



## The Effect Of Profitability, Leverage And Sales Growth On Tax Avoidance With The Size Of The Company As A Moderation Variable

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**Abstract:** Taxes are the embodiment of the largest contribution to the development of a country including Indonesia, on the other hand, many taxpayers, especially companies, consider taxes to be a burden that can reduce income, so there are still many taxpayers who try to carry out tax avoidance activities. The purpose of this study is to determine the effect of profitability, leverage and sales growth on tax avoidance with the size of the company as a moderation variable. In this study, tax avoidance was measured using the Effective Tax Rate. The samples used in this study came from consumer goods industry sector companies listed on the Indonesia Stock Exchange during the 2016-2019 period. The sampling in this study used the purposive sampling method and obtained 32 companies as samples. The analysis method used is multiple regression analysis with the help of eviews 12 software. From this study, results were obtained that showed profitability had a significant negative effect on tax avoidance. Meanwhile, leverage and sales growth have no effect on tax avoidance. This research also shows the results that the size of the company is able to strengthen the negative influence of the profitability relationship on tax avoidance, but the size of the company cannot moderate the relationship between leverage and sales growth against tax avoidance.

**Keywords:** Profitability, Leverage, Sales Growth, Size, Tax Avoidance

### INTRODUCTION

Tax is a part that will always be attached to every business activity in every company, resulting in the emergence of certain fees that must be deposited with the state (Mailia and Apollo, 2020) . In addition, the invitation is one of the manifestations of the greatest contribution to the development of a country, both in the fields of education, health, industry and so on (Hidayat, 2018) . However, non-compliance in carrying out the obligation to pay taxes is one of the biggest obstacles that are still often faced by the government (Fuad, 2019)

. Tax avoidance activities are a manifestation of aggressive tax planning through a legal method called tax avoidance (Amalia, 2021) , in other words, solicitation avoidance is a transaction scheme to reduce the amount tax by utilizing tax regulation loopholes in a country (Waluyo, 2019) .

The phenomenon of tax avoidance is widely carried out by companies in Indonesia, such as the alleged tax avoidance carried out by Indofood Sukses Makmur Tbk (INDF), by establishing a new company, namely Indofood CBP Sukses Makmur Tbk (ICBP) and transferring assets, debts and operations whose value reached 1.3 M in 2013 (Gresnews, 2013) . In the tax year 2002 - 2006 Coca-Cola Indonesia (CCI) alleged tax avoidance by charging large and excessive fees, thus potentially causing a shortfall in tax payments worth Rp 49.24 billion as stated by Edward Sianipar, representative of the DGT (Mustami, 2014) . Bentoel allegedly committed tax avoidance by utilizing financial statements that lost money for seven years starting from 2012 to 2018 as revealed by Andriono bing pratikno as a member of the advisory board of the Indonesian Cigarette Industry Community Forum. Losses for seven consecutive years amid ever-rising earnings are certainly a question mark and lead to the potential absence of tax payments to the state treasury (Prasetyo, 2019)

Tax Avoidance is measured using the Effective Tax Rate (ETR) because this measure is often used as a proxy for tax avoidance in various tax research (Hanlon & Heitzman, 2010) . The use of ETR as a measure of tax avoidance is also in accordance with applicable tax regulations in Indonesia which only recognize the tax burden (Astuti and Aryani, 2017) . The Effective Tax Rate (ETR) is calculated and assessed based on financial information generated by the company, the Effective Tax Rate (ETR) can show all tax burdens that must be borne by the company including final taxes and debt or deferred tax benefits. ETR-based actions can be compared with tax percentage laws. If the ETR size is below the statutory tax rate this could indicate an indication of tax avoidance (Gebhart, 2017) . Generally Accepted Accounting Principle Effective Tax Rate ( GAAP ETR) is used as an approach in measuring ETR, (Hanlon & Heitzman, 2010) mentions that GAAP ETR divides tax expense with accounting income before tax.

A number of researchers have conducted research on the effect of profitability, leverage and sales growth on tax avoidance (Murkana & Putra, 2018) state that profitability has a significant positive effect on tax avoidance, leverage and sales growth have no effect on tax avoidance. Different results were found from research (Subagiastra et al., 2016) (Fauzan et al., 2019) which stated that profitability, sales growth and company size had a significant negative effect on tax avoidance and leverage had a positive effect on tax avoidance. (Fatimah et al., 2021) revealed different results where profitability, leverage and sales growth has no effect on tax avoidance measure. From the results of these different studies motivate the authors to conduct research again by integrating several previous studies by re-examining the effect of profitability, leverage and sales growth variables on tax avoidance in order to obtain consistent results.

