2024). Tax avoidance practices carried out by companies, such as transfer pricing, high cost reporting, and utilization of tax incentives during the Covid-19 pandemic, have become common strategies to reduce tax burdens. In addition, modes such as cash payroll and transactions without receipts have become increasingly common during the pandemic, exacerbated by weak supervision due to the remote working pattern implemented by the tax authorities. New tax policies made during the pandemic have actually opened up loopholes for companies to manipulate data and take advantage of tax relaxation facilities, thereby increasing the risk of tax fraud.(Andalia et al., 2023)

The phenomenon of tax avoidance that is rampant in the food and beverage sector, especially in companies listed on the Indonesia Stock Exchange, highlights the importance of understanding factors such as profitability and sales growth in determining tax avoidance strategies. The role of earnings management as a moderating variable is also crucial in describing how companies utilize accounting flexibility to achieve certain goals, including managing tax burdens. The urgency of these research variables is that profitability is often considered as one of the main indicators that influence a company's tax avoidance strategy.The Greatest Showman (2021).explains that profitability measures a company's ability to generate net income from its assets. Companies with high levels of profitability tend to be more active in tax avoidance to maximize cash flow.(Ismawati & Lutfillah, 2019). However, a different view was expressed byThe Last Supper (2024)who found that high profitability actually encourages tax compliance because companies are better able to meet their tax obligations.
In addition to profitability, sales growth is also a significant factor in determining a company's tax strategy. Companies with increasing sales levels tend to have better financial stability, so they are able to pay taxes according to their obligations.(Sembiring & Sa'adah, 2021). However,The Last Supper (2021) shows that high sales growth in some cases can increase tax aggressiveness, indicating differences in strategies between companies.

Earnings management as a moderating variable plays an important role in the relationship between profitability, sales growth, and tax avoidance.Amidu et al. (2019) explains that earnings management practices are often used to change financial statements to support tax avoidance efforts by exploiting loopholes in accounting regulations. This shows that earnings management can strengthen or weaken the influence of the two main variables on tax avoidance.

Previous studies have examined the effect of profitability and sales growth on tax avoidance, but the results still show significant differences. Most studies highlight that high profitability tends to increase tax burdens, while sales growth can affect a company's ability to manage its tax obligations. However, few studies integrate earnings management as a moderating variable to understand the dynamics of the relationship in more depth. Previous studies where. Profitability, as measured by Return on Assets (ROA), is the main indicator of a company's ability to generate profits from its assets. This ratio measures the ability of management to manage assets to create profits, thus providing a real picture of the company's operational performance and the effectiveness of resource use. The higher the ROA, the better the company's ability to generate profits from each unit of assets owned(Darmawan, 2019)and its relationship with tax avoidance shows mixed results.(Harahap, 2021). Research such asThe Last Supper (2022),The Story of Susanti (2019),Darsani & Sukartha (2021), as well asErnawati et al. (2021)found that profitability has a significant positive effect on tax avoidance, because companies with high profitability tend to take advantage of tax loopholes to minimize their liabilities. On the other hand, a study byAnn & Manurung (2019),The Last Supper (2024),The Last Supper (2021),The Last Airbender (2023),Janatin & Pardi (2022), as well as Princess & Yuliafitri (2024)found a significant negative effect, where high profitability actually increases tax compliance and decreases tax avoidance practices. Meanwhile, research byMulyati et al. (2019)AndThe Last Supper (2020)revealed that profitability does not have a significant effect on tax avoidance, indicating that other variables may be more dominant in influencing this practice. These mixed findings reflect the complexity of the relationship between profitability and tax avoidance.(Safitri & Mariani, 2024)

Sales growth reflects the company's performance in increasing revenue from year to year and influences tax strategy.(Nanningsih & Dewi, 2023). Several studies, such asSudibyo (2022),The Last Supper (2021),The Last Airbender (2023),Janatin & Pardi (2022), as well as Princess & Yuliafitri (2024)found that sales growth has a significant negative impact on tax avoidance, indicating that firms with high sales are more compliant with tax obligations. However,The Last Supper (2021)shows a significant positive effect, where sales growth drives tax aggressiveness. In addition,Oktaviyani & Munandarm (2017),Sriyono & Andesto (2022), as well asSawitri et al. (2022)found that sales growth had no significant effect on tax avoidance, indicating that there are differences in firm or industry characteristics that influence this relationship.

Earnings management as a moderating variable has an important role in strengthening or weakening the relationship between profitability, sales growth, and tax avoidance.Pranaditya et al. (2021)shows that deferred tax burden is able to moderate the relationship between sales growth and earnings management, whileFirmansyah et al. (2022)found that earnings management strengthens the relationship between firm size and tax avoidance. The studyRani et al. (2022)shows that earnings management can moderate the effect of profitability and leverage on tax avoidance. However,The Last Supper (2022)found that earnings management moderates the relationship between sales growth and tax avoidance, but does not moderate the relationship between profitability and tax avoidance. This finding reflects the need for further research to understand the role of earnings management, especially in the food and beverage sector, in influencing corporate tax strategies.

