

THE ANALYSIS OF THE EFFECT OF PROFITABILITY, LEVERAGE, AND SALES GROWTH TOWARD TAX AVOIDANCE IN CONSUMER GOODS COMPANIES LISTED ON INDONESIA STOCK EXCHANGE

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ABSTRACT

This study aims to identify and analyze the application of tax collection and taxationsystems in Indonesia and Malaysia, to find The goal of this study is to determine whether profitability, leverage, and sales growth have a partial or simultaneous significant effect on tax avoidance in consumer goods companies listed on the Indonesian Stock Exchange. This study examines three independent variables: profitability, leverage, and sales growth. However, the percentage of tax avoidance is the dependent variable in the research. This study employs a quantitative technique based on secondary data and purposive sampling, with a total of 88 samples selected over a two-year period among 228 Indonesian stock exchange-listed consumer goods sector businesses. SPSS 26 was used to perform multiple linear regression and hypothesis testing in this investigation.

The following is the outcome of this research. Profitability has a significant effect in tax avoidance for consumer goods companies listed on the Indonesian Stock Exchange. Leverage has no significant effect on tax avoidance in consumer goods companies listed on the Indonesian Stock Exchange. In consumer goods sector companies registered on the Indonesia Stock Exchange, sales growth has no significant effect on tax avoidance. Profitability, leverage, and sales growth all have no simultaneous effect on tax avoidance in consumer goods companies listed on the Indonesian Stock Exchange.

Keywords: Profitability, leverage, sales growth, tax avoidance, tax.

INTRODUCTION

1.1 Background of Study

According to article 1 paragraph 1 of UU No. 28 year 2007 about general provision and tax procedure, tax is mandatory payment made by individuals or entities to the country based on the law, without compensation, and used for carrying out government and people's needs. Taxes are the most important source of revenue for the state, so they are extremely important. Efforts to maximize tax revenue in Indonesia are not without big challenges. In the process of repairing the government's taxation system, there is a distinction: in the eyes of the state, tax is an income that is used to fund government administration, whereas for the company, tax is a burden that can affect the profit produced by the company. Because of these conflicts of interest, taxpayers will try to avoid paying taxes.

Each year, government increase the target of tax, however the tax target has been unsuccessful. This information is available on the CNBC Indonesia website, which is referenced in the table below

Table 1.1 The effectiveness of tax collection in Indonesia year 2019 and 2020
(In Trillion)

Year	2019	2020
Target of Tax	1,557.6	1,198.8
Tax Collection	1,332.1	1,068.98
Effectiveness of tax Collection	84.4%	89.25%

Source: Sembiring (2021)

Prepared By Writer (2021)

Based on the table 1.1, the effectiveness of tax collection in Indonesia between 2019 and 2020 increased. On the year 2019, the effectiveness of tax collection is 84.4% with the tax collection 1,332.1 trillion from the target 1,557.6 trillion, and on the year 2020, the effectiveness of tax collection is 89.52% with the tax collection 1,068.98 trillion with the target 1,198.8 trillion. The target of tax on the year 2020 is decreased due to the pandemic of COVID-19. However, the tax collection has never achieved the target of tax.

Tax avoidance refers to barriers in the collection of taxes that result in lower

tax revenues. Tax avoidance is always defined as a legal activity (e.g., minimizing the tax burden without violating tax provisions) And tax fraud is always defined as illegal activity. In summary, tax avoidance refers to the actions taken by someone to avoid paying taxes in a legal manner.

Profitability is a ratio used to evaluate a company's ability to seek profit, and it can have an impact on tax avoidance. This ratio can also be used to assess a company's managerial effectiveness. The profit made from sales and investment income indicate this.

Increased debt is one way for businesses to avoid paying taxes. High debt will result in high interest expenses, lowering tax liability. In one period, the tax burden will reduce profit, and the profit will reduce the burden tax.

Sales growth is factor that can cause businesses to want to do tax avoidance. Increased taxable revenue will result from stronger sales growth, increasing the tax burden. The company will make every effort to improve sales during each quarter. This is because sales growth is critical, as sales turnover is the company's lifeblood.

Based on the research conducted by Sari and Marsono (2020), profitability and leverage have significant effects on tax avoidance. And based on the research conducted by Tanjaya and Nazir (2021), Profitability has significant effect toward tax avoidance, leverage has non-significant effect to tax avoidance, and sales growth has non-significant effect to tax avoidance.

