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THE EFFECT OF LEVERAGE, SALES GROWTH AND PROFITABILITY ON TAX AVOIDANCE

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A B S T R A C T

This study aims to determine the effect of leverage, sales growth and profitability on tax avoidance in manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the 2017-2019 period. This study uses a quantitative approach method. The population in this study were 181 companies. The sampling technique used was purposive sampling method, in order to obtain 47 companies that met the criteria for 2017-2019. The results of this study can be concluded that: 1) Leverage has a negative effect on tax avoidance. The higher the company's debt, the less risk of tax avoidance. 2) Sales growth has no effect on tax avoidance because increased sales growth is an opportunity to increase high profits so that they are able to make tax payments. 3) Profitability no effect on tax avoidance due to the higher profitability, then further reduce the rate of tax avoidance a company.

Keywords: Leverage, Salesgrowth, Profitability, Tax Avoidance

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INTRODUCTION

Many companies do tax planning with the aim of reducing tax payments that must be paid by the company. This activity has risks for the company, including fines and the company's bad reputation in the eyes of the public. If tax avoidance exceeds the limit or violates applicable laws and regulations, the activity can be classified astax evasion(Cahyono et al., 2016). An effort to reduce (savings) taxes can be done in many ways, for example by tax evasion (tax evasion) andtax avoidance. Tax evasion(taxevasion)is an attempt by the company to reduce taxes by violating tax regulations. Meanwhile,tax avoidance is a legal tax avoidance effort that does not violate tax regulations to reduce the tax burden by taking advantage of the weakness of tax provisions (Puspita and Febrianti, 2018).

The difference between tax avoidance and tax evasion is in terms of legality. tax avoidance which has a legal nature while tax evasion has an illegal nature. Not only so, in practice the grouping of the two usually occurs on the basis of the interpretation of the tax authorities in the respective countries concerned. Therefore, to be able to conclude that the difference between the two is in terms of legality, while from the other side both are still contrary to the laws and regulations in force in Indonesia.

This tax avoidance is something that is often done by taxpayers when the SKP (Tax Assessment Letter) has not been issued and indirectly taxpayers who practice tax avoidance do not support the purpose of establishing a tax law. Tax avoidance is mostly done by companies because tax avoidance is an effort to reduce taxes, but must comply with tax regulations, for example, taking advantage of allowed exceptions and deductions or delaying taxes that have not been regulated in applicable tax regulations, usually through a strategy taken by the chairman of the company (Dewinta and Setiawan). , 2016). Many companies do tax evasion, but this action reflects that the company is not responsible for state contributions.

The business activities of a company are usually faced with expenses that are fixed and contain risks. In this regard, the management must know about the importance of leverage. Leverage or often referred to as theratio solvency. Leverage is a ratio that shows the high debt owned by a company in financing its operating activities (Putri and Putra, 2017). According to Jariah (2016) leverage can be defined as the use of a fund's assets.

The existence of other factors that can influence the company's tax avoidance in addition to leverage is sales growth. Selling is the science or art of influencing others by the seller to invite and attract the attention of others to be willing to buy the goods or services offered. So, sale is the purchase of goods or services from one person to another in return for money from that party. Companies can plan the amount of profit by analyzing the amount of sales growth (sales growth) because the higher the sales growth , the higher the possibility of the company's profit. In addition to leverage and sales growth, there are other factors that affect tax avoidance, namely profitability. According to Hidayat (2018). Profitability is the company's ability to earn profits in relation to sales, total assets and own capital. Dewinta and Setiawan (2016) stated that the profitability of a company proves that the success of a company in earning profits for a certain period at a certain level of sales, assets and share capital. In other words, if the company has large retained earnings, it will use retained earnings first before making a decision to use debt. (Hidayat, 2018).

The results of research from Mahdiana and Amin (2020) state that profitability has a positive effect on tax avoidance. Another study conducted by January and Suardikha (2019) showed that profitability had no effect on tax avoidance. This shows if profitbilitas rose then tax avoidance will decrease due to the company with high profitability had a good tax planning so as to obtain an optimal tax and can pay taxes without having to make tax avoidance. Judging from some research about the factors that affect tax avoidance does not yet have complete results. Therefore, this study aims to determine how much capital is used by the company to pay debts. Sales growth to find out the sales growth of a company and profitability to find out how much the company's assets are issued in getting a profit that influence companies to do tax avoidance. So the researchers took the title "The Effect of Leverage, Sales Growth and Profitability on Tax Avoidance in Manufacturing Companies Listed on the Indonesia Stock Exchange (IDX) in 2017-2019"