The research gap lies in the contradiction of previous research results and the lack of research linking profitability, sales growth, and earnings management in food & beverage companies in Indonesia. This indicates the need for further research to address the ambiguity of the relationship between variables.

This study aims to fill the gap by analyzing the relationship between profitability, sales growth, and tax avoidance, by adding earnings management as a moderating variable. Focusing on food and beverage companies listed on the Indonesia Stock Exchange provides strong relevance, given the sector's significant contribution to the national economy.

The results of the study are expected to provide significant empirical contributions to the tax literature, as well as being a reference for tax authorities in designing more effective policies to prevent tax avoidance. This study also provides insight for companies in managing ethical and sustainable tax strategies.

The Effect of Profitability on Tax Avoidance

Profitability informs the company's ability to generate profits during a certain period at a certain level of sales, assets and share capital.(Ernawati et al., 2019). Profitability is composed of several ratios, one of which is return on assets (ROA) as an indicator that reflects the company's financial performance, the higher the ROA value, the better the company's financial performance can be categorized, agency theory explains that when a company wants to maximize its profits, there will be a conflict of interest between the tax authorities (principal) and the company or taxpayer (agent). The tax authorities want as much tax revenue as possible, while the company must generate significant profits with a low tax burden. The amount of profitability obtained by the company will affect the actions that the company will take to maximize the amount of net profit received by the company. The higher the level of company profitability, the greater the profit that can be generated by the company, so that the tax imposed on the company's profits will be greater. With this high profit, the company certainly does not want to pay high taxes, so the company tends to avoid taxes(Darsani & Sukartha, 2021). ROA is used because it can provide adequate measurement of the overall effectiveness of the company and can calculate profitability. The higher the ROA value, the better the management of a company's assets, which will result in greater profits for the company. When the profit obtained increases, the amount of income tax will increase in accordance with the increase in the company's profit, this will motivate a company to carry out tax avoidance.(Mulyati et al., 2019).

ResultsAnn & Manurung (2019b) Profitability has a negative and significant effect on the level of tax aggressiveness.Research byThe Last Supper (2024)shows that profitability has a negative and significant effect on tax avoidance, which means that the higher the profitability, the less the tendency of the company to engage in tax avoidance. Similar results were also found byThe Last Supper (2021), which states that profitability has a significant negative impact on tax avoidance. Where the same,The Last Airbender (2023)also found that financial performance measured through profitability has a significant negative effect on tax avoidance. Research byJanatin & Pardi (2022)support this finding by showing that profitability has a significant negative impact on tax avoidance.Princess & Yuliafitri (2024)as well asThe Last Supper (2024)also strengthens this finding, with the conclusion that higher profitability reduces the company's incentive to avoid taxes. So based on the description above, the formulation of the hypothesis that can be drawn is:
H1: Profitability Has a Negative Effect on Tax Avoidance.

The Effect of Sales Growth on Tax Avoidance

Sales growth plays an important role in working capital management so that the amount of sales growth can be used to predict how much profit will be generated, because sales growth can describe the good or bad level of sales growth of the company, forcing the company to avoid taxes.(Sawitri et al., 2022). If the higher sales volume indicates that the company's sales growth is getting faster, the less tax evasion the company is doing, because companies with relatively high sales provide the opportunity to gain large profits and are able to pay taxes.(Sriyono & Andesto, 2022).

Sudibyo (2022)saysales growth has a negative effect on tax avoidance.The Last Supper (2021) found that companies with high sales growth tend to reduce tax avoidance practices. This finding is supported by researchThe Last Airbender (2023), which shows that sales growth has a significant negative impact on tax avoidance. In addition,Janatin & Pardi (2022) as well asPutri et al. (2021)also found that sales growth has a significant negative effect on tax avoidance, which means that companies that experience increased sales are more likely to

comply with their tax obligations. So based on the description above, the formulation of the hypothesis that can be drawn is:
H2: Sales growth has a negative effect on tax avoidance.

The Influence of Earnings Management on Tax Avoidance

The impact of earnings management in the form of a decrease in profits on tax avoidance using the effective tax rate proxy can be explained by the fact that profit is a benchmark for measuring the company's tax burden.(Khairunisa & Surjandari, 2022).Management will report profits according to its objectives, using accounting options that reduce profits or lower income as a form of tax avoidance.Income management reports can impact tax planning because income management changes taxable income, which in turn changes the tax burden.(Dewi et al., 2019). The company tries as much as possible to keep the taxes paid low through tax avoidance, where management deliberately avoids taxes by applying certain calculation methods and principles by increasing costs so that reported profits remain low, so that the purpose of tax evasion is to reduce the tax burden paid by reducing profits, which can increase the realization of income management.(Rahmadani et al., 2020).Monitoring of diversionary managerial behavior by relying on external monitoring mechanisms provided by debt holders does not cause a reduction in EM associated with increased tax avoidance activities. The reality of financial statement disclosures that comply with applicable standards will have a positive effect on the quality of the company, so this will be the reason for the applicable mechanism of how earnings management will be complete and produce a positive effect on tax avoidance decisions in the future.(Amidu et al., 2019). In another study, it was found that earnings management practices have a significant effect on tax avoidance.(Ernawati et al., 2021). Mearnings management has a positive effect on tax avoidance(Firmansyah et al., 2022). Other studies show that earnings management acts towards tax avoidance.(Rani et al., 2022). Similar research results alsofindearnings management affects tax avoidance fromThe Last Supper (2022). Based on this description, the formulation of the hypothesis that can be drawn is:
H3: Earnings management has an effect on tax avoidance.

