The Influence of Profitability, Leverage and Sales Growth on Avoidance Tax

Wahyu Anggraini [1]*, Abdul Rahmat [2]

[1,2] Faculty of Economics and Business, Universitas Mercu Buana, Jakarta Indonesia, Indonesia

Address: Jl. Meruya Selatan No.1, RT.4/RW.1, Joglo, Kec. Kembangan, Kota Jakarta Barat, Daerah Khusus Ibukota Jakarta 11650
Corresponding Author: wahyu.anggraini@mercubuana.ac.id

Abstract: *This study aims to determine the influence of profitability, leverage and sales growth on tax avoidance. This research sample will be obtained from Property and Real Estate Sector Companies listed on the Indonesia Stock Exchange in the 2021-2022 period. To find out the relationship between variables, data analysis is carried out. The analysis used in this study is multiple regression analysis where for partial testing using statistical test t and simultaneous testing using the anova statistical test and before this test is carried out first a classical assumption test. This research is classified as TKT 3, which is proof of concept of functions and/or important characteristics analytically and experimentally.*

Keywords: *profitability, leverage, sales growth and tax avoidance*

1. INTRODUCTION

Taxes are the largest source of income in Indonesia. State revenue from taxes until the end of July 2023 reached IDR. 1,109.1 trillion or 64.6% of the 2023 State Revenue and Expenditure Budget (APBN) target (http://setkab.go.id). The amount of state revenue from the tax sector is so large that the government is trying to ensure that all taxpayers, both companies and individuals, do not neglect their obligations in paying taxes. However, this is not the case with the Company. Tax payments to the state will reduce the profits that should be enjoyed by the company. Taxes are a burden for the Company so that it will reduce the profits that should be obtained. The greater the company's profit, the greater the tax burden.

According to the law, tax is a mandatory contribution to the state owed by an individual or entity that is coercive based on the law, without receiving direct compensation and is used for state needs for the greatest prosperity of the people. For the state, taxes are a source of state income, while on the other hand for companies, taxes are costs that must be incurred, thereby reducing net profit. The differences in interests between countries that expect large tax revenues are in stark contrast to the desires of companies that want to pay as little tax as possible. (Setia 2015 in Tebiono and Sukadana 2019). Therefore tax avoidance is one way for companies to minimize their tax payments. Tax evasion is carried out because it is considered more legal than tax smuggling.

One of the factors that influence tax avoidance is profitability, the more profits a company makes, the more the company will spend to pay taxes. Another factor that

influences tax avoidance is leverage, namely capital loans or debt that are used to generate profits either for the company or for investment. If the leverage load is high it will suppress other loads. One burden that can be reduced is the tax burden. The Company hopes that sales growth will of course be better or increased. With high sales growth, it is hoped that the Company's profits will also increase. As profits increase, the tax burden will also increase. The tendency that occurs is that companies will be tempted to avoid taxes.

The author formulates this research problem as follows:

a. Does Profitability affect Tax Avoidance?

b. Does Leverage affect Tax Avoidance?

c. Does Sales Growth affect Tax Avoidance?

2. LITERATURE REVIEW

The Effect of Profitability on Tax Avoidance

Profitability is the goal of every company. With high profitability, it is hoped that the Company will always be in a stable condition. However, high profitability also creates a high tax burden. This is what the Company always wants to avoid so that profits can still be used for the Company.

The best type of company profitability ratio calculation is by calculating Earning Per Share or EPS. This type of calculation functions to calculate the level of the company's ability in terms of the value per share to generate profits.

The Effect of Leverage on Tax Avoidance

Financial leverage shows the company's ability to fulfill short-term and long-term obligations (Sartono, 2001). The higher the leverage ratio, the better the financial condition the company and conversely, if the leverage ratio is low, the worse the company's financial condition will be. Financial leverage is proxied by DER as follows: DER = Total Debt/Total Capital

The Effect of Sales Growth on Tax Avoidance

Greater sales growth indicates greater profits. With large profits, profits will also increase. If profits increase, taxes will also increase. Companies do not want to pay large amounts of tax. Companies try to avoid taxes.

The higher the sales growth, it is suspected that tax avoidance will also be greater. This happens because companies tend to prefer to pay lower taxes. Likewise, if sales growth decreases, tax avoidance will also be low.

From the description above, the following hypotheses or temporary conjectures can be drawn:

H1: Profitability influences Tax Avoidance

H2: Leverage has an effect on Tax Avoidance

H3: Sales growth influences tax avoidance

3. RESEARCH METHOD

The author conducted research on several property and real estate companies listed on the Indonesia Stock Exchange for the period 2021 - 2022 with research time starting from January 2024. The data used in this research is financial data obtained from the official website of the Indonesia Stock Exchange (BEI) namely www.idx.co.id . The research design used in this research is a descriptive method and an explanatory causal method. The descriptive method is a problem solving process carried out by describing the state of an object or research object.

