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Tax avoidance with profit management as a moderating variable; influence of profitability, leverage, company size, and related party transactions

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ABSTRACT

The aims of this research is to examine and analyze the effect of Profitability, Leverage, Firm Size and Related Party Transactions on Tax Avoidance with Earnings Management as a moderating variable. The population in this study were food and beverage sub-sector companies listed on the Indonesia Stock Exchange for the period 2018 – 2021. The sampling technique used was purposive sampling so that a total of 176 research samples were used in this study. The data analysis technique used in this study is panel data regression and moderated regression analysis. The results of the analysis show Related Party Transactions has a significant positive effect on Tax Avoidance, Profitability, Leverage, Firm Size have no effect on Tax Avoidance. Earnings Management as a moderating variable is able to moderate the effect of Profitability, Leverage, Firm Size, and Related Party Transactions on Tax Avoidance.

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1. INTRODUCTION

Over the past five years, there has been an upsurge in businesses avoiding taxes. The Fiscal Policy Agency (BKF) said that the rise in the number of corporate taxpayers (businesses) reporting losses for five straight years while yet being able to function and even expand their business in Indonesia shows a trend of corporate tax avoidance. Nine thousand four hundred ninety-six corporate taxpayers declared losses from 2015 to 2019, an increase of 83% over the 5,199 taxpayers who did so from 2012 to 2016 (investor. id).

Any company from a range of industries can avoid paying taxes. A list of priority targets for tax collection depending on the business sector has been established for 2021 to 2024, according to the Directorate General of Taxes, the body tasked with overseeing the fulfilment of tax duties (kontan.co.id). The food and beverage industry is one of the priority business sectors selected by the Directorate General of Taxes for material testing or testing of compliance with tax payment responsibilities to uncover instances of tax avoidance.

The Tax Avoidance measures for businesses in the food and beverage sub-sector, calculated using the DIFF proxy (STR-ETR) as the Tax Avoidance proxy used by Thomsen and Watrin (2018), demonstrate the trajectory of tax avoidance for those businesses over the last four years. This proxy calculates the difference between the tax the firm should be paying, as indicated by the statutory tax rate (STR), and the tax the company pays, as determined by the effective tax rate (ETR). The larger the DIFF value (STR-ETR), the more aggressively the corporation attempts to avoid paying taxes (Salehi and Shahri, 2020).

From 2018 to 2021, the amount of tax fraud committed by businesses in the food and beverage sector varied. The average food and beverage sub-sector company in 2018 paid 3.66% less tax than the statutory tax rate, according to the DIFF (STR-ETR) value of 3.66%. According to the DIFF value (STR-ETR) for 2019, the average tax paid by businesses in the food and beverage subsector was 6.59% less than the statutory tax rate. The impact of the Covid-19 pandemic on the economy. According to BPS data, the business sector most negatively impacted by Covid-19 was lodging and food and beverage, which saw a 92.47% loss in income.

The DIFF (STR-ETR) value is 0.53%, per the subsector's expected income decline in 2020. According to this data, the average company in the food and beverage subsector pays 0.53% less in taxes than the statutory tax rate. The DIFF (STR-ETR) number for 2018 and 2019 is significantly higher than this one.

Tax Avoidance increased for businesses in the food and beverage sub-sector in 2021 to 8.24%, above the amount before the Covid-19 pandemic. This is consistent with Indonesia's strengthening economy. According to a news statement from the Coordinating Ministry for Economic Affairs, the country's GDP will increase by 3.69% (yoy) in 2021. With this growth rate, Indonesia's GDP per capita rises to IDR 62.2 million, equal to $4,349.5. Before the epidemic, this figure was IDR 59.3 million in 2019 (ekon.go.id).

Businesses typically utilize profit management as one of their tax avoidance strategies. According to Scott (2014), earnings management refers to a manager's decision to select accounting principles or take practical measures that impact results to ensure that reported earnings are in line with expectations. According to Scott (2014), profit management may be broken down into four steps: income smoothing, profit maximization, profit minimization, and taking a bath. Since a company's profit is what the corporate income tax is intended to achieve, the company's strategy for tax avoidance is to maximize profit while minimizing tax liability.

Businesses in the food and beverage sub-sector have had negative Profit Management values during the past four years. Negative Discretionary Accruals are a sign of income minimization strategies, according to Toumeh (2020), Kusumawati (2019), Agustia and Suryani (2018), Dahayani (2017), and Perwitasari (2014). As a result, income depreciation has been the goal of profit management for the previous four years for enterprises in the food and beverage subsector.