Earnings Management Can Moderate the Effect of ProfitabilityAgainst Tax Avoidance

Profitability is a determinant of tax avoidance, because large companies tend to pay taxes and companies with low profits tend to avoid taxes ((Fitriyani & Waluyo, 2022). Earnings management is defined as an accounting policy or action chosen by managers to achieve certain goals in reporting company earnings.(Scott, 2000), because earnings management is a manager's decision in choosing and deciding on accounting policies or actual actions that affect the company's profits to achieve several objectives in preparing financial statements. The results of Amidu et al.'s (2019) study show that earnings management has an effect on tax avoidance of companies operating in Ghana. However, the results of the study using different levels of significance, so that the significance of each study using profitability and earnings management variables as moderators gives varying results.Di where some of them are in accordance with the theory such as research conducted byRani et al. (2022) shows that earnings management actions are able to moderate the influence of profitability and leverage on tax avoidance.Dari previous research studies found different results, hresult ofThe Last Supper (2022)findEarnings management cannot moderate the relationship between profitability and tax avoidance where companies in conducting tax avoidance do not always consider Return on Asset or are caused by other reasons. The political cost hypothesis states that management will manipulate earnings by reducing profits to minimize taxes paid. Earnings management practices carried out by company management will affect the relationship between profitability and tax avoidance practices carried out by the company(Rani et al., 2022) Based on the description above, the following hypothesis is proposed:
H4: Earnings management moderates the effect of profitability on tax avoidance.

Earnings Management Can Moderate the Effect of Sales GrowthAgainst Tax Avoidance

Companies with higher sales growth will be motivated to reduce cash outflows, therefore, being very proactive in avoiding taxes means that sales growth significantly shows a positive influence on tax avoidance.(Oktaviyani & Munandar, 2017). Increasing sales growth tends to increase company profits. Therefore, companies will tend to do tax avoidance.(Fitriyani & Waluyo, 2022). Sales growth is closely related to increased revenue. It is known that this study does not have high and significant sales growth. This is where earnings management plays a role in sales variables that are closely related to profits and taxes that are a burden on the company. Companies increase revenue to avoid reporting losses, to beat previous year's revenue, or to achieve targets. Managers manipulate earnings through accounting choices or operational decisions. Resultsl previous research is diverse, some of which are in accordance with the theory, such as the studyPranaditya et al. (2021)with the result that deferred tax burden strengthens (moderates) the relationship between sales growth and earnings management.Result ofThe Last Supper (2022)findEarnings management can moderate the relationship between sales growth and tax avoidance where earnings management also plays a role in sales variables that are closely related to profits and taxes. So syouIn the explanation above, the hypothesis formula that can be drawn is:

H5: Earnings management can moderate the effect of sales growth on tax avoidance..

Research Model

In this study, the researcher uses profitability and sales growth as independent variables, and tax avoidance as the dependent variable, and earnings management as a moderating variable. The following is a description of the research model in this study:

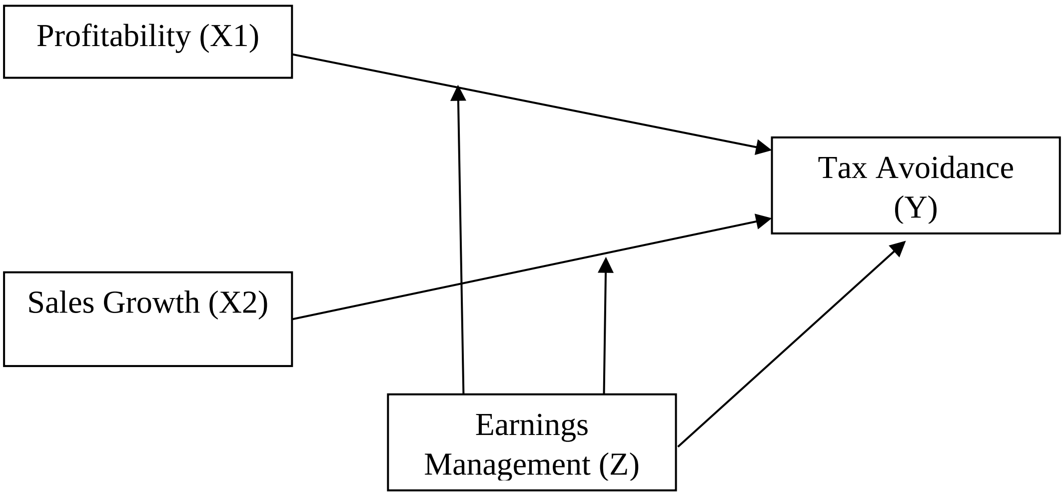

Figure 1. Research Model

METHOD

The study used in the study is causality study. Causality studies are studies used to explain cause and effect between independent variables and dependent variables in a study(Sekaran & Bougie, 2020). The design of this study is to explain causality with the type of hypothesis testing, namely the researcher will look for a causal relationship between independent and dependent variables and moderating variables.