Therefore, the writer is interested in undertaking research on this firm in respect of several impacts that could contravene the Tax avoidance with a thesis titled “THE ANALYSIS OF THE EFFECT OF PROFITABILITY, LEVERAGE, AND SALES GROWTH TOWARD TAX AVOIDANCE IN CONSUMER GOODS COMPANIES LISTED ON INDONESIA STOCK EXCHANGE”.

1.2 Problem Limitation

The problem limitation of this research consists of:

1. The research object in this research is consumer good company listed on Indonesia Stock Exchange
2. The research data on this research is from the year 2019 until 2020 and conducted in 2021
3. The independent variable of this research are profitability, leverage, and sales growth while the dependent variable is tax avoidance.

1.3 Problem Formulation

The problem formulation of this research are as follows:

1. Does profitability partially have significant effect toward tax avoidance in consumer goods companies listed on Indonesia Stock Exchange?
2. Does leverage partially have significant effect toward tax avoidance in consumer goods companies listed on Indonesia Stock Exchange?
3. Does sales growth partially have significant effect toward tax avoidance in consumer goods companies listed on Indonesia Stock Exchange?
4. Do profitability, leverage, and sales growth have simultaneously affected toward tax avoidance in consumer goods companies listed on Indonesia Stock Exchange?

1.4 Objective of the Research

The objective of this research are as follows:

1. To analyze whether profitability have partially significant effect toward tax avoidance in consumer goods companies listed on Indonesia Stock Exchange.
2. To analyze whether leverage have partially significant effect toward tax avoidance in consumer goods companies listed on Indonesia Stock Exchange.
3. To analyze whether sales growth have partially significant effect toward tax avoidance in consumer goods companies listed on Indonesia Stock Exchange.
4. To analyze whether profitability, leverage, and sales growth have simultaneously affected toward tax avoidance in consumer goods companies listed on Indonesia Stock Exchange.

CHAPTER II

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

2.1 Literature Review

2.1.1 Agency Theory

Management and shareholders are referred to as "principals" and "agents" under an agency theory. Shareholders appoint management to represent their interests and do so on their behalf. Therefore, management is granted some authority to act in the best interests of shareholders while deciding business matters. As a result, management must provide shareholders with an audit trail of all its activities. There are two ways to think about an agency relationship: a contract between one or more people (the principals) and another person (the agent). One or more people delegate some decision-making authority, and the other person performs a service on their behalf.

As a result of the arrangement, an agent is authorized to make the best decisions for the principal on behalf of one / more persons ("principals") who hired someone. It is assumed that the agent will operate following their employer's best interests. The relationship between shareholders and management is referred to as an "agency relationship" in the context of agency theory. Shareholders hire management to look out for their best interests. For management to be held accountable to shareholders, they must be elected.

The extension of a single information economy actor into two individuals forms the basis of the notion of agency (Hendriksen and Van Breda, 2001). The principal hires one of these individuals as an agent. There is an agreement between the principal and the agent to execute specified tasks and reward the agent. When a principal hires an agent to complete a task in the principal's best interest, the agent can make decisions for the principal. A comparison may be drawn between a company's owner and its management.

Both the owners and the people who work for them are decision-makers and information evaluators. A contract between a person or individuals, a principal, person or persons, an agent creates an agency relationship when the principal delegated decision-making authority to the agent in exchange for performing services on behalf of the principal.

The principal and the agent are two economic actors at odds in agency theory. When one or more people (the "principals") appoint another person (the "agent") to provide a service on their behalf, the "agent" is empowered to make decisions on their behalf. If both the principal and the agent work for the same end, the agent will support and carry out the main's instructions without question.

Disputes arise when the agent fails to carry out the principal's directives in the agent's self-interest. The government is the principal, and the firm is the agent in this investigation. According to the tax regulations, the firm must pay taxes by the government acting as the principal. As a result, the corporation acts as an agent to maximize earnings for the company while minimizing costs, including tax liabilities. Managers who have decision-making authority within their organizations have a vested interest in seeing that the policies they issue maximize their profitability. Management style has a significant impact on how companies decide on their tax policies and how they grow their business and leverage their profits to reduce costs.

As sales rise, profits rise, and as a result, business leaders will consider all options to boost earnings. When managers secure external capital for operational continuity, they may utilize a leverage policy that raises interest rates while decreasing their tax burden. Managers take these two factors into account when formulating policies to maximize profits.