From the standpoint of agency theory, tax avoidance practices by corporations can be understood. The principal and the agent have different interests, according to agency theory. According to Ulfa, Suprapti, and Latifa (2021), the government is the primary perpetrator of tax evasion since it seeks to increase state revenue through taxation. While the agent is firm, the company seeks to maximize revenues by minimizing taxes due because taxes are a burden that can potentially lower profits.

On the other hand, the agency theory of tax evasion can also be viewed as a partnership between shareholders acting as principals and managers acting as agents. While managers demand rewards for attaining firm performance without considering the company's future situations, shareholders seek substantial earnings without putting significant risks to the business. The dangers that businesses will face are correlated with the tax evasion strategies used by those businesses. According to Carolina, Oktavianti, and Handayani (2019), the risk of businesses using stock return volatility proxies and the volatility of the company's future tax rate are both impacted by the practice of tax evasion. According to Carolina, Oktavianti, and Hidayat (2021), corporate tax evasion is associated favourably with business risk. Based on their research, Dhawan, Ma, and Kim (2020) concluded that tax evasion is closely associated with the likelihood of corporate bankruptcy.

According to Latif and Marsoem (2019), profitability is a metric used to evaluate how well a company can turn a profit. The company's profit, a taxable item for the business, is strongly tied to profitability. As a result, the company's tax avoidance strategies and profitability are related. According to research done by Lestari and Solikhah (2019) on the impact of profitability on tax evasion, profitability has a strong beneficial impact on tax evasion. However, according to Dianawati and Agustina's research (2020), profitability has no bearing on tax avoidance. Similar research was undertaken by Fauzan, Wardan, and Nurharjanti (2019), and the findings showed that profitability had a considerable adverse impact on tax avoidance.

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In addition to profitability and leverage, company size can impact how businesses choose to avoid paying taxes. According to Wiratmoko (2018), company size is a scale or value that can be used to categorize an organization as small or large based on total assets, log size, etc. To prevent management from engaging in actions that could endanger the company, its internal control level and solid corporate governance mechanism are better as it grows. Additionally, according to Geng, Liu, Li, and Che (2019), a company's size is a significant factor in the practice of tax avoidance that businesses engage in. According to Turyatini's (2017) research, the company's size has a considerable favourable impact on tax evasion. Ernawati et al.'s research from 2021 found that the company's size had no bearing on tax evasion. Similar research was carried out by Fauzan et al. (2019), and the findings showed that tax avoidance was significantly negatively correlated with company size.

Related Party Transactions are another element that affects tax avoidance strategies. Transactions involving related parties are those that take place between businesses and these parties. The intra-group profit will be impacted if business practices and fairness are not followed in transactions between related parties. Related Party Transactions and the practice of Tax Avoidance are related because the goal of PPh is profit. Risman, Sulaeman, Silvatika, and Siswanti (2020) state that linked parties have a special relationship if one party can dominate the other party or significantly influences the other party's financial and operational decisions. According to research by Azizah and Kusmuriyanto from 2016, Related Party Transactions significantly aid Tax Avoidance. However, Ellyani and Hudayati's research (2019) found that related party transactions had a considerable detrimental impact on tax evasion.

In addition to the independent variables of profitability, leverage, company size, and related party transactions, other variables can amplify or lessen the impact of these independent variables on tax avoidance. Because corporate earnings are a tax object for firms, the company's efforts to understate reported profits will impact the relationship between profitability, leverage, company size, and related party transactions on tax avoidance. Understating stated earnings by the corporation is an example of earnings management practised by the company. The management of earnings can be viewed from two perspectives: those of the shareholder and the government. The state may view earnings management as income depreciation, which can lessen the tax burden imposed by businesses. Profit Management can modify the independent variables of tax avoidance, according to research by Nindita and Budi (2021) and Rani, Susetyo, and Fuada (2018). According to a study by Jati and Murwaningsari (2020), profit management cannot be a moderating factor.