## **LITERATURE REVIEW**

### **Agency Theory**

Agency theory is theory that discusses about connection Among principal ( owner / holder stock ) and agent ( manager ). In relationship agency the there is something contract where party principal give authority to agent for manage effort and make the best decision for principal (Jensen and Meckling, 1976) . The relationship between agency theory and tax avoidance is that if management has an interest in manipulating company profits which will reduce the tax burden borne

by the company, but the behavior of manipulating earnings by management results in information bias to investors, this behavior will certainly reduce the element of investor assessment of the company. (Anggoro and Septiani, 2015) .

### **Tax Avoidance**

Tax Avoidance is scheme transaction for reduce amount tax with utilise gap regulation tax In a country , the scheme used is to pay a less amount of tax than the amount of tax owed, where this is done by violating the law but legally (Waluyo, 2019) . According to (Prabandaru, 2018) a transaction is indicated as Tax Avoidance if it takes one of the following actions, the Taxpayer (WP) tries to pay less tax than it should owe by taking advantage of the reasonable interpretation of tax law, trying to have tax imposed on declared profits . and not on the profits actually earned and seek to postpone the payment of taxes.

### **Profitability**

Profitability is one of the measurements for the performance of a company and is also a description of a company's ability to generate profits for a certain period at the level of sales, assets and share capital (Dewinta & Setiawan, 2016) . Profitability is projected using Return On Asset (ROA), a ratio that compares profit after tax with total assets. According to (Rodriguez and Arias, 2012) profitability is one of the determinants of the tax burden, companies with large profits tend to pay more taxes. On the other hand, firms with higher profit levels tend to pay lower taxes or even not pay taxes if they experience a loss.

### **Leverage**

Leverage is a description of the extent to which the company's ability to meet the payment of all obligations, both long-term obligations and short-term obligations (Murkana & Putra, 2018) . Leverage is projected using the Debt to Equity Ratio (DER), namely by comparing the debt to equity ratio or financial ratios that compare the amount of debt to equity(Yustrianthe dan Fatniasih, 2020). The higher the leverage ratio value shows the large amount of funding by debt, followed by a high interest rate, the interest will reduce the company's tax payable (Dewi & Trisnawati, 2021) .

### **Sales Growth**

Sales Growth is a enhancement sale from one period to period Next , the increase in sales volume from one period to the next is what is called sales growth (Yustrianthe and Fatniasih, 2020) . According to (Ismawati and Lutfillah, 2019) sales growth reflects the success of the previous year's investment and can be used to predict future sales growth. The increase in sales will increase the company's operating capabilities so as to increase the company's profit. An increase in corporate profits will increase the amount of tax to be paid, in this situation the company tends to seek efforts to reduce the amount of tax. (Wahyuni et al., 2019) .

### **Company Size**

Company size is a scale that classifies the size of the company according to various ways such as the number of sales, the number of workers and the total value of assets (Yuni and Setiawan, 2019) . Companies that are included in large-scale sizes tend to have large resources in terms of tax management, due to the costs attached to these resources. Assets are company resources identified that can be utilized by companies in tax avoidance actions (Utomo and Fitria, 2021) . In this study, firm size is measured by the natural logarithm (Ln) of total assets (Yuni and Setiawan, 2019) .

### **Conceptual Framework**

Profitability is projected using the Return On Assets (ROA) ratio which is closely related to net profit and the amount of income tax to be paid, if the company's operating profit increases, the tax value also increases, meaning that ROA affects tax avoidance\_(Sari, 2019). When there is an increase in ROA, the value of tax avoidance will decrease. This is