2.1.2 Profitability Ratio

A company's ability to create income (profit) compared to revenue, balance sheet assets, operating costs, and shareholders' equity is analyzed by using profitability ratios as financial measurements. These metrics measure a company's ability to generate profit and value. For most firms, a more excellent ratio or number indicates that the business is doing well in terms of revenue, profitability, and cash flow. Analyzing the percentages compared to similar companies or past periods provides the most value.

Income statement accounts and categories are compared to illustrate a company's ability to earn profits. Return on investment in inventory and other assets focuses on profitability ratios. Ratios like this show how profitable businesses can be when they're in good shape.

Based on a company's resources and assets, investors and creditors can use profitability ratios to evaluate the company's return on investment. It means that profitability ratios can determine if businesses turn a sufficient profit on their investments. Profitability and efficiency ratios have a lot in common because they reflect how well a company uses its assets to generate profits. Solvency and going-concern are two concepts that are closely linked.

Investors and creditors look at these ratios when determining a company's profitability:

1. Return on Assets

Net income is compared to the average total assets to calculate the return on assets ratio, also known as the return on total assets. So, the ROA ratio determines how well a business can manage its assets to generate profits throughout a given period.

This ratio tells investors and management how well a firm can turn its assets into earnings, which is the primary purpose of company assets. For many businesses, capital assets are their most important investment. Hence ROA can be used as a measure of profitability. Profits are the yardstick by which the corporation measures its investment in capital assets.

A company's ability to make money from its assets is evaluated using the return on assets. ROA measures a company's ability to turn its cash on investments into profits. Some investors ignore the costs of obtaining the assets by adding back interest expenditure in the return calculation because all purchases are funded by equity or debt.

2. Return on Equity

The return on equity (ROE) ratio gauges a company's capacity to create profits from the investments made by its shareholders. A company's return on equity ratio, or ROE, measures how much profit ordinary stockholders' equity creates.

Return on 1 means that for every dollar of ordinary stockholders' equity, 1 dollar of net income is generated. This metric is critical because potential investors want to know how well a company will use its money to generate net income. A company's ROE is also an indicator of how well management employs equity financing to fund operations and grow the business.

Shareholders' equity return indicates how effectively a business can turn its capital into profits and growth. ROE is a profitability measure from the investor's perspective, not the company, as is the case with other return on investment ratios. In

another way, this ratio measures how much money a company makes based on how much money its investors put in.

A high return on equity ratio reassures investors that the company is making good use of its money. It is nearly always preferable to have higher ratios than lower ratios, although both must compare these based on competing companies' balances in the industry. ROE cannot compare companies from different sectors because each sector has other investors and incomes. Most investors prefer to compute ROE at the beginning and end of a term to see how the return has changed over time. It aids in monitoring a business's progress and the maintenance of a good profits trend.

3. Profit Margin

This ratio compares a company's net income to its net sales to determine how much profit a company makes on each dollar of sales it generates, also known as the "return on sales ratio." What percentage of sales are left over after all costs have been paid is the profit margin ratio.

A company's ability to turn sales into net income is assessed using this ratio by lenders and investors. Investors and creditors want to ensure that the company is making enough money to pay back its debts, but they have different priorities. Users outside the firm want to know that the business is working smoothly. There are too many expenses in this business for the management to profit, as shown by a shallow profit margin. The return on sales ratio is frequently used by internal control to define future performance targets. Directly, the profit margin ratio reflects the percentage of sales that generate net profits. At a specific level of sales, it calculates how much profit is generated.

It can gauge a company's ability to keep costs under control as a percentage of net sales by looking at this ratio. As a result, businesses always attempt to improve their ratios. They can achieve this by increasing income, cutting expenses, or combining all three. Managers tend to reduce spending budgets to enhance their profit ratio because creating more revenues is more complex than cutting expenses. This ratio works best when comparing companies of similar size in the same industry. This ratio can also be used to assess a company's prior performance.

2.2 Hypothesis Development

2.3.1 Influence of Profitability to Tax Avoidance

H₁: Profitability has a significant effect on Tax Avoidance.

2.3.2 Influence of Leverage to Tax Avoidance

When a corporation has high leverage or debt structure, it indicates how much debt it uses to fund its activities. Internal and external funding are both sources of funding for the business. Interest costs will be incurred by companies that borrow money to fund their activities. The higher the leverage ratio, the more the company relies on third-party debt to support its operations and the greater the interest expenditure it incurs from that debt. Consequently, the company's profit will decrease, resulting in a reduced tax bill for the corporation. Tax avoidance activities will be less likely to occur if the tax burden is low. As a result, the more leverage a corporation has, the less tax avoidance it will engage.