PopulationThe study consists of all food and beverage companies listed on the Indonesia Stock Exchange (IDX) at the end of 2023, totaling 26 companies. The entire population in this study is 2014-2023 with the base year of data 2013 with 26 companies. TechniqueThe determination of the sample for this study is non-probability sampling, using purposive sampling. Purposive sampling is a method of selecting samples according to specific criteria determined by the researcher.(Sekaran & Bougie, 2020)namely:

1. Food and beverage companies listed on the Indonesia Stock Exchange for 10 consecutive years from 2014 to 2023.
2. Food and beverage companies that have published consecutive financial reports for the years 2014-2023.
3. Own information about the financial reports of food and beverage companies that are relevant and necessary for this research.
4. The currency values reported in the financial statements are stated in Rupiah.
5. In addition, the data used has positive value for profitability.

Table1. Stages of Determining Research Samples

Information	Number of Companies
Food and beverage sector companies	26
Violation of the criteria of companies used as research samples:	
- Food and beverage companies that are not listed on the Indonesia Stock Exchange for ten consecutive years from 2014 to 2023.	(15)
- Food and beverage companies that did not publish consecutive financial reports for 2014-2023.	
- The currency values reported in the financial statements are not stated in Rupiah.	(0)
	(0)
With company samples	12
Number of data samples used 12 samples x 10 years	120

Analysta data is applied after data collection is done quantitatively using parametric statistics. This is because the data is measured with a ratio scale. Data processing and analysis in this study using computer tools. The software used to accelerate data processing is the Eviews 13 Software program. This software was chosen because it is considered effective in calculating statistical values, data quality tests, classical assumption tests, and hypothesis tests where the data in the study uses panel data.

Descriptive Statistics

Descriptive Statistics is an analysis that provides a description of the data but not to test the formulated research hypothesis. Descriptive analysis aims to analyze data and calculate various characteristics of the data studied. Descriptive statistics show the number of samples, minimum value, maximum value, average value, and standard deviation. The minimum value is used to assess the smallest value of the data. The maximum value is used to find the maximum value in the data. The average value is the value that determines the average of the surveyed data. Standard deviation, on the other hand, determines the extent to which the data being investigated(Ghozali, 2018).

Moderated Regression Aanalysis

This study uses statistical analysis, namely the moderated regression analysis method, namely by using statistical tools. To study the linear relationship between dependent, independent, and moderating variables, by entering tax avoidance as a dependent variable, profitability and sales growth as independent variables and earnings management as a moderating variable in the regression equation, including:

$$\mathbf{Y = \alpha + \beta 1X1 + \beta 2X2 + \beta 3X3 + \beta 4\ (X1\ X3\ ) + \beta 5\ (X2\ X3\ ) + e}$$

Note:
Y : Tax Avoidancein my earr with CETR
α :Constanta
β1....β5 :Coefficientn Regression of each independent and moderating variable
X1 : Return on Assets (Independent Variable)
X2 : Sales Growth (Independent Variable)
X3 : Earnings Management (Moderation Variable)
e :Variablel Residual

Panel Data Regression Analysis

Panel data regression analysis is used to measure the influence between more than one variable. Panel data is data collected cross-sectionally and followed over a certain period of time. The panel data technique is by combining cross-section and time series data types. According toGhazali (2018).Panel data is a combination of two time periods (time series) and cross-section data.

Panel Data Regression Estimation Method

Panel data regression is used to analyze the effect of more than one variable by combining cross-section and time-series data. This approach includes three main methods:(Ghozali, 2018).

1. Common Effect Model (CEM): Using Ordinary Least Square (OLS) without considering individual or time differences.
2. Fixed Effect Model (FEM): Assumes the intercept varies across individuals but remains constant over time, with the same slope for all.
3. Random Effect Model (REM): Disturbance variables are considered random and uncorrelated with explanatory variables, suiTablefor low heteroscedasticity data.

Classical Assumption Test

1. Normality: Using the Jarque-Bera test; P-value > 0.05 indicates a normal distribution
2. Multicollinearity: Correlation between independent variables must be < 0.90
3. Heteroscedasticity: White test P-value > 0.05 indicates homogeneous residual variance

Model Selection

1. Chow Test: Choosing between CEM and FEM. P-value > 0.05 supports CEM; otherwise FEM
2. Hausman test: Choosing between FEM and REM. P-value > 0.05 supports REM; otherwise FEM
3. Lagrange Multiplier (LM) Test: Determining between CEM and REM. P-value > 0.05 supports CEM; otherwise REM

Hypothesis Testing Model

Partial Test (t-Test): Testing the influence of independent variables individually on the dependent, significant if P-value < 0.05.