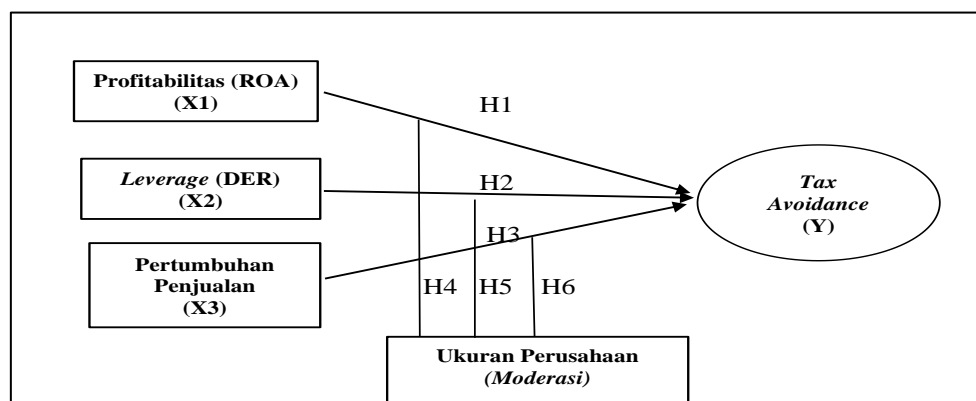
because when the company has a high ROA value, the value of tax avoidance will decrease, because when the company generates high profits, the company will be able to do careful planning in terms of paying taxes. Research conducted (Hidayat, 2018) give proof empirical with good results state that profitability have influence significant negative to tax avoidance.

Leverage Becomes one source funding company coming from external in the form of debt , where h is the debt in question is debt period long. Interest expense by period long can reduce burden tax company (Abdullah, 2020) . Proof empirical states that leverage has a significant positive effect on tax avoidance as can be seen from the results of studies (Amalia, 2021) that large small leverage ratio on the company will affect big small tax paid company. That thing because cost incurred flower from debt can reduced in count tax burden so that the tax burden will be more small (Maharani and Baroroh, 2019) .

Sales Growth is a reflection of the success of the investment period from the past and can serve as a prediction of the future (Octaviana et al., 2018) . The bigger the sales volume shows that the company's sales growth increases , the practice of tax avoidance carried out by the company is getting lower, because companies with relatively large sales levels will provide opportunities to earn large profits and be able to pay taxes. (Hidayat, 2018) . Empirical evidence to support this argument such as the results of research shown by (Lubis, 2020) which state that sales growth has a significant negative effect on tax avoidance .

Company size is a classification scale big small company as well as showing volume the transaction in profit, total assets are an indication of the size of the company. Larger companies are also more stable in generating profits and paying their tax obligations compared to smaller companies (Mulyati et al. , 2019) . On the other hand, large companies can achieve economies of scale through tax planning and have sufficient resources to look for opportunities to reduce the company's tax burden (Faradia and Ernandi, 2021) . Research conducted by (Madya, 2021) revealed that company size has an effect on tax avoidance.

Purpose of research for knowing and analyze the effect of independent variables on the dependent variable can be strengthened or weakened by the moderating variable. The independent variables used are profitability, leverage and sales growth, while the dependent variable is tax avoidance. The moderating variable used in this research is firm size . The theoretical framework that can be described from the relationship between these variables is as follows:



Picture 1. Conceptual Frameworks

## RESEARCH METHODS

This type of research is quantitative research by analyzing secondary data. A quantitative approach in the form of causality is used to determine the causal relationship between two or more variables, namely the influencing variable is called independent and the affected variable is called dependent (Sugiyono, 2018) .

## Definition of Variable Operationalization

**Table 1. Variable Operational Table**

Variabel	Dimensi	Indikator	Skala
Profitabilitas (X1)	<i>Return On Assets</i> ratio (ROA)	= $\frac{\text{Laba bersih setelah pajak}}{\text{Total asset}}$	Rasio
Leverage (X2)	<i>Debt to Equity Ratio</i> (DER)	= $\frac{\text{Hutang}}{\text{Ekuitas}}$	Ratio
Pert. Penjualan (X3)	Sales Growt	= $\frac{\text{Penj.n} - \text{Penj.n-1}}{\text{Penj.n-1}}$	Rasio
Ukuran Perusahaan (Moderasi)	Total Asset Perusahaan	Log Total Aset Perusahaan	Rasio
Tax Avoidance (Y)	<i>Effective Tax Rate</i> (ETR)	= $\frac{\text{Pembayaran Pajak}}{\text{Laba sebelum pajak}}$	Rasio

Source: Processed Data

## Research Population and Sample

The population in this study is companies included in the consumer goods industry sector in Indonesia which are listed on the IDX for the period 2016 - 2019. This study sets the sample standards as follows, companies that publish financial statements and annual reports in full from 2016-2019, publish financial statements in rupiah currency units and that have a profit during the period 2016-2019. The number of samples of 32 companies as members of the population in the 4 year observation period so that the final total observation is 128 data to be processed.