The above opinion is supported by the results of research conducted by Ainniyya, Sumiati, Susanti (2021); Sari, Marsono (2020); and Mahdiana, Amin (2020), where both studies show that leverage has a significant and also positive effect on tax avoidance.

That is, the higher the leverage, the lower the tax avoidance. Based on this description, the hypothesis in this study is as follows

H₂: Leverage has a significant effect on Tax Avoidance.

2.3.3 Influence of Sales Growth to Tax Avoidance

When a company's revenue increases, it demonstrates that previous efforts have paid off and can guide future growth. The corporation can predict how much profit it will make based on sales growth by using the sales growth measurement. The more sales a company makes, the more likely it is that its sales are growing. If sales increase, then the company's profit is expected to rise. As yields rise, so does the amount of tax due, and as a result, corporations will want to minimize their tax burden.

The opinion above is supported by the results of research conducted by Ainniyya, Sumiati, Susanti (2021), where the research shows that sales growth has a significant effect on tax avoidance. This means that the higher sales growth, the higher the tax avoidance activity.

H₃: Sales Growth has a significant effect on Tax Avoidance.

2.3 Research Model

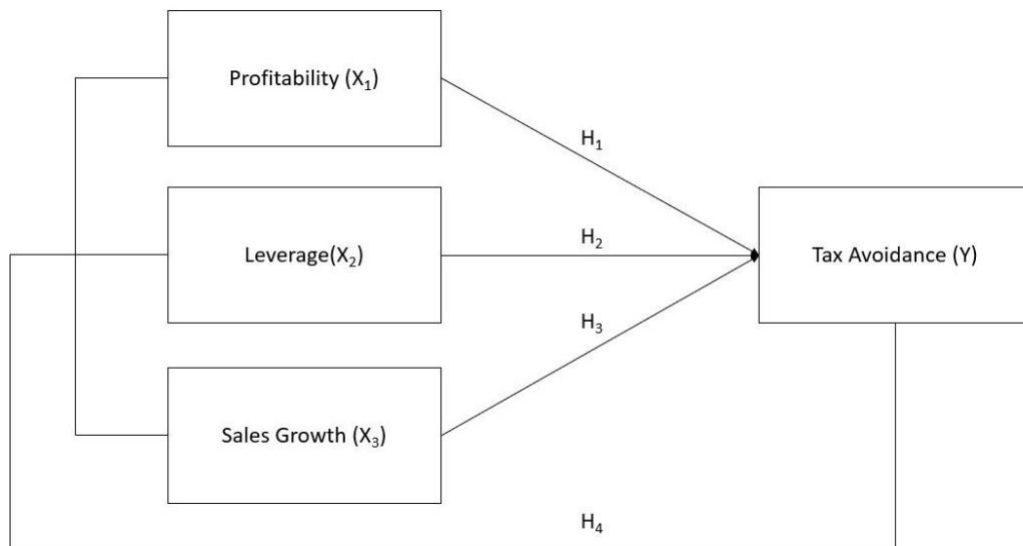


Figure 2.1 Research Model

Source: Prepared by the writer (2022)