Coefficient of Determination (Adjusted R^2): Measures the strength of the influence of independent variables together on the dependent, the closer to 1 the better.

RESULTS AND DISCUSSION

Table2. Descriptive Test

	N	Minimum	Maximum	Mean	Std. Deviation
CETR__Y	100	0.050	13,650	8,769	4,122
ROA__X1	100	-33,950	15,710	7,409	9,548
GS__X2	100	-2,330	-0.480	-0.715	0.307
PROFIT_MANAGEMENT	100	0.060	0.340	0.254	0.079

Descriptive Statistical Test, based on the Tabledata, there are a total of 100 observations after outliers from 120 data, by eliminating PT CEKA and PT MLBI. The dependent variable Tax Avoidance (CETR) shows a minimum value of 0.050 in PT SKBM Tbk recorded in 2023, and a maximum value of 13.650 in PT DLTA Tbk recorded in 2021, with an average value of 8.769 and a standard deviation of 4.122. The high tax avoidance value in several companies reflects the company's ability to optimize tax efficiency strategies, such as utilizing tax incentives or managing tax burdens more effectively. Conversely, a low value reflects minimal tax avoidance efforts, which can be caused by low net profit or lack of optimization in utilizing tax reduction opportunities. For the Profitability (ROA) variable, the minimum value was recorded at -33,950 at PT DLTA Tbk in 2020, while the maximum value reached 15,710 at PT DLTA Tbk in 2014, with an average value of 7,409 and a standard deviation of 9,548. The high level of profitability in several companies reflects the company's ability to manage assets efficiently to generate significant profits, supported by operational efficiency and superior marketing strategies. Conversely, the low level of profitability in other companies may be due to large investments that have not had a significant impact on profits or an increase in assets without being balanced by net profit growth.

Sales Growth (GS)shows a minimum value of -2.330 in PT SKBM Tbk in 2023 and a maximum value of -0.480 in PT SKLT Tbk in 2023, with an average value of -0.715 and a standard deviation of 0.307. The sharp decline in sales in some companies may be caused by external factors, such as a pandemic or difficulties in the supply chain, which reduce people's purchasing power or hinder product distribution. Meanwhile, for the Earnings Management (M) variable, the minimum value was recorded at 0.060 in PT SKBM Tbk in 2023, and the maximum value was 0.340 in PT ADES in 2023, with an average value of 0.254 and a standard deviation of 0.079. Earnings management values that are closer to zero reflect high transparency and compliance in financial reporting, while higher values reflect more aggressive earnings management practices, which may be carried out to maintain the company's financial performance amidst business pressures. Overall, significant differences in values for each variable indicate variations in management strategies, operational efficiency, and market conditions faced by these companies. External factors, such as the pandemic, government policies, and market dynamics, also affect company performance. Therefore, it is important for companies with low performance to improve operational efficiency, manage assets better, and take advantage of market opportunities in order to compete more optimally.

Normality Test**,**based on the results in Table7, it shows that the initial data does not meet the assumption of normality because there are indications of outliers in the sample. As a result, from a total of 120 initial samples, 2 companies were removed so that 100 samples remained to be used for further analysis. After removing the outliers, the data was declared to meet the assumption of normality.

Multicollinearity Test, as shown in Table8, shows that the VIF value is smaller than 10, and the tolerance value is greater than 0.1. This indicates that there are no symptoms of multicollinearity in the data used.

Heteroscedasticity Test with the White method shows that the value of Prob. F (17,82) is 0.1090, the value of Obs*R-squared Prob. Chi-Square (17) is 0.1213, and the value of Scaled explained SS Prob. Chi-Square (5) is 0.3134. These results indicate that all probability values are greater than 0.05 (5%). Thus, it can be concluded that the data meets the assumption of homoscedasticity, or there are no symptoms of heteroscedasticity. This means that the residual variance does not vary systematically, and the regression model can be used for further analysis with good validity.

Chow test namely testing to determine the most appropriate Common effect or Fixed effect model used in estimating panel data. The results of the Chow Test in the Tableabove can be concluded that H0 is rejected H1 is accepted because the Cross-section Probability F result is smaller than alpha (0.0000 <0.05), so the model used in this study is the Fixed Effect Model.

Hausman test**,**After conducting the Chow Test and obtaining the right model is the Common effect, then we will test which model between Random effect or Fixed effect is the most appropriate, this test is called the Hausman Test. Based on the Hausman Test, it can be concluded that H0 is rejected, H1 is accepted because the results of the Random Cross-section Probability are smaller than alpha (0.0196 <0.05), so the model used in this study is the Fixed Effect Model.

Summary of Panel Data Regression Model Testing, bBased on the Chow-test model test, it shows that*Fixed EffectModel* which was chosen because the results of the Random Cross-section Probability were smaller than alpha (0.0000 < 0.05). On the other hand, the results of the Hausman model test showed that*Fixed EffectModel* which was chosen because the Cross-section Probability F result was smaller than alpha (0.0196 < 0.05). From these results, it is evident that the selected panel model is the model Fixed EffectModel.