4. RESULTS

Statistics Descriptive

Descriptive statistics used For know description about standard deviation, average, minimum, maximum from variables Which researched.

Table 1. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
EPS	74	0.00101	7.39654	0.5721881	1.08796440
DER	74	0.00197	3.78821	0.6024392	0.66381868
Growsell	74	-0.90325	9.00000	0.3571669	1.40715788
CETR	74	-4.37944	1.63302	0.1665766	0.68706176
Valid N (listwise)	74				

From the results of descriptive statistical calculations, the variables can be described as following:

a. The Profitability Variable (X1) from this data can be described as having a minimum value of 0.001 whereas mark maximum of 7.39. Average overall 0.57 and Standard deviation of 1.08 .

b. *Leverage* variable (X2) from this data can be described as having a minimum value of 0.001 while the maximum value is 3.78. Overall mean 0.60 and Standard deviation of 0.66.

c. The Sales Growth variable (X3) from this data can be described as having a minimum value of -0.90 whereas mark maximum of 9.00 . Average overall 0.35 And Standard deviation of 1.40 .

d. Tax Avoidance Variable (Y) from data the can described that mark minimum - 4.37 while the maximum value is 1.63. Overall average 0.16 and Standard deviation of 0.68 .

Classic Test

a. Data Normality Test

Test normality Which done in study This that is with using analysisstatistics *one samples kolmogrov-Smirnov.*

Table 2. Data Normality Test Table

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residuals
N		74
Normal Parameters [a, b]	Mean	0.0000000
	Std. Deviation	0.66272026
Most Extreme Differences	Absolute	0.277
	Positive	0.203
	Negative	-0.277
Test Statistic		0.277
Asymp. Sig. (2-tailed)		.000[c]
a. Test distribution is Normal.		
b. Calculated from data.		

b. Lilliefors Significance Correction.

From the data normality test it can be seen that the significance (2-tailed) is below 0.05 so it can be concluded that all variables are not normally distributed. To overcome the problem of data normality, we test again by doing logarithms on the data to be tested. After logarithmicizing the data, it was tested again for normality and produced the data as following:

Table 3. Data Normality Table

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residuals
N		74
Normal Parameters a, b	Mean	0.0000000
	Std. Deviation	1.79541779
Most Extreme Differences	Absolute	0.096
	Positive	0.080
	Negative	-0.096
Test Statistic		0.096
Asymp. Sig. (2-tailed)		.087^c
a. Test distribution is Normal.		
b. Calculated from data.		
c. Lilliefors Significance Correction.		

Asymp Sig value . (2-tailed) is 0.087 which is significant more big from 0.05 so can concluded that the data is normally distributed .

c. Multicollinearity Test

Multicollinearity test done with see tolerance and VIF values . Multicollinearity test results presented in the table following:

Table 4. Multicollinearity

Coefficients ^{a}			
		Collinearity Statistics	
Model		Tolerance	VIF
1	(Constant)		
	Ln_EPS	0.961	1,040
	Ln_DER	0.974	1,026
	Ln_Growsell	0.982	1,018
a. Dependent Variable: Ln_CETR			

From the table above, the Tolerance value for all independent variables is greater than 0.01 and the VIF value below 10, so it can be concluded that there is no

multicollinearity between the variablesfree.

d. Test Heteroscedasticity

Test Heteroscedasticity done with use Glejser.

<table>
<tr><th colspan="7">**Table 5.** Coefficients ^a</th></tr>
<tr><td rowspan="2"></td><td rowspan="2">Model</td><td colspan="2">Unstandardized Coefficients</td><td>Standardized Coefficients</td><td rowspan="2">T</td><td rowspan="2">Sig.</td></tr>
<tr><td>B</td><td>Std. Error</td><td>Beta</td></tr>
<tr><td>1</td><td>(Constant)</td><td>0.135</td><td>0.126</td><td></td><td>1.072</td><td>0.287</td></tr>
<tr><td></td><td>Ln_EPS</td><td>-0.083</td><td>0.039</td><td>-0.254</td><td>-2.153</td><td>0.035</td></tr>
<tr><td></td><td>Ln_DER</td><td>0.028</td><td>0.046</td><td>0.071</td><td>0.603</td><td>0.549</td></tr>
<tr><td></td><td>Ln_Grow sell</td><td>-0.022</td><td>0.033</td><td>-0.078</td><td>-0.670</td><td>0.505</td></tr>
<tr><td colspan="7">a. Dependent Variable: Abs_RES</td></tr>
</table>