## Analysis Techniques

The data analysis method in this study uses multiple regression model analysis with panel data and interaction test or commonly called Moderated Regression Analysis with the help of the Eviews 12 statistical application. Panel data (pool) is a combination of time series data and cross section data. Therefore, panel data has a combination of characteristics, namely data consisting of several objects and covering several times (Winarno, 2017). The test was carried out using several statistical tests, namely descriptive statistical tests, regression analysis by applying the following steps, making a regression model (common effect model, fix effect model & random effect model), selecting a regression model (chow test, haustman test and lm-test), the classical assumption test consists of (multicollinearity, heteroscedasticity, autocorrelation) and the hypothesis test includes the coefficient of determination  $R^2$  test, model significance test, independent variable significance test and moderating regression analysis.

## FINDINGS AND DISCUSSION

### Data Descriptive Statistics

The results of the descriptive statistics as the output of Eviews 12 are as follows:

**Table 2. Descriptive Statistics**

	ROA	DER	SG	SIZE (billion)	ETR
Mean	0.115313	0.875797	0.101730	8.701172	0.259602
Maximum	0.526000	4.946000	1.458000	78.60000	0.814000
Minimum	0.001000	0.083000	-0.470000	0.150000	0.081000
Std. Dev	0.101740	0.770342	0.181842	14.99929	0.078230
Observation	128	128	128	128	128

Source: Output Eviews 12



From the table of descriptive statistical analysis, the following results are obtained:

- 1) The average value of ETR or average corporate tax payment is 0.259602 with a standard deviation of 0.078230. The lowest value of tax payments of 0.081000 owned by PT Wismilak Inti Makmur Tbk (WIMM) and the highest value of 0.814000 owned by Sekar Bumi Tbk (SKBM).
- 2) Profitability proxied by Return On Asset (ROA) shows that the average company's ability to generate profit from asset use is 0.115313 and a standard deviation of 0.101740. The lowest value of 0.001000 is owned by Kimia Farma Tbk and the highest value of 0.526000 is owned by Multi Bintang Indonesia Tbk.
- 3) Leverage proxied with the Debt to Equity Ratio (DER) shows that the company's average ability to settle all long-term obligations compared to the company's total capital was obtained at 0.875797 and a standard deviation of 0.770342. The minimum value of 0.083000 is owned by the Herbal and Pharmaceutical Industry of Sido Muncul Tbk, while the maximum value of 4.946000 is obtained by Merck Sharp Dohme Pharma Tbk.
- 4) Sales growth is a picture of the success of the investment period from the past and can serve as a prediction of the future. For the average value of sales growth of 0.101730 and standard deviation of 0.181842. The minimum value of -0.470000 is owned by Merck Tbk and the maximum value of 1.458000 is owned by Merck Sharp Dohme Pharma Tbk.
- 5) The size of the company proxied with Ln total assets obtained a minimum value of 0.150000 owned by Pyridam Farma Tbk and a maximum value of 78.60000 owned by Gudang Garam Tbk, the average value for the company size of 8.701172 and a standard deviation obtained a value of 14.99929.

### Selection of Panel Data Regression Model

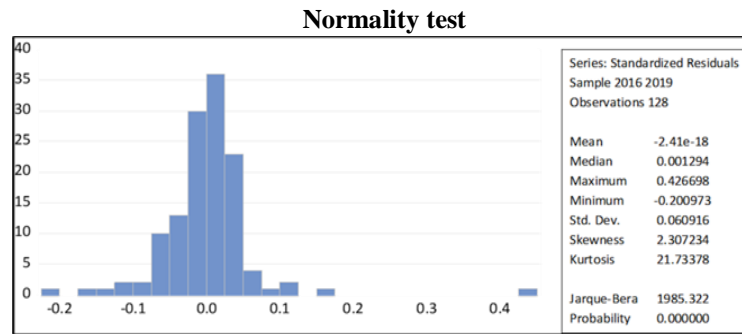
**Table 3. Selection of Panel Data Regression Model**