2.4 Framework of Thinking

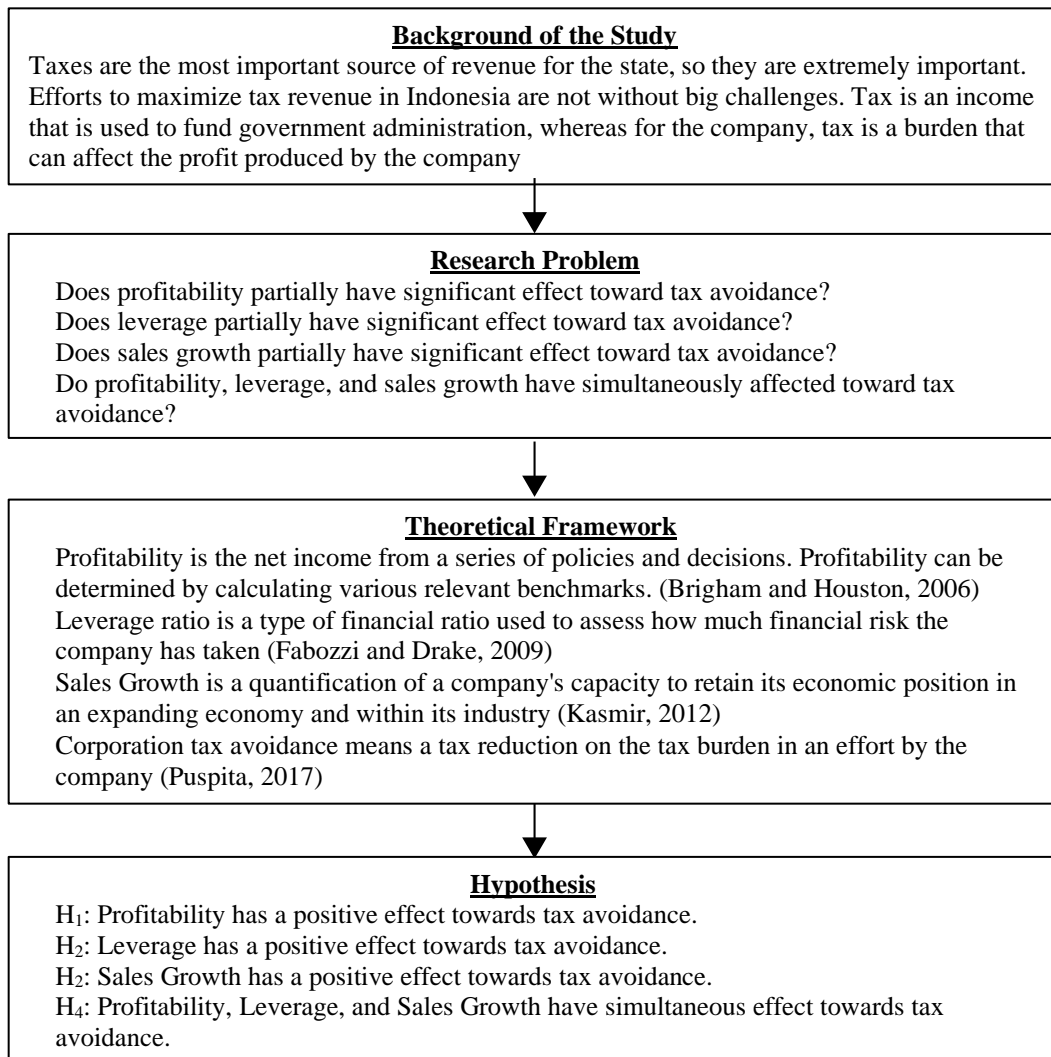


Figure 2.2 Framework of Thinking

CHAPTER III RESEARCH METHODOLOGY

3.1 Research Design

The design of this research is a quantitative descriptive method due to the fact that the data is displayed in both numerical and descriptive format. Quantitative research is a type of research in which data are collected numerically. This can be accomplished by comparing many variables or by evaluating the efficacy of multiple interventions. (Suyud, 2019).

3.2 Population and Sample

The population of this research is the company under consumer goods sector that listed in Indonesia Stock Exchange. The sampling method in this research is purposive sampling with the criteria as follow:

1. Consumer goods company which listed on Indonesia Stock Exchange before 2020
2. Consumer goods company which listed on consumer goods sector

3. Consumer goods sector company which published their financial statement in Rupiah for year 2019-2020
4. Consumer goods sector company which in financial statement have profit for year 2019-2020
5. Consumer non-cyclical sector which provides all data related research variable

Table 3.1 Sample Criteria

No	Sample Criteria	Quantity
1	Consumer goods company which listed on Indonesia Stock Exchange before 2020	228
2	Consumer goods company which not listed on consumer goods sector	(130)
3	Consumer goods sector company which did not publish their financial statement in Rupiah for year 2019-2020	(18)
4	Consumer goods sector company which in financial statement have loss for year 2019-2020	(36)
5	Consumer non-cyclical sector which does not provide all data related research variable	0
Total		44
Total Sample Used (44 x 2 years)		88

Source: Indonesia Stock Exchange (2021)

Based on the criteria above, the sample for this research consists of 44 companies, with a research duration of two years, resulting in a total of 88 samples.

3.3 Data Collection Method

The data collecting method is the process through which the data necessary for writing the research are gathered. It is necessary to collect data in every research. Data collection method in this research is documentation of secondary data. Writer will collect information through written data or documents, and study every important information related to variable regarding profitability, leverage, sales growth and tax avoidance of each sample. The data is obtained from financial statements of consumer goods companies that were made publicly available on www.idx.co.id between 2019 and 2020.