To better understand the impact of profitability, leverage, firm size, and related party transactions on tax evasion techniques by businesses in the food and beverage sub-sector, the study was done. Compared to previous tax avoidance proxies, the DIFF proxy (STR-ETR) employed in this study can better describe the scope of corporations' tax avoidance strategies. Because it compares the tax that should be paid by the firm, which is indicated in the statutory tax rate, with the tax that is paid by the company, which is reflected in the effective tax rate, DIFF (STR-ETR) can define the scope of the Tax Avoidance practice. Additionally, Earnings Management is used in this study as a moderating variable. Profit Management can operate as a moderating variable for some independent factors, according to a study by Rani et al. (2018) and research by Nindita and Agus (2021). However, Jati and Murwaningsari's research (2020) concluded that earnings management could not control all independent variables.

2. RESEARCH METHOD

Agency Theory

According to Jensen and Meckling (1976), an agency relationship occurs when one or more persons (the Principal) hire another person (the agent) to do a task that requires giving the agent some decision-making authority. However, agents don't always behave in the Principal's best interests. According to Jensen and Meckling (1976), the Principal can control the deviation of his interests by giving the agent the right incentives and paying monitoring expenses to control the agent's atypical behaviour. Additionally, in some circumstances, the Principal will pay a bonding fee to assure that the agent won't do certain things that would be detrimental to the Principal or to ensure that the Principal would be compensated if the agent does these things.

Tax Avoidance

According to Jimenez and Angueira (2018), tax avoidance is the explicit reduction of corporate taxes that does not distinguish between legitimate actions taken to lower tax liabilities and specific tax benefits, as well as between actions that are regarded to be illegal tax avoidance. According to Kovermann and Velte (2019), tax avoidance is anything that lowers the company's tax liability in comparison to its pretax income.

Tax avoidance, according to Kovermann and Wendth (2019), enhances after-tax cash flow that can be invested in or given to shareholders. Thus, tax avoidance's advantages appear straightforward.

Carolina, et al. (2019) and Carolina, et al. (2021) found a positive correlation between corporate risk and the practice of tax avoidance by businesses. Carolina et al. (2019) and Carolina et al. (2021) use tax burden volatility and stock return volatility as proxy measures of firm risk.

According to his analysis, tax evasion increases the likelihood that a company would fail. Companies that aggressively evade taxes run a higher chance of going bankrupt. Companies' tax avoidance tactics can prevent the goal of tax income from being met, which can result in an even bigger state budget deficit. Certainly, the higher state budget imbalance has a negative effect on the economy. Taxpayer tax dodging strategies are thought to cost Indonesia IDR 68.7 trillion annually (kompas.com).

To measure tax evasion, several different proxies are utilized. In order to map various research findings about tax evasion in Indonesia from 1999 to 2019 that were published in Scopus and Sinta indexed journals, Arham, Firmansyah, Nor, and Vito (2020) did a literature analysis. According to one of his research's findings, from 1999 to the year 2019 the following tax avoidance proxies were utilized in research in Indonesia:

Table 1. Proxy of Tax Avoidance in Research in Indonesia During 1999 s.d. 2019 year

Proxy	Formula	Total	Persentase
Cash ETR	Cash Tax Paid/ Pre Tax Income	38	49,72%
GAAP ETR	Tax Expensel/ Pre Tax Income	19	24,36%
Book Tax Differences	(Pre Tax Accounting Income-Tax Income)/ Total Asset	10	12,82%
Current ETR	Current Tax Expensel/ Pre Tax Income	3	3,85%
Questionnaire		2	2,56%
Others		6	7,69%
	Jumlah	78	100%

Source : Arham, et al (2020).

According to research by Arham, et al. (2020), Cash ETR, a comparison between cash tax paid and pre-tax income, is the Tax Avoidance proxy that is frequently utilized in research in Indonesia.

Earnings Management

Scott (2014) defines Earnings Management as a manager's choice of certain accounting policies or real actions that affect earnings so that reported earnings follow what is desired. Scott (2014) divides the Profit Management pattern into four, namely: (a) Taking a bath can occur during stress or corporate restructuring. If a company has to report a loss, management may feel it is best to report a large loss. As a result, companies will take a "big bath" by writing off assets, providing expected future costs, and generally "clearing the deck." Because of the accrual reversal, a big bath action will increase the probability of reported earnings in the future, (b) Income depreciation is similar to taking a bath but less extreme. Companies usually carry out income minimization during periods of high profitability or when companies seek protection from foreign competition. Income minimization is usually done by eliminating capital assets and intangible assets, spending on advertising costs, and spending on R&D costs, (c) Income maximisation Based on contract theory, managers might maximize reported net income to obtain bonuses. In addition, companies that almost pass the debt covenant ratio can also maximize reported income, (d) Income smoothing From the contract theory perspective, risk-averse managers prefer a constant bonus flow. As a result, managers can smooth reported earnings over time to receive relatively constant compensation. Profits reported by the company in the financial statements are the object of income tax for the company. If the company wants to do Tax Avoidance, then the company will do Profit Management with an income minimization pattern so that the profit reported by the company will be small. Smaller profits will cause the taxes paid by the company also to be smaller.