Chow Test				Hausman Test			
Redundant Fixed Effects Tests Equation: Untitled Test cross-section fixed effects				Correlated Random Effects - Hausman Test Equation: Untitled Test cross-section random effects			
Effects Test	Statistic	d.f.	Prob.	Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section F	1.708914	(31,92)	0.0262	Cross-section random	9.570308	4	0.0483
Cross-section Chi-square	58.212096	31	0.0022				
Prob value. Chi-square 0.0022 < 0.05 Fixed Effect model selected				Prob value. Chi-square 0.0483 < 0.05 Fixed Effect model selected			

Source: Output Eviews 12

From the two test results, namely the Chow Test and the Hausman Test, it was found that the fixed effect model was selected, so the lagrange multiplier test did not need to be applied.

## Classic assumption test



**Picture 2. Normality Test**

From the results of the Normality test, the *probability value* of 0.0000 is  $<0.05$ , which means that the data is not normal. Because in this study the researcher used the OLS (fixed effect) approach, for that the normality test did not need to be carried out. (Kuncoro dan Hardani, 2013) stated that normality tests are not mandatory on the OLS approach, while mandatory for the GLS approach. In the case of proving the hypothesis, the normality of the data is not a problem because the focus of attention is whether the proposed independent variable really affects the dependent variable based on the existing data (Hadi, 2017).

## Multicollinearity Test

The multicollinearity test aims to test whether there is a high correlation between the independent variables. If there is a fairly high correlation between independent variables  $> 0.9$  then this is an indication of multicollinearity.

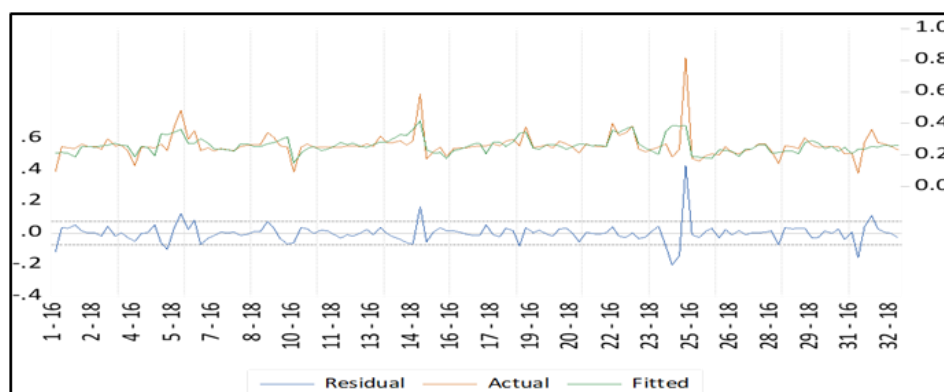
**Table 4. Multicollinearity Test Results**

	ROA	DER	SG	SIZE	ETR
ROA	1.000000	0.101670	-0.008448	0.245953	-0.142805
DER	0.101670	1.000000	0.323956	-0.033634	0.094682
SG	-0.008448	0.323956	1.000000	-0.020866	0.075815
SIZE	0.245953	-0.033634	-0.020866	1.000000	0.056970
ETR	-0.142805	0.094682	0.075815	0.056970	1.000000

Source: Output Eviews 12

From the results of the Multicollinearity Test in the table above, it shows that the value of each correlation of the independent variables is smaller than 0.9, so it can be concluded that there are no symptoms Multicollinearity.

## Heteroscedasticity Test



**Picture 2. Graph of Heteroscedasticity Test**

From Picture 2 it can be seen that the graph does not form a certain pattern or is random, it is indicated that the model does not experience heteroscedasticity problems.

### Autocorrelation Test

In this study, autocorrelation testing was carried out using Durbin-Watson Stat with Eviews 12 software , and the test results are presented in table 5 below:

**Table 5. Durbin-Watson Stat test**

Cross-section fixed (dummy variables)			
R-squared	0.393652	Mean dependent var	0.259602
Adjusted R-squared	0.162977	S.D. dependent var	0.078230
S.E. of regression	0.071572	Akaike info criterion	-2.203973
Sum squared resid	0.471272	Schwarz criterion	-1.401840
Log likelihood	177.0543	Hannan-Quinn criter.	-1.878062
F-statistic	1.706519	Durbin-Watson stat	1.888022
Prob(F-statistic)	0.022471		

Source: Output Eviews 12

From the test results, the DW-stat value is 1.888022 while the statistical table in the Durbin-Watson (DW) table, = 5% , the dl value at n=128, k=4 and =0.05 is 1.6476 and the value of du is 1.7763. Next, the value of 4-dl = 2.3524 and the value of 4-du = 2.2237 will be calculated. the Durbin-Watson statistical value of 1.8880 is between  $DU > D < 4-DU$  so it can be concluded that there is no autocorrelation.