3.4 Operational Definition and Variable Measurement

3.4.1 Independent Variable

3.4.1.1 Profitability

Profitability is ratio that been used to evaluated company capacity to earn profit in relation of revenue, balance sheet, shareholder equity and operating cost over certain time period. (Gie, 2019)

$$ROA = \frac{\text{Net income after tax}}{\text{Total Asset}}$$

3.4.1.2 Leverage

Leverage is the use debt to fund the acquisition of assets with the expectation that the income or capital gains generated by the acquired assets will exceed the debt. (Gei, 2021)

$$DAR = \frac{\text{Total Debt}}{\text{Total Asset}}$$

3.4.1.3 Sales Growth

Sales growth is defined as the percentage increase in net sales of a company from one fiscal period to the following. Net sales are the calculation of total sales deducted with returns, allowances, and discount. (Reddigari, 2019)

$$\text{Sales Growth} = \frac{\text{Current Net Sales} - \text{Previous Net Sales}}{\text{Current Net Sales}}$$

3.4.2 Dependent Variable

The dependent variable in this research is tax avoidance. Tax avoidance is legal practice to reduce tax owed by individual or entity. Most commonly, this is accomplished by claiming as many deductions and credits as are legally permissible. (Kagan, 2021)

Tax avoidance can be calculated by Cash Effective Tax Rate (CETR) formula that been done by Utami (2020) research. This formula of ratio is calculated the tax payment divided with net income before tax.

$$CETR = \frac{\text{Tax Payment}}{\text{Net Income Before Tax}}$$

Definition of operational variable of this research are as follows:

Table 3.2 Definition of Operational and Measurement of Variable

Varibale	Definition	Indicator	Measurement Scale
Tax Avoidance (Y)	Tax avoidance is legal practice to reduce tax owed by individual or entity	$CETR = \frac{\text{Tax Payment}}{\text{Net Income Before Tax}}$	Ratio
Profitability (X ₁)	Profitability is ratio that been used to evaluated company capacity to earn profit in relation of revenue, balance sheet, shareholder equity and operating cost over certain time period	$ROA = \frac{\text{Net income after tax}}{\text{Total Asset}}$	Ratio
Leverage (X ₂)	Leverage is the use debt to fund the acquisition of assets with the expectation that the income or capital gains generated by the acquired assets will exceed the debt	$DER = \frac{\text{Total Debt}}{\text{Total Asset}}$	Ratio

Varibale	Definition	Indicator	Measurement Scale
Sales Growth (X#)	Sales growth is defined as the percentage increase in net sales of a company from one fiscal period to the following	$\text{Sales Growth} = \frac{\text{Current Net Sales} - \text{Previous Net Sales}}{\text{Current Net Sales}}$	Ratio

Source: Prepared by the writer (2022)

3.5 Data Analysis Method

3.5.1 Descriptive Statistics

This analysis is part of statistic that teaches a tool, technique, or procedure for visualizing or describing a set of data derived from observations. The purpose of descriptive analysis is to provide a high-level summary of the data collected. This broad definition can serve as a starting point for examining the features of the data we obtain. (Digdowiseiso, 2017)

3.5.2 Classical Assumption Test

3.5.2.1 Normality Test

The data normality test evaluates whether the distribution being analyze is normal or not, allowing for its usage in parametric analysis. If the data are not normally distributed, non-parametric analysis must be used. (Digdowiseiso, 2017)

For normality test in this research is using Kolmogorov-Smirnov test. When significance value is less than 0.05 indicate data is not normally distributed. If significance value is bigger than 0.05 indicate data is normally distributed.

3.5.2.2 Multicollinearity Test

Multicollinearity test is conducted to examine the high correlation between independent variables. To determine whether a regression model exhibits of multicollinearity, the value of VIF can be examined (Variance Inflation Factor). If the calculation results in a VIF value less than 10, the regression model is considered to be good; if the calculation results in a VIF value greater than 10, the regression model has significant multicollinearity.

The other way to do Multicollinearity test, it can be determined by examining the tolerance value; if the resulting tolerance value is close to 1, the model is free of multicollinearity symptoms; if the resulting tolerance value is greater than 1, the model does not occur/is free of multicollinearity symptoms. (Digdowiseiso, 2017)

3.5.2.3 Heteroscedasticity Test

Heteroscedasticity test is conducted to analyze if the residual variation is different between one observation to another observation. The analysis of Scatter plot is used in this research to examine heteroscedasticity test phenomenon.

3.5.2.4 Autocorrelation Test

The autocorrelation test is used to determine whether a link exists between the linear error of a series of observations ordered by time (time series data). The Durbin-Watson test (DW Test) is used to assess or detect the presence or absence of autocorrelation symptoms.