METHODS

This study uses quantitative research, namely to examine the population or sample using research instruments. and data analysis with the aim of testing the specified hypothesis. The data used in this study is secondary data in the form of financial statements and a summary of the financial performance of consumer goods industry companies by obtaining data from the www.idx.co.id site. The population used in this study is manufacturing companies listed on the Indonesia Stock Exchange (IDX) in 2017-2019. The sampling technique used in this research is purposive sampling method. Purposive sampling is a sample selected based on specified criteria and adapted to the purpose of the study, with the following criteria: 1) Manufacturing companies listed on the

Indonesia Stock Exchange for the period 2017-2019. 2) Companies that issue financial statements during 2017-2019. 3) Companies that have the data needed in study. Namely companies that did not experience losses in 2017-2019. 4) Companies that use rupiah currency from 2017-2019. Tax Avoidance is proxied by ETR = income tax burden/income before tax, Leverage is proxied by DER = total debt/total equity, Sales Growth = $sales_{it}$ - $sales_{it-1}$ / $sales_{it-1}$, Profitability is proxied by ROA = net profit after tax/total assets.

RESULTS AND DISCUSSION

Table 1. Descriptive Statistics Test Results

	N	Minimum	Maximum	Mean	Std.Deviation
Leverage	141	0,09	3.61	0, 8461	0, 79 888
Sales Growth	141	-1.00	4.35	0, 1322	0, 47 417
Profitability,	141	0,00	0,92	0, 0859	0, 10 119
Tax Avoidance	141	-0, 40	-0,12	0, 2545	0, 04 882

Source: SPSS, Data processed by researchers 2021

Table 2. Kolmogorov-Smirnov Test Results

Variabel	Variabel Nilai Asymp. Sig. (2 tailed)
Unstandardized residual	0.087[c]

Source: SPSS, Data processed 2021

Testing with a normal probability plot (PP Plot) graph in this study, the points on the graph follow or approach the diagonal line, then the residual value is normally distributed. Based on the results of SPSS output in the normality test if the data is normally distributed, the significant value (sig) of the *Kolmogorov-Smirnov test* must be greater than 0.05. So it can be seen that the Asymp.Sig value is 0.087, so it can be said that the data is normally distributed.

Table 3. Multicollinearity Test Results for

Variable	Collinearity Statistics	
	Tolerance	VIF
Leverage	1,000	1,000
Sales Growth	,997	1,003
Profitability	,997	1,003

Source: SPSS, Data processed 2021

Based on table 3, it can be seen that the tolerance value for thevariable *leverage* of 1,000, *sales growth* of 0.997 and profitability of 0.997 where all values are > 0.10. The VIF value of thevariable is *leverage* 1,000, *sales growth is* 1.003 and profitability is 1.003 so that the VIF value in this study is < 10. Thus, it can be concluded that there is no multicollinearity.

Table 5. Autocorrelation Test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1,	378[A,]		143,136	04 525	2,052

Source: SPSS, data were processed in 2021

Table 6. Test Results Table *Durbin-Watson*

dl	du	dw	4 - dl	4 - du	Description
1.6817	1.7685	2.052	2.318	2.2315	Not Autocorrelation

Source: SPSS, Data processing 2021

With 2,052 sebear DW value is greater than the value du 1.7685 and less than the value of 4-du. So it can be concluded that there is no autocorrelation.

Based on the results of multiple linear regression analysis in table 4.9, the following conclusions are drawn: $Y = (-0{,}248) + (-0.011X_1) + (0.003X_2) + (0.026X_3)$

The t test in this study was conducted by setting a significance level of 5% or 0.05. To determine the t table, thecalculation is carried out *degree of freedom* (df)using the n-1-k formula where n as the number of samples is 141 and k as the independent variable in this study is 3. 1 – 3 = 137. Looking at the two-way significance value of 5% in the t table because it uses more than one variable, the t table is 1.97743. The results of the partial t test in this study are presented in the following table:

Table 7. Partial Test Results (t test)

Variable	t	Sig.
Leverage	-2.063,041	Negative Influential
Sales Growth	351,726	No effect
Profitability,	648,518	No impact

Source: SPSS, Data processing2021

Table 8. Results Coefficient of Determination

Model	R Square	Adjusted R Square
1	0, 143	0,136

Source: SPSS, Data processing 2021

Results table shows that the coefficient of determination(R-square)of 0.143 and the coefficient of determination that has been adjusted (Adjusted R Square) of 0.136. These results indicate that 13.6% of the variation in tax avoidance is explained by variations in the independent variables, namely leverage, sales growth and profitability. While the remaining 86.4% is explained by other variables that are not included in this research model.