### Hypothesis Test

From the comparison of testing the two models, namely the Likelihood Ratio Test ( Chow Test ) and the Hausman Test , it was concluded that the data processing in this study was more suitable to use the Fixed Effect Model (FEM).

### Panel Data Regression Analysis

**Table 6. Panel Data Regression Analysis**

Dependent Variable: ETR				
Method: Panel Least Squares				
Date: 07/01/22 Time: 17:51				
Sample: 2016 2019				
Periods included: 4				
Cross-sections included: 32				
Total panel (balanced) observations: 128				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.320616	0.050623	6.333376	0.0000
ROA	-0.726698	0.275065	-2.641911	0.0097
DER	-0.022455	0.020016	-1.121829	0.2649
SG	0.044322	0.046369	0.955844	0.3417
SIZE	0.004360	0.003502	1.245253	0.2162

Source: Output Eviews 12

Based on the results of the panel data regression test above, the equation obtained is as follows:

$$Y = 0.320616 - 0.726698 \text{ ROA} - 0.022455 \text{ DER} + 0.044322 \text{ SG} + 0.004360 \text{ SIZE} + \epsilon$$

The equation can be explained that:

Y = Tax Avoidance (ETR)

a = The constant number of Unstandardized Coefficients of 0.320616 indicates that if there is no increase in the roa, DER, SG and SIZE values then the ETR value will remain at



0.320616.

b1= The Regression coefficient of Return On Asset (X1) is -0.726698, this means that if the ROA value increases by 1 unit, then the company's tax avoidance will increase by -0.726698.

b2= The Regression coefficient of the Debt to Equity Ratio (X2) is -0.022455, this means that if the DER value increases by 1 unit, then the tax avoidance on the company will increase by -0.022455.

b3= The Sales Growth (X3) regression coefficient is 0.044322, this means that if the SG value increases by 1 unit, then the tax avoidance in the company increases by 0.044322.

b4= The regression coefficient size (X4) is 0.004360, this means that if the SG value increases by 1 unit, then the tax avoidance in the company increases by 0.004360

### Coefficient of Determination (Adjusted R Square)

Based on table 5 obtained values Adjusted R-Square value of 0.162977 or 16.2977 %, these results show that percentage influence variable independent to variable dependent 16.2977 % and the rest 83.7023 influenced by other variables outside variable independent. While value coefficient correlation (R) is 0.393652, which means that the strong relationship between the independent variables and the dependent variable is 39.3652%.

### F Statistical Test (Model Feasibility Test)

Referring to table 5 shows the F value - statistic of 1.706519 and a significant value of 0.02247, it can be concluded that the variables ROA, DER and sales growth simultaneously affect tax avoidance.

### T-Statistical Test (Significant Test)

The t-test explains how far one explanatory or independent variable individually explains the variation of the dependent variable.

Table 7. T-statistics Test Results

Dependent Variable: ETR Method: Panel Least Squares Date: 07/01/22 Time: 17:51 Sample: 2016 2019 Periods included: 4 Cross-sections included: 32 Total panel (balanced) observations: 128				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.320616	0.050623	6.333376	0.0000
ROA	-0.726698	0.275065	-2.641911	0.0097
DER	-0.022455	0.020016	-1.121829	0.2649
SG	0.044322	0.046369	0.955844	0.3417
SIZE	0.004360	0.003502	1.245253	0.2162

Source: Output Eviews 12

From table 7 the results of the T-statistical test show that:

- 1) ROA has a t-count value is -2.641911 and Sig. 0.0097 < 0.05, it is concluded that ROA has a significant effect on tax avoidance.
- 2) DER has a t-count value is -1.121829 and Sig. 0.2649 > 0.05, it can be concluded that DER has no effect on tax avoidance .
- 3) SG has a value of t count is 0.955844 and Sig. 0.3417 > 0.05, it is concluded that SG has no effect on tax avoidance.
- 4) SIZE has a value of t count is 1.245253 and Sig. 0.2162 > 0.05, it can be concluded that size has no effect on tax avoidance.