From the results above it can be seen that the significance value for the variable X1=0.035 is smaller than 0.05, X2= 0.549 and X3=0.505, which is greater than 0.05. So it can be concluded that it happened heteroscedasticity. Therefore, testing will be carried out using another method, namely the Chi-Square Tests method. From the Chi-Square Tests calculations, the following data is obtained:

Table 6. of Chi-Square Tests

<table>
<tr><th colspan="4">**Chi-Square Tests**</th></tr>
<tr><td></td><td>Value</td><td>Df</td><td>Asymptotic Significance (2-sided)</td></tr>
<tr><td>Pearson Chi-Square</td><td>5032,000 ^a</td><td>4964</td><td>0.246</td></tr>
<tr><td>Likelihood Ratio</td><td>623.139</td><td>4964</td><td>1.000</td></tr>
<tr><td>Linear-by-Linear Association</td><td>17.308</td><td>1</td><td>0.000</td></tr>
<tr><td>N of Valid Cases</td><td>74</td><td></td><td></td></tr>
<tr><td colspan="4">a. 5106 cells (100.0%) have expected count less than 5. The minimum expected count is .01.</td></tr>
</table>

From the table data above obtained mark Asymptotoc Significance (2-sided) 0.246 which is more big from 0.05 so each variable No have connection .

e. **Test Autocorrelation**

Testing Autocorrelation done with test autocorrelation Durbin Watson (DW).

1) **Autocorrelation Test Table**

Table 7. Model Summary [b]					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,567 [a]	0.322	0.293	1.83348742	2,343
a. Predictors: (Constant), Ln_Growsell , Ln_DER , Ln_EPS					
b. Dependent Variable: Ln_CETR					

Autocorrelation test results can calculated as following :
N = 74
d = 2.343
dL = 1.525
dU = 1.703
4-dL = 4-1.525 = 2.475
4-dU = 4-1.703 = 2.297
dU < d = 1.703 < 2.343 no there is autocorrelation

f. **Testing Hypothesis**

Test Coefficient Determination (R^2)

The coefficient of determination test ($R2^)$ is used to determine the magnitude of the contribution produced from variables independent to variable dependent. Results from test coefficient determination (R^2) is as following

Table 8. Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.567[a]	0.322	0.293	1.833487 42
a. Predictors: (Constant), Ln_Growsell, Ln_DER, Ln_EPS				

From the R Square value you can get known that variable X influences the Y variable together amounting to 32.2%. Meanwhile, 67.8% was influenced by other outside factors variable X.

g. Test Significance Simultaneous (Test Statistics F)

The F statistical test is used to test whether all variables are independent in the model own influence in a way together to variable dependent.

Model		Sum of Squares	df	Mean Square	F	Sig.
		Table 9. ANOVA [a]				
1	Regression	111.710	3	37.237	11.077	.000[b]
	Residual	235.317	70	3.362		
	Total	347.027	73			
a. Dependent Variable: Ln_CETR						
b. Predictors: (Constant), Ln_Growsell, Ln_DER, Ln_EPS						

Viewed from table Anova , obtained mark significance . Because of value significance < 0.05 then There is influence variable X to Y in a way together .

h. Test Significance Parameter Individual (Test Statistics t)

According to (Ghozali, 2011, p. 98), the t statistical test aims to show how far the influence of one independent variable individually in explaining variable variations dependent.

Model		Unstandardized Coefficients		Standardized Coefficients		
		Table 10. Coefficients [a]				
		B	Std. Error	Beta	t	Sig.
1	(Constant)	-3.890	0.395		-9.849	0.000
	Ln_EPS	-0.656	0.121	-0.544	-5.418	0.000
	Ln_DER	0.254	0.143	0.177	1.772	0.081
	Ln_Growsell	-0.236	0.103	-0.229	-2.303	0.024
a. Dependent Variable: Ln_CETR						

Based on table above can seen that :

1) Variable Profitability have significance 0.000 < 0.05 so variable Profitability negative effect on Avoidance Tax .

2) Variable *Leverage* has significance 0.081 > 0.05 so variable *Leverage* doesn't influential positive to Avoidance Tax .

3) Variable Growth Sale have significance 0.024 < 0.05 so variable Growth Sale negative effect on Avoidance Tax .

CONCLUSION

a. The Effect of Profitability on Tax Avoidance

From the t statistical test it can be said that Profitability has a negative effect on Tax Avoidance. If the company is at high profitability then Tax Avoidance will be low.

b. The Effect of *Leverage* on Tax Avoidance

From the t statistical test it can be said that *Leverage* has no positive effect on Tax Avoidance.

c. From table 5.10 it can be said that Leverage has a positive effect on Finance Distress. If the company is at high leverage then Financial Distress will occur high too.

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