Simultaneous Test (F Test**)**based on the results of the analysis shows the significance value of Prob (F-statistic) of 0.000000, which is smaller than 0.05. This shows that simultaneously, the independent variables Profitability (ROA) and Sales Growth (GS) significantly affect the dependent variable Tax Avoidance (CETR). Thus, the results of this study state that simultaneously, Profitability and Sales Growth, with Earnings Management as a moderating variable, have a significant influence on Tax Avoidance in Food & Beverage companies listed on the Indonesia Stock Exchange.

Table 3. Hypothesis Test Results

Hypothesis Testing	Bhere	Significance	Hypothesis	Results
ROA (X1) → CETR	-0.016284	0.0000	-	Accepted
GS(X2) → CETR	-0.002804	0.0126	-	Accepted
Earnings Management (M) → CETR	0.324582	0.0000	+	Accepted
X1*M → CETR	-0.021254	0.0000	-	Accepted
X2*M → CETR	-0.002504	0.0259	-	Accepted

Partial Test (t-Test)based on the results in Table 3 shows that the ROA variable (X1), GS variable (X2) and its interaction with Earnings Management have a significance value below 0.05, which means that partially has a significant effect on Tax Avoidance (CETR). These results indicate that ROA, sales growth (GS) significantly affect tax avoidance, and the interaction of ROA, sales growth (GS) with earnings management (moderation) strengthens this influence. Overall, these results indicate that moderation by Earnings Management has an effect on the independent variables. On ROA and sales growth (GS), moderation strengthens the influence on tax avoidance.

Adjusted R^2 Test, This test uses the Adjusted R-squared results from data processing with the Eviews application. If the results are high, it means that the independent variables are able to explain the dependent variable strongly. Based on the test results, the Adjusted R-squared value is 0.6368 or 63.38%, which means that the variables Profitability (ROA), Sales Growth (GS), Earnings Management (M), and moderation interactions (X1 * M and X2 * M) are able to explain 25.61% of the variability of Tax Avoidance (CETR). The remaining 26.62% is explained by other variables outside this research model. These results indicate that although the independent and moderation variables contribute to tax avoidance, there are other factors that also influence tax avoidance that are not included in this research model.

Multiple Linear Regression Analysis, based on statistical software can be described as follows:

$$CETR=0.4786-0.0163ROA-0.0028GS+0.3246M-0.0213X1\_M-0.0025X2\_M+\varepsilon$$

Based on the equation, the constant value of 0.4786 indicates that if all independent variables are zero, then the Tax Avoidance (CETR) value is 0.4786. This provides a basic picture of the level of tax avoidance in a company without being influenced by profitability, sales growth, or earnings management.

Profitability (ROA)has a coefficient of -0.0163, indicating that every 1 unit increase in ROA will cause a decrease in Tax Avoidance of 0.0163, assuming other variables remain constant. This suggests that more profiTablecompanies tend to engage in lower tax avoidance, possibly due to higher transparency or compliance in financial reporting.

Sales Growth (GS)has a coefficient of -0.0028, which means that a 1 unit increase in Sales Growth will decrease Tax Avoidance by 0.0028. This suggests that higher sales growth can reduce the need for firms to avoid taxes, perhaps because firms have the ability to meet tax obligations without having to adopt an aggressive strategy.

Earnings Management (M)has a coefficient of 0.3246, indicating that every 1 unit increase in Earnings Management will increase Tax Avoidance by 0.3246. This indicates that companies that practice earnings management tend to be more active in tax avoidance strategies, in line with efforts to manage tax burdens more strategically.

The interaction between ROA and Earnings Management (X1*M) has a coefficient of 0.0213, so its effect on Tax Avoidance is significant. This shows that Earnings Management moderation strengthens the relationship between ROA and Tax Avoidance, so its effect tends to be weak.

On the other hand, the interaction between Sales Growth and Earnings Management (X2*M) has a coefficient of -0.0025, indicating that the moderation of Earnings Management strengthens the negative effect of Sales Growth on Tax Avoidance. This means that when sales growth increases, the role of earnings management is more effective in reducing tax avoidance practices.

These results indicate that Profitability and Sales Growth play an important role in determining the level of Tax Avoidance. Meanwhile, Earnings Management has a moderating role in both variables. In Profitability (ROA), earnings management moderation has an effect, while in Sales Growth, earnings management moderation strengthens its negative relationship with tax avoidance.

This shows that more profiTablecompanies tend to be more compliant in paying taxes, while fast-growing companies tend to utilize earnings management to reduce tax avoidance practices. Therefore, earnings management plays a strategic role in supporting corporate tax policies, especially in the Food & Beverage sector listed on the Indonesia Stock Exchange.

DISCUSSION

The Effect of Profitability on Tax Avoidance

Based on the results of statistical data processing, the profitability coefficient (ROA) shows a negative value of -0.0163 with a significance level of 0.0000, which means that profitability directly affects tax avoidance in companies in the Food & Beverage sector. However, the negative direction of the relationship indicates that companies with higher levels of profitability tend to reduce tax avoidance practices. This may be due to the ability of companies with high profits to meet tax obligations without the need to adopt an aggressive tax avoidance strategy.