The value of the Durbin-Watson (DW Test) is then compared to the value of the Durbin-Watson table. The outcomes of the comparison will lead to conclusions such as the following:

1. If the Durbin-Watson value is smaller than d_l ($d < d_l$), it concludes that null hypothesis is rejected because autocorrelation is positive.
2. If the Durbin-Watson value is bigger than 4 minus d_l ($d > (4 - d_l)$), it concludes that null hypothesis is rejected because autocorrelation is positive.
3. If the Durbin-Watson value is between d_u and 4 minus d_l ($d_u < d < (4 - d_l)$), it concludes that null hypothesis is accepted because autocorrelation is negative.
4. If the Durbin-Watson value is between d_l and d_u ($d_l < d < d_u$), or d_l and 4 minus d_l ($d_l < d < (4 - d_l)$), it explains that autocorrelation cannot be conclude.

3.5.3 Multiple Linear Regression Analysis

Multiple Linear Regression analysis is conducted to analyze the effect of profitability, leverage and sales growth toward tax avoidance. The equation of multiple linear regression analysis is as follow:

$$Y = a + B_1X_1 + B_2X_2 + B_3X_3 + e$$

Where:

Y = Tax Avoidance

X₁ = Profitability

X₂ = Leverage

X₃ = Sales growth

B₁ = Coefficient of Regression Profitability

B₂ = Coefficient of regression Leverage

B₃ = Coefficient of Regression Sales Growth

e = Error

a = Constanta

3.5.4 Hypothesis Tests

There 3 hypothesis tests conducted, as follow:

1. T Test

According to Ghozali (2011) as cited in Ridho (2016), T test is performed to test the significance of constants and independent variable with dependent variable. the step of T test as follow:

1. Using comparison between t_{count} and t_{table}
 - a. If the $t_{count} \geq t_{table}$, there is an influence between independent variable with dependent variable partially

- b. If the $t_{\text{count}} < t_{\text{table}}$, there is no influence between independent variable with dependent variable partially

2. Determined significant level

The significance level uses α 5% (0.05), which means this research determine the risk of error in taking decision to reject or accept the hypothesis at most 5% and level of trust at least 95%.

2. F Test

F test is used to test the significance of the influence of independent variables (X) simultaneously to dependent variable (Y). The following are the conditions for making a decision of hypothesis:

1. Using comparison between F_{count} and F_{table}

- a. If the $F_{\text{count}} \geq F_{\text{table}}$, there is an influence between independent variables (X) to dependent variable (Y) simultaneously
- b. If the $F_{\text{count}} < F_{\text{table}}$, there is no influence between independent variables (X) to dependent variable (Y) simultaneously

2. Determined significant level

- a. If the significance probability value > 0.05 , there is an influence between independent variables (X) to dependent variable (Y) simultaneously
- b. If the significance probability value < 0.05 , there is no influence between independent variables (X) to dependent variable (Y) simultaneously

3. Coefficient of Determination (R^2 test)

According to Ghozali (2011) as cited in Ridho (2016), coefficient of determination (R^2) is used to explain how much the relation between related variables of the research. The value of R^2 is between 0 and 1. If the result of the R^2 is near to 0, it means that the ability of independent variables in explained the related variable is very limited. And the closer value to 1 means almost the information of independent variable predict the relate variable.

CHAPTER IV RESEARCH RESULT AND DISCUSSION

Discussion

- **Influence of Profitability to Tax Avoidance**

According to the hypothesis test results, profitability has significant effect towards tax avoidance in consumer goods sector companies listed on Indonesia Stock Exchange.

The value of t_{count} is shown to be 2.439, which is higher than the value of t_{table} of

1.9983, and the significance level is shown to be 0.018, which is less than 0.05. As a result of this, the hypothesis is accepted. This means that if the profitability increases, the amount of tax avoidance by the business will be affected significantly.

- **Influence of Leverage to Tax Avoidance**

According to the hypothesis test results, leverage has no significant effect towards tax avoidance in consumer goods sector companies listed on Indonesia Stock Exchange.

The value of t_{count} is shown to be 0.098, which is lower than the value of t_{table} of 1.9983, and the significance level is shown to be 0.922, which is higher than 0.05. As a result of this, the hypothesis is rejected. This means that whether the leverage increases or decrease, the amount of tax avoidance by the business will likewise not affected significantly.