Profitability

According to Latif and Marsoem (2019), Profitability is a measure used to assess how much a company can generate profits. According to Sihombing (2018), Profitability is a ratio that describes a company's ability to generate profits from a certain level of sales, assets, and share capital. Fitri and Munandar (2017) state that Profitability is a financial ratio that measures overall management effectiveness. This is connected with the profit earned concerning the sale or investment. The better the Profitability ratio, the better the ability to record profits. Profitability is obtained from the amount of profit earned by the company. Large profits will affect the company's assets. Profitability is in line with the company's recorded profit, and profit is an object of income tax. Therefore, Profitability has a relationship with the practice of tax avoidance carried out by companies.

Leverage

Leverage is a ratio that describes the total debt used to finance the company's operational activities. The use of debt by companies has two sides, namely increasing profitability and risk. According to Sihombing (2018), when the use of debt can increase high company profitability, the risk of the debt is low. Conversely, if the profitability resulting from using the debt is low, the risk of the debt will be high.

Firm Size

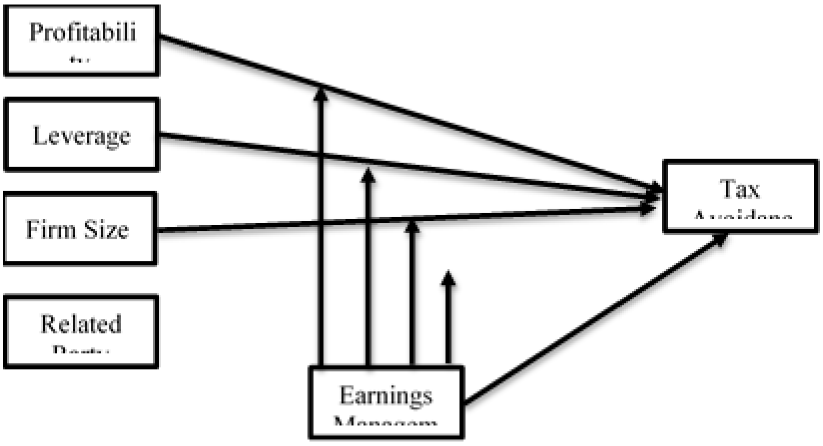
Company size is a scale that determines company size, which can be seen from the value of equity, company sales value, number of employees, total assets owned, and other measures (Putri, Ulum, and Prasetyo, 2018). Ernawati et al. (2021) stated that Company Size reveals the size of an organization or entity. Various parameters can be used to determine the size of an entity, including the number of employees of the company, the total assets owned, the number of sales made in a period, and the number of shares outstanding.

Related Party Transactions

Related Party Transactions are transactions carried out by a company with related parties or parties with a special relationship. PSAK 7 states that a related party is a party that can control another party or has significant influence over another party in making financial and operational decisions. Control is direct ownership through subsidiaries with more than half of the voting rights of a company or a substantial interest in the voting rights and power to direct the company's financial policies and operating management by virtue of a charter or agreement. Significant influence is the inclusion in the decision-making of a company's financial and operating policies, but it does not control those policies. Significant influence can be exercised in various ways, including representation on the board of commissioners or participation in the policy formulation process, material inter-company transactions, exchange of managerial employees or reliance on technical information. Significant influence can be gained under common ownership, articles of association or agreements. The hypothesis developed in this study is as follows: (a) Effect of Profitability on Tax Avoidance, Research conducted by Putri and Hudiwinarsih (2018) and Lestari and Solikhah (2019) proves that Profitability significantly affects Tax Avoidance. Based on the description above, the hypothesis developed in this study is H1: Profitability positively affects tax avoidance. (b) Effect of Leverage on Tax Avoidance Research conducted by Nurhandono and Firmansyah (2017), Oktaviyani and Munandar (2017), Fauzan et al. (2019), Turyatini (2017), Sumartono and Puspitasari (2021) proves that leverage has a significant positive effect on tax evasion. Based on the description above, the hypothesis developed in this study is H2: Leverage has a positive effect on tax avoidance. (c) Effect of Company Size on Tax Avoidance, Research conducted by Wiratmoko (2018), Prakoso and Hudiwinarsih (2018), and Fauzan et al. (2019) proves that company size has a significant negative effect on tax avoidance. Based on the description above, the hypothesis developed in this study is H3: Company size harms tax avoidance. (d) Effect of Related Party Transactions on Tax Avoidance, Research conducted by Azizah and Kusmuriyanto (2016) proves that related party transactions significantly positively affect tax avoidance. Based on the description above, the hypothesis developed in this study is H4: Related Party Transactions positively affect Tax Avoidance. (e) The Effect of Profit Management in Moderating the Effect of Profitability on Tax Avoidance, Research conducted by Nandita and Budi (2021) and Rani et al. (2018) proves that Profit Management can moderate the independent variables of Tax Avoidance. Based on the description above, the hypothesis developed in this study is H10: Profit Management moderates the effect of Profitability on Tax Avoidance.