## Moderated Regression Analysis (MRA)

**Table 8. MRA (SIZE\*ROA), (SIZE\*DER), (SIZE\*SG)**

Dependent Variable: ETR Method: Panel Least Squares Date: 07/01/22 Time: 18:05 Sample: 2016 2019 Periods included: 4 Cross-sections included: 32 Total panel (balanced) observations: 128				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.268445	0.045049	5.958970	0.0000
ROA	-0.359558	0.282925	-1.270861	0.2069
SIZE	0.012190	0.005007	2.434405	0.0168
M1	-0.053389	0.025267	-2.112988	0.0373

Dependent Variable: ETR Method: Panel Least Squares Date: 07/01/22 Time: 18:07 Sample: 2016 2019 Periods included: 4 Cross-sections included: 32 Total panel (balanced) observations: 128				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.234715	0.037591	6.243864	0.0000
DER	-0.020030	0.021285	-0.941000	0.3491
SIZE	0.002068	0.004639	0.445908	0.6567
M2	0.003377	0.003432	0.983914	0.3277

Effects Specification

Dependent Variable: ETR Method: Panel Least Squares Date: 07/01/22 Time: 18:08 Sample: 2016 2019 Periods included: 4 Cross-sections included: 32 Total panel (balanced) observations: 128				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.213175	0.032689	6.521278	0.0000
SG	0.012431	0.046804	0.265590	0.7911
SIZE	0.005899	0.003799	1.552743	0.1239
M3	-0.007446	0.010247	-0.726660	0.4693

Effects Specification

Source: Output Eviews 12

From table 8 the results of the MRA test show that, M1(Moderation 1) has a value of Sig.  $0.0373 < 0.05$  which means that size is able to moderate the relationship between profitability and tax avoidance, M2(Moderation 2) has a Sig value  $0.3277 > 0.05$  which means that size is not able to moderate the relationship between leverage and tax avoidance and M3(Moderation 3) has a Sig value  $0.4693 > 0.05$  which means that size is not able to moderate the relationship between sales growth and tax avoidance.

From the results of data processing and analysis, the results of the hypothesis are obtained as shown in table 8. The following hypothesis test results:

**Table 9. Hypothesis Test Results**

Description	t-Stats	Prob	Results
Hypothesis 1 (H1)	-2.641911	0.0097	Received
Hypothesis 2 (H2)	-1.121829	0.2649	Rejected
Hypothesis 3 (H3)	0.955844	0.3417	Rejected
Hypothesis 4 (H4)	-2.112988	0.0373	Received
Hypothesis 5 (H5)	0.983914	0.3277	Rejected
Hypothesis 6 (H6)	-0.726660	0.4693	Rejected

Source: Process data

### The Effect of Profitability on Tax Avoidance

Based on table 9, it was found that the first hypothesis stating that profitability has a significant negative effect on tax avoidance is accepted. With profitability which is getting higher and is followed by a high value of ROA, so that the cash flow that is owned will be sufficient to pay. In addition, supervision from shareholders to managers can minimize tax avoidance actions that may be carried out by managers in order to maximize profits to get bonuses. Shareholders are aware that this tax avoidance action can harm the company's reputation if the tax authorities know about it, if its reputation decreases, the share price will also decrease.

The results of this study are in line with research conducted (Darsani and Sukartha, 2021) which state that profitability has a significant negative effect on tax avoidance. The results of this study are different from (Harahap, 2021) which state that profitability has a significant positive effect on tax avoidance.

### **The Effect of *Leverage on Tax Avoidance***

Based on table 9, it is found that the second hypothesis that says that leverage has a significant positive effect on tax avoidance is rejected. The high leverage indicates the high amount of funding sourced from debt and will be followed by high costs associated with the incurrence of interest on the debt. If the company's goal is to use large amounts of debt to carry out tax avoidance actions, it will cause losses for the company, this can happen if the profits earned by the company are less than interest costs.