Leverage is a ratio used to measure how much debt is borne by a company. Leverage shows how much the company has long-term or short-term debt compared to the total assets owned with the aim that the company's funding policy can be known. The increase in the amount of debt has an impact on the emergence of interest expenses that must be paid by the company. The interest expense component will reduce the company's pre-tax profit, so the tax burden that must be paid by the company will be reduced. The higher the size of a company, the company will need large funds compared to small companies, this makes large companies tend to want large revenues as well. Leverage is measured using the Debt to Equity Ratio (DER) by comparing the total debt with the total capital. Based on the results of data processed using SPSS, it can be seen that thevariable leverage has a negative effect on tax avoidance with the t-test of partial leverage having a t-count value of -2.063 greater than t table (1.97743) and the value of sig. 0.041 < 0.05 which means the value of sig. 0.041 is less than 0.05. So it can be concluded that H1 which is leverage has a negative effect on tax avoidance. The leverage higherindicates the higher the company's debt originating from third parties. With a lot of supervision carried out by third parties, the company will be more careful in every decision taken. The higher the supervision carried out by third parties can make company managers more careful in making a decision. The higher the company's debt, the less the risk of tax avoidance. The results of this study are in line with the results of research conducted by Swingly and Sukartha (2015) that leverage has a negative effect on tax avoidance. In a study conducted by Dewi and Noviari (2017) also stated that leverage has a negative effect on tax avoidance.

Every company must try to make a profit and expect a large profit from the company's activities. If the capital issued by the company is large enough then no company wants to lose. sales growth of a company greatly affects the company's ability to maintain profits to fund opportunities it has in the future. Sales Growth is a ratio that measures sales growth in a company by calculating the value of sales in a period. Sales growth (sales growth), shows an increase in the number of sales compared to the previous year. Sales growth can affect the company's profits in the future. Increased sales growth allows the company to increase the company's operating activities. On the other hand, if the company's growth declines, it will face obstacles in increasing its operational activities. Sales Growth has no effect on tax avoidance in manufacturing companies listed on the Indonesia Stock Exchange (IDX) in 2017 – 2019. Based on the test results, it shows that sales growth has no effect on tax avoidance. These results are due to having a t-count value of 0.351 smaller than t table (1.97743) and the significant value of sales growth is 0.726, which is greater than the significance value of 0.05. So it can be concluded that H2, namely sales growth, has no effect on tax avoidance. This is not in accordance with the initial hypothesis which states that sales growth has an effect on tax avoidance. The size of sales growth does not affect tax avoidance. This illustrates that the size of the sales growth company'sdoes not affect the company's decision to do tax avoidance, because companies with sales growth increasing or decreasinghave the same obligations in paying taxes, so sales growth is not a benchmark for companies to takeactions tax avoidance. The results of this study are supported by research conducted by Titisari and Mahanani (2017) and Aprianto and Dwimulyani (2019) stating that sales growth has no effect on tax avoidance.

Profitability is a view of a company's financial performance in generating profits from asset management known as Return On Assets. (ROA). One of the ratios used as a profitability ratio to measure the company's profitability is ROA because ROA shows the company's effectiveness in managing assets, both equity and loan capital. The higher the ROA value, the higher the profit generated by the company. Profitability measured using Return On Assets. (ROA) by comparing net income after tax with total assets. Based on the results of data processed using SPSS, it can be seen that the profitability variable has no effect on tax avoidance with a t value of 0.648 smaller than t table (1.97743) and sig. 0.518 < 0.05 which means the value of sig. 0.518 is greater than 0.05. So it can be concluded that H3 which is profitability has no effect on tax avoidance. This is not in accordance with the initial hypothesis which states that profitability has an effect on tax avoidance. The absence of the effect of profitability on tax avoidance shows that the fluctuations in profitability do not affect tax avoidance. Tax avoidance is a risky activity, so the company chooses to avoid this risk. Tax avoidance can add considerable costs to the company, including fees to be paid to tax consultants, time spent completing tax audits, reputational fines, and fines paid to tax authorities. The results of this study are in accordance with research conducted by Cahyono et al (2016) and Permata et al (2018) which states that profitability has no effect on tax avoidance.

CONCLUSION

Based on the formulation of the problem, research objectives and hypotheses as well as the discussion of the research results that have been presented in the previous chapter, several conclusions can be drawn from this study as follows: 1) Leverage has a negative effect on tax avoidance in manufacturing companies listed on the Indonesia Stock Exchange in 2017-2019. This is because the higher the company's debt it will reduce the risk of tax avoidance because third parties always supervise every company activity. 2) Sales growth has no effect against tax avoidance in manufacturing companies listed on the Indonesia Stock Exchange in 2017-2019. This illustrates that the size of the sales growth company'sdoes not affect the company's decision to do tax avoidance. 3) Profitability has no effect against tax avoidance in manufacturing companies listed on the Indonesia Stock Exchange in 2017-2019. Because tax avoidance is a risky activity, the company chooses to avoid this risk.

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