The Effect of Profit Management in Moderating the Effect of Leverage on Tax Avoidance. Research conducted by Nandita and Budi (2021) and Rani et al. (2018) proves that Profit Management can moderate the independent variables of Tax Avoidance. Based on the description above, the hypothesis developed in this study is H11: Profit Management moderates the influence of Leverage on Tax Avoidance. (a) The Effect of Profit Management in Moderating the Effect of Company Size on Tax Avoidance, Research conducted by Nandita and Budi (2021) and Rani et al. (2018) proves that Profit Management can moderate the independent variables of Tax Avoidance. Based on the description above, the hypothesis developed in this study is H12: Profit Management moderates the effect of Company Size on Tax Avoidance. (b) The Effect of Profit Management in

Moderating the Effect of Related Party Transactions on Tax Avoidance, Research conducted by Nandita and Budi (2021) and Rani et al. (2018) proves that Profit Management can moderate the independent variables of Tax Avoidance. Based on the description above, the hypothesis developed in this study is H13: Profit Management moderates the effect of Related Party Transactions on Tax Avoidance. Based on the previous description, the framework developed in this study is as follows:



3. RESULTS AND DISCUSSIONS

The companies in the food and beverage subsector listed on the Indonesia Stock Exchange in 2021 are the study's objects. Companies in the food and beverage sub-sector work in one of the sub-sectors of the noncyclical consumer sector of the manufacturing industry, which is the food and beverage industry. In addition to this sub-sector, the noncyclical consumer sector category includes retailing food and staples, cigarettes, and nondurable household goods. Following is a list of the food and beverage industry subsector firms that are listed on the Indonesia Stock Exchange:

Table 2. F&B Companies Listed in IDX 2021

No	Companies	Stocks Code
1	Astra Agro Lestari Tbk	AALI
2	Akasha Wira International Tb	ADES
3	Asia Sejahtera Mina Tbk	AGAR
4	Fks Food Sejahtera Tbk	AISA
5	Tri Banyan Tirta Tbk.	ALTO
6	Andira Agro Tbk	ANDI
7	Austindo Nusantara Jaya Tbk	ANJT
8	Estika Tata Tiara Tbk	BEEF
9	Bisi International Tbk	BISI
10	Formosa Ingredient Factory Tbk	BOBA
11	Bumi Teknokultura Unggul Tbk	BTEK
12	Budi Starch & Sweetener Tbk	BUDI
13	Eagle High Plantation Tbk	BWPT
14	Campina Ice Cream Industry Tbk	CAMP
15	Wilmar Cahaya Indonesia Tbk	CEKA
16	Sariguna Primatirta Tbk	CLEO
17	Cisarua Mountain Dairy Tbk	CMRY
18	Wahana Interfood Nusantara Tbk	COCO
19	Charoen Pokphand Indonesia Tbk	CPIN
20	Central Proteina Prima Tbk	CPRO
21	Cisadane Sawit Raya Tbk	CSRA
22	Delta Djakarta Tbk	DLTA
23	Dua Putra Utama Makmur Tbk	DPUM
24	Dharma Samudera Fishing Industries	DSFI
25	Dharma Satya Nusantara Tbk	DSNG
26	Morenzo Abadi Perkasa Tbk.	ENZO
27	Fap Agri Tbk.	FAPA
28	Fks Multi Agro Tbk	FISH
29	Sentra Food Indonesia Tbk	FOOD