Based on descriptive data, the average ROA of companies in this sector is 11,802, with a maximum value reaching 52,670 at PT. MLBI Tbk in 2016 and a minimum value of 0.052 at PT. ICBP Tbk in 2021. The fluctuating level of profitability reflects the company's efficiency in managing assets to generate profits. Companies with high profitability, such as PT. MLBI Tbk, tend to be more tax compliant than companies with low profitability. This shows that higher profitability contributes to increased corporate tax compliance, although it is not entirely statistically significant in this study.

In the Food & Beverage sector, companies with high profitability have a better image in the eyes of stakeholders and are more supervised by tax authorities. Therefore, these companies tend to be more transparent in tax reporting to avoid the risk of penalties or stricter supervision. Conversely, companies with low profitability are more susceptible to pressure to reduce tax burdens through tax avoidance strategies. This may be one of the reasons why certain companies do not have a significant relationship between profitability and tax avoidance.

Previous studies support this finding. Ann & Manurung (2019b) and Purnamasari & Yuniarwati (2024) found that profitability has a significant negative effect on tax avoidance. The higher the level of profitability, the less likely the company is to adopt a tax avoidance strategy. Other studies by Sembiring & Sa'adah (2021) and Riawan & Putri (2023) also support this finding, showing that good financial performance allows companies to be more compliant in paying taxes.

The Effect of Sales Growth on Tax Avoidance

The results of the regression analysis show that sales growth (GS) has a negative coefficient of -0.0028 with a significance level of 0.0126, which means that sales growth has a negative and significant effect on tax avoidance. This finding suggests that companies with higher sales growth tend to reduce tax avoidance practices. This may be due to the ability of companies with increasing sales to meet their tax obligations more effectively, thus not requiring tax avoidance strategies.

Descriptive data shows that the average sales growth in this sector is 8.96, with a maximum value reaching 50,402 at PT. ADES Tbk in 2020 and a minimum value of -46,516 at PT. MLBI Tbk in 2021. Companies with high sales growth, such as PT. ADES Tbk, have an advantage in managing their tax obligations compared to companies that experience a sharp decline in sales. Companies that grow faster tend to have sufficient income to pay taxes, so tax avoidance practices can be minimized.

In the Food & Beverage sector, companies with high sales growth also tend to strengthen their image and reputation in the eyes of investors and stakeholders. This motivates them to comply with tax obligations, as aggressive tax avoidance can damage the company's reputation. Conversely, companies experiencing declining sales may face pressure to reduce spending, including through tax avoidance strategies, in order to maintain financial stability.

Previous studies support these results. Sudibyo (2022) and Sembiring & Sa'adah (2021) found that sales growth has a negative effect on tax avoidance. Companies with good sales performance tend to be more compliant with tax obligations. Other studies by Riawan & Putri

(2023) and Janatin & Pardi (2022) also show that high sales growth encourages companies to minimize tax avoidance practices.

The Influence of Earnings Management on Tax Avoidance

The results of the analysis show that earnings management has a positive coefficient of 0.3246 with a significance level of 0.0000, which means that earnings management has a significant effect on tax avoidance. However, the positive direction of influence indicates that earnings management practices can be used by companies to improve tax avoidance strategies. This reflects that earnings management can be one of the tools used by companies to manage tax burdens.

From the descriptive data, the average value of earnings management in this sector is -0.867, with a minimum value of -4.762 at PT. SKBM Tbk in 2020 and a maximum value of -0.228 at PT. ADES Tbk in 2014. The negative value of earnings management indicates that many companies in this sector tend to report earnings conservatively, which has the potential to reduce taxes payable. However, large fluctuations reflect differences in strategy among companies in this sector.

In the Food & Beverage sector, earnings management is often used as a tool to manage financial statements and meet market expectations. Companies that use earnings management to reduce taxes often do so to increase short-term cash flow, although this can increase the risk of scrutiny from tax authorities.

Previous studies by Firmansyah et al. (2022) and Ernawati et al. (2021) showed that earnings management has a positive effect on tax avoidance. This is consistent with the finding that companies use earnings management as a strategy to reduce their tax burden. However, not all studies find significant results, as seen in this study.

Earnings Management Moderates the Effect of Profitability on Tax Avoidance

Based on the results of statistical analysis, it was found that the hypothesis regarding the moderating role of earnings management in the relationship between profitability and tax avoidance was accepted with a significance of 0.000. This indicates that earnings management can moderate the relationship between profitability and tax avoidance in this study. This finding may be in line with previous theories and studies that show that earnings management can affect tax avoidance, especially where companies are trying to reduce profits to reduce their tax liabilities.

Previous studies, such as those conducted by Rani et al. (2022), stated that earnings management can moderate the relationship between profitability and tax avoidance. However, the results of this study indicate that where the companies studied, the earnings management factor is not influential enough to affect tax avoidance. This can be explained by differences in industry characteristics or tax policies implemented by the government which are stricter where tax avoidance.