- **Influence of Sales Growth to Tax Avoidance**

According to the hypothesis test results, sales growth has no significant effect towards tax avoidance in consumer goods sector companies listed on Indonesia Stock Exchange.

The value of t_{count} is shown to be 0.685, which is lower than the value of t_{table} of 1.9983, and the significance level is shown to be 0.496, which is more than 0.05. As a result of this, the hypothesis is rejected. This means that whether the sales growth increases or decrease, the amount of tax avoidance by the business will likewise not affected significantly.

- **Influence of Profitability, Leverage, and Sales Growth on Tax Avoidance**

According to the hypothesis test results, all of the independent variables, namely profitability, leverage and sales growth, do not have a simultaneous significant effect on the dependent variable, tax avoidance in consumer goods sector companies listed on the Indonesian Stock Exchange.

The value of F_{count} is shown to be 2.450, which is less than the value of F_{table} of 2.75, and the significance level is shown to be 0.072, which is higher than 0.05. As a result of this, the hypothesis is accepted. This means that the changes in return profitability, leverage and sales growth do not simultaneously affects the amount of income tax payable in industrials sector companies listed on the Indonesian Stock Exchange.

CHAPTER V Conclusion

1. The result of multiple linear regression analysis shows that the regression coefficient value of profitability is -1.231. Then, the result of partial t-test shows that the absolute t_{count} of profitability variable is higher than t_{table} value ($2.439 > 1.9983$) and the significance level (α) less than 0.05 ($0.018 < 0.05$). Based on both results, it can be concluded that profitability has significant effect towards tax

avoidance in consumer goods sector companies listed on Indonesia Stock Exchange. A company's ability to generate profits should attract investors, according to the idea of agency theory. Profit margins are affected by a variety of circumstances, including the amount of income tax that must be paid. Profitability has a considerable impact on tax avoidance, according to the findings of this research. The company's management may thus use tax avoidance to reduce the amount of income tax due and to maximize profit in order to please shareholders.

2. The result of multiple linear regression analysis shows that the regression coefficient value of leverage is -0.014. Then, the result of partial t-test shows that the absolute t_{count} value of leverage variable is lower than t_{table} value ($0.098 < 1.9983$) and the significance level (α) more than 0.05 ($0.922 > 0.05$). Based on both results, it can be concluded that leverage has no significant effect towards tax avoidance in consumer goods sector companies listed on Indonesia Stock Exchange. Agency theory holds that principles and actors often have divergent goals. The reason for this is because they have quite different objectives. To put it another way, the more the leverage used, the bigger the tax avoidance advantages that may be gained. Tax avoidance cannot be facilitated by using leverage, according to the findings of this investigation. When it comes to tax avoidance, it does not really matter how high or low a corporation utilizes its leverage.
3. The result of multiple linear regression analysis shows that the regression coefficient value of sales growth is -0.125. Then, the result of partial t-test shows that the absolute t_{count} value of sales growth variable is lower than t_{table} value ($0.685 < 1.9983$) and the significance level (α) more than 0.05 ($0.496 > 0.05$). Based on both results, it can be concluded that sales growth has no significant effect towards tax avoidance in consumer goods sector companies listed on Indonesia Stock Exchange. Investors seek reduced tax expenses because they want to maximize the

company's profits for other purposes, such as developing their firm, according to agency theory. Additionally, every shareholder expects the company's revenue to rise year over year. So that they may achieve this goal, they transfer power to the management team. In this research, there was no significant correlation between sales growth and tax avoidance. This indicates that tax avoidance is unaffected by a company's annual revenue increase.

4. The result of simultaneous f-test shows that the value of f_{count} is lower than the value of f_{table} ($2.450 < 2.75$), while the threshold of significance level is higher than 0.05 ($0.072 > 0.05$). Based on that result, it can be concluded that profitability, leverage and sales growth do not have simultaneous significant effect toward tax avoidance in consumer goods sector companies listed on the Indonesian Stock Exchange. A manager of a corporation (sometimes called an agent according to the principles of agency theory) cannot use these three ratios of profitability, leverage, and sales growth at the same time in order to judge how effective the corporation's tax avoidance is at meeting shareholder expectations.
5. According to the results of this study, the Adjusted R^2 value is 0.062 or 6.2 percent. This means that profitability, leverage, and sales growth of consumer goods sector companies listed on the Indonesia Stock Exchange can account for 6.2 percent of tax avoidance in these companies, while the remaining 93.8 percent can be explained by other variables that were not tested.

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