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30	Golden Plantation Tbk	GOLL
31	Garudafood Putra Putri Jaya Tbk.	GOOD
32	Gozco Plantation Tbk	GZCO
33	Buyung Poetra Sembada Tbk	HOKI
34	Indofood Cbp Sukses Makmur Tbk	ICBP
35	Era Mandiri Cemerlang Tbk.	IKAN
36	Indofood Sukses Makmur Tbk	INDF
37	Indo Pureco Pratama Tbk.	IPPE
38	Jaya Agro Wattie Tbk	JAWA
39	Japfa Comfeed Indonesia Tbk.	JPFA
40	Mulia Boga Raya Tbk	KEJU
41	Pp London Sumatera Indonesia Tbk	LSIP
42	Multi Agro Gemilang Plantation Tbk	MAGP
43	Malindo Feedmill Tbk	MAIN
44	Mahkota Group Tbk	MGRO
45	Multi Bintang Indonesia Tbk	MLBI
46	Mayora Indah Tbk.	MYOR
47	Wahana Inti Makmur Tbk	NASI
48	Indo Oil Perkasa Tbk	OILS
49	Provident Agro Tbk	PALM
50	Pratama Abadi Nusa Industri Tbk	PANI
51	Pradiksi Gunatama Tbk.	PGUN
52	Panca Mitra Multiperdana Tbk	PMMP
53	Prasidha Aneka Niaga Tbk	PSDN
54	Palma Serasih Tbk	PSGO
55	Nippon Indosari Corpindo Tbk	ROTI
56	Sampoerna Agro Tbk	SGRO
57	Salim Ivomas Pratama	SIMP
58	Sreeya Sewu Indonesia Tbk	SIPD
59	Sekar Bumi Tbk	SKBM
60	Sekar Laut Tbk	SKLT
61	Smart	SMAR
62	Sawit Sumber Mas Sarana Tbk	SSMS
63	Siantar Top Tbk	STTP
64	Triputra Agro Persada Tbk	TAPG
65	Jaya Swarasa Agung Tbk.	TAYS
66	Tunas Baru Lampung Tbk	TBLA
67	Tigaraksa Satria Tbk	TGKA
68	Ultra Jaya Milk Industry & Trading Company Tbk	ULTJ
69	Bakrie Sumatera Plantation Tbk	UNSP
70	Wahana Pronatural Tbk	WAPO
71	Widodo Makmur Perkasa Tbk	WMPP
72	Widodo Makmur Unggas Tbk.	WMUU

Source: www.idx.co.id (processed data, 2022)

Descriptive statistics

Descriptive statistics in this study will describe the average value, median value, maximum value, and minimum value of each research variable.

Table 3. Statistics Descriptive

	Profitability	Leverage	Firm Size (in million rupiah)	Related Party Transactions	Earnings Management	Tax Avoidance
Mean	0,051170	0,460637	11.791	0,012013	-0,625704	0,033411
Median	0,043361	0,485955	3.487	0,000011	-0,318403	0,004501
Max	0,493031	0,937355	179.356	0,183009	3,245294	6,923038
Min	-0,300287	0,006817	373	0.000000	-5,644550	-6,684553

Source: Processed data, 2022

a) Profitability

Profitability is measured using ROA proxies. This ratio compares the profit after tax with the total assets owned by the company. The greater the company's ROA value, the more effective the company is in managing its assets. The minimum value of Profitability for companies in the food and beverage sub-sector is -0.300287. The maximum value of Profitability for companies in the food and beverage sub-sector is 0.493031. The median value of the profitability of companies in the food and beverage sub-sector is 0.485955. Meanwhile, the mean value of the profitability of companies in the food and beverage sub-sector is 0.051170. This indicates that on average the companies in the food and beverage sub-sector have been able to manage their assets effectively so that on average they generate a profit after tax of 5.12% compared to their asset value.

b) Leverage

Leverage is measured by proxy DAR. This ratio measures how much debt is used by the company in financing the company's operations. The minimum leverage value for companies in the food and beverage sub-sector is 0.006817. The maximum value of Leverage for companies in the food and beverage sub-sector is 0.937355. The median value of Leverage in the food and beverage sub-sector is 0.51432. Meanwhile, the mean value of company leverage in the food and beverage sub-sector is 0.460637 or 46.06%. This means that on average, companies in the food and beverage sub-sector carry out company operations with 46.06% of the company's funding sources coming from debt.