Debt is also closely related to agency theory, because this theory is also used to understand the relationship between lenders (lenders) and managers, where the manager is the agent while the lender is the principal (Andesto, 2017). The agent has an obligation to the principal to comply with debt covenants which contain certain restrictions and are designed to protect the interests of the lender (Taylor, 2013). Accounting information such as the ratio of total liabilities to total tangible assets and also the company's compliance with government regulations, including the obligation to pay taxes, can be used as terms of debt contracts. So that to be able to get a loan, the company will not take tax avoidance actions.

The results of this study are in line with (Jamaludin, 2020) which state that leverage has no effect on tax avoidance. However, the results of this study are not in line with research conducted by (Oktamawati, 2017) which state that leverage has an effect on tax avoidance.

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

Based on table 9, the results show that sales growth has a significant negative effect on tax avoidance rejected. This shows that companies with high sales growth do not necessarily generate high profits because high sales growth followed by high operating costs will result in low profits. So the high and low sales growth has no effect on tax avoidance. (Oktaviyani, R., & Munandar, 2017) states that there is no correlation between sales growth and tax avoidance, this is because companies that have high sales growth are assumed not to make tax avoidance efforts. On the other hand, if the company experiences an increase in sales growth, the attention of the tax officer will be due to the assumption that the higher the sales growth, the higher the amount of tax payable that should be paid by the company. These results are in line with research conducted by (Yustrianthe dan Fatniasih, 2020). However, this study shows results that are inconsistent with those of (Ermad et al., 2021) which state that sales growth has an effect on tax avoidance.

### **Company size is able to moderate the influence relationship between Profitability and Tax Avoidance**

Based on table 9, it was found that the fourth hypothesis that states the size of the company is able to strengthen the negative influence of the relationship between profitability and tax avoidance is accepted. This type of moderation is included in quasi or quasi-moderation, where the profitability variable has a significant effect and the firm size variable is also significant. Companies with a higher level of profitability and have a larger number of assets, the level of tax avoidance tends to be lower. With high profitability, companies will not experience problems in paying taxes, and supported by supervision from the government for large companies, companies tend not to practice tax avoidance in order to avoid tax sanctions. The results of this study are in line with research conducted by (Prabowo & Sahlan, 2021) which state that company size is able to moderate the effect of profitability on tax avoidance.

### **Company size is able to moderate the influence relationship between Leverage and Tax Avoidance**

Based on table 9, it was found that the fifth hypothesis that states the size of the company is able to moderate the influence of the relationship between leverage and tax

avoidance is rejected. In addition to getting control from creditors regarding the use of debt for operational activities, the company also gets strict supervision from the government regarding compliance in paying taxes. This means that a high level of leverage and a large size will not affect the company in carrying out tax avoidance actions. The results of this study are in line with research conducted by (Silaban, 2020) and (Hutapea & Herawaty, 2020) which state that firm size is not able to moderate the effect of the relationship between leverage and tax avoidance.

### **Company size is able to moderate the relationship between sales growth and tax avoidance**

Based on table 9, it was found that the sixth hypothesis that states the size of the company is able to moderate the relationship between sales growth and tax avoidance is rejected. The size of the profit that determines the amount of tax to be paid is not only influenced by sales growth, there are also other expenses that arise in carrying out operational activities. This means that when high sales growth is followed, the load is too high. This is what causes the profit is not maximized. On the other hand, companies that have large sizes will not affect managers in doing tax avoidance because fixed assets are used to finance the company's operational activities. The results of this study are in line with research conducted by (Uliandari, Juitania, and Purwasih, 2021) which state that company size is not able to moderate the relationship between sales growth and tax avoidance.

## **CONCLUSION AND RECOMMENDATION**

From the results of the analysis and discussion that has been done then the conclusions that can be drawn in this study are as follows a) Profitability has a significant negative effect on Tax Avoidance b) Leverage has no effect on Tax Avoidance. c) Sales Growth has no effect on Tax Avoidance d) Company size is able to moderate and strengthen the negative influence of the Profitability relationship with Tax Avoidance. e) Company size is unable to moderate the influence of Leverage relationship with Tax Avoidance. f) The size of the company is not able to moderate the influence of the relationship between Sales Growth and Tax Avoidance.

Future research is expected adding or using other independent variables and other moderating variables because the variation of the dependent variable that can be explained by the independent variable in this study is only about 16.30% and the remaining 83.70 % is explained by other factors, so that it can be a source of new information for further research .

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