Thus, the hypothesis that can be concluded is H4: Earnings management does not moderate the effect of profitability on tax avoidance in this study. This shows that earnings management practices do not have a significant impact on the relationship between profitability and tax avoidance in the companies studied.

Earnings Management Moderates the Effect of Sales Growth on Tax Avoidance

Meanwhile, in the relationship between sales growth and tax avoidance, the results of the analysis show that earnings management has a significant moderating effect. The significance value of 0.0259 indicates that earnings management can moderate the relationship between sales growth and tax avoidance. This finding supports the hypothesis that companies experiencing high sales growth, with good earnings management practices, are more likely to

avoid taxes. This could be due to the fact that companies with increasing sales may feel more flexible in managing their earnings to minimize the tax liabilities that must be paid.
Positive sales growth rates, which are in line with higher levels of tax avoidance, especially in firms that use active earnings management. In this case, earnings management practices allow firms to adjust reported earnings, thereby reducing tax liability despite an increase in sales. This suggests that earnings management plays an important role in moderating the effect of sales growth on tax avoidance.

Previous studies also support this finding. For example, research by Fitriyani & Waluyo (2022) shows that earnings management can moderate the relationship between sales growth and tax avoidance. A similar finding was found by Pranaditya et al. (2021), which showed that deferred tax burden can strengthen the relationship between sales growth and tax avoidance. This suggests that companies that are able to increase sales but are accompanied by earnings management practices are more likely to engage in tax avoidance.

Thus, the hypothesis that can be concluded is H5: Earnings management can moderate the effect of sales growth on tax avoidance. This finding suggests that companies with good sales growth, and those using earnings management as a tool to minimize taxes, can influence their level of tax avoidance.

CONCLUSION

The results of the study indicate that profitability (ROA), sales growth (GS) have a significant effect on tax avoidance, with a significance value of less than 0.05, so this hypothesis is accepted. This finding indicates that companies that experience high profitability and sales growth tend to be more involved in tax avoidance practices. Rapid profitability and sales growth are often followed by large increases in profits, which in turn can trigger companies to look for ways to optimize their tax burden through earnings management techniques. This shows a close relationship between sales volume and tax avoidance, where companies try to manage their tax obligations so as not to be hampered by increasing obligations due to increasing sales.

1. Earnings management (M), although theoretically has a role in tax avoidance, shows a significant effect on tax avoidance in this study, with a significance value of 0.0000 which is much smaller than 0.05. These results indicate that the earnings management technique carried out by the company is strong enough to directly influence tax avoidance. In addition, the interaction between profitability (ROA) and sales growth (GS) with earnings management shows a significant effect on tax avoidance, with a significance value below 0.05, indicating that earnings management is quite capable of moderating the relationship between profitability and sales growth (GS) with tax avoidance.
2. This study provides valuable insights into the dynamics of tax avoidance in the Food & Beverage sector listed on the Indonesia Stock Exchange over the past 10 years. One of the key findings is that profitability (ROA) and sales growth (GS) significantly influence companies' decisions to engage in tax avoidance. This is not surprising, considering that many companies tend to use ways to reduce their tax liabilities when their profits increase sharply due to rapid sales growth.

Another noteworthy finding is that although earnings management moderates the effect of profitability on tax avoidance, the interaction between profitability, sales growth and earnings management has a significant impact on tax avoidance. This indicates that companies experiencing increasing sales tend to prefer to manage their earnings in order to minimize their tax burden. This suggests that companies in the growth phase tend to be more active in seeking ways to optimize their taxes, especially by using earnings management.
Companies in the Food & Beverage sector should be more careful in managing tax avoidance, given the significant influence of sales growth on the decision to avoid taxes. Although using earnings management techniques to reduce tax liabilities can be an option in the short term, companies must ensure that they remain compliant with applicable tax regulations and avoid

legal risks that may arise from excessive tax avoidance. Companies are also advised to focus on transparency in financial and tax reporting, and to continuously monitor changes in tax policies that may affect their strategies.

The government must continue to strengthen tax regulations and supervision of tax avoidance practices, especially in fast-growing sectors such as Food & Beverage. Despite the push to improve tax compliance, this sector still has a tendency to find ways to reduce the tax burden. Therefore, the government needs to introduce incentives for tax compliance and introduce policies that simplify tax procedures, so that companies do not feel the need to engage in tax avoidance. Tighter supervision of profit management practices and sales growth is also very important.

The Food & Beverage sector should leverage these findings to improve tax governance. Companies in this sector need to be aware that while sales growth can provide an opportunity to optimize profits, the use of earnings management as a tool to avoid taxes must be done with caution. In addition, the sector must continue to adapt to changes in tax policies and ensure that their tax strategies remain based on the principles of transparency and accountability, to avoid potential risks that could harm the company's reputation in the eyes of the public and regulators. Thus, the findings of this study provide a clear view of the factors that influence tax avoidance in the Food & Beverage sector, and provide important suggestions for companies, governments, and related industry sectors to manage tax avoidance more effectively and sustainably.

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