c) Company Size

Company size is measured by proxy Ln Total Assets. This proxy measures the natural logarithm value of the company's total assets. However, for descriptive statistics, the value of the company is seen from the value of the real assets it owns. The minimum value of Company Size for companies in the food and beverage sub-sector is 373 billion rupiah. The maximum value of company size in the food and beverage sub-sector is 179,356 billion rupiah. The median value of company size in the food and beverage sub-sector is 3,487 billion rupiah. Meanwhile, the mean value of company size in the food and beverage subsector is 11,791 billion rupiah.

d) Related Party Transactions Related

Party Transactions are measured by proxy Total Related Party Debt/Company Total Debt. The minimum value of Related Party Transactions for companies in the food and beverage sub-sector is 0.00. The maximum value of Related Party Transactions for companies in the food and beverage sub-sector is 0.183009. The median value of Related Party Transactions for companies in the food and beverage sub-sector is 0.000011. Meanwhile, the mean value of Related Party Transactions for companies in the food and beverage sub-sector was 0.012013 or 1.2%. This means that an average of 1.2% of company debt in the food and beverage sub-sector comes from related parties.

e) Profit Management

Profit Management value is measured using Discretionary Accrual. The minimum value of Profit Management is -6.684553. The maximum value of Profit Management is 3.245294. The mean value of Profit Management is -0.318403. While the mean value of Earnings Management is -0.50960. The mean value of -0.625704 indicates that on average the companies in the food and beverage sub-sector conduct profit management with an income minimization pattern.

f) Tax Avoidance

The value of tax avoidance is measured by comparing the statutory tax rate with the effective tax rate of companies in the food and beverage sub-sector. The tax avoidance value in this study illustrates how much the tax paid by the company differs from the statutory tax rate. The minimum value of Tax Avoidance for companies in the food and beverage sub-sector is -6.68455. The maximum value of Tax Avoidance for companies in the food and beverage sub-sector is 6.923038. The median value of Tax Avoidance for companies in the food and beverage sub-sector is 0.004501. While the mean value of Tax Avoidance is 0.033411. This means that the average difference between the statutory tax rate and the effective tax rate for companies in the food and beverage subsector is 3.34%.

Inferential Statistics

Panel Data Regression Model Selection

The selection of the panel data regression estimation model was carried out using three tests, namely the chow test, hausman test, and lagrage multiplier test.

Tabel 4. Chow Test

Redundant Fixed Effects Tests
Pool: Untitled
Test cross-section fixed effects

Effects Test	Statistic	d.f.	Prob.
Cross-section F	0.838451	(43,128)	0.7430
Cross-section Chi-square	43.676454	43	0.4426

Source: Data processed with Eviews (2022)

Cross-section Chi-square value is 43.676454 with p value: 0.4426 where this value is greater than 0.05, the better model is the Common Effect Model.

Tabel 5. Hausman Test

Correlated Random Effects - Hausman Test
Pool: Untitled
Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	5.473145	4	0.2421

Source: Data processed with Eviews (2022)

Cross-section random value: 5.47315 with p value: 0.2421 where this value is greater than 0.05, then the best choice is the Random Effect Model.

Tabel 6. Lagrange Multiplier Test

Lagrange multiplier (LM) test for panel data
Date: 02/07/23 Time: 22:02
Sample: 2018 2021
Total panel observations: 176
Probability in ()

Null (no rand. effect) Alternative	Cross-section One-sided	Period One-sided	Both
Breusch-Pagan	1.374489	0.181775	1.556264
	(0.2410)	(0.6699)	(0.2122)
Honda	-1.172386	0.426351	-0.527526
	(0.8795)	(0.3349)	(0.7011)
King-Wu	-1.172386	0.426351	0.112813
	(0.8795)	(0.3349)	(0.4551)
SLM	-0.805977	0.857630	--
	(0.7899)	(0.1955)	--
GHM	--	--	0.181775
	--	--	(0.5632)

Source: Data processed with Eviews (2022)

The Breusch-Pagan Cross-section value is 1.374489 with a p value of 0.2410 where this value is greater than 0.05, so the best model is the Common Effect Model.

Tabel 7. Data processed with Eviews (2022)

Heteroskedasticity Test: White

F-statistic	3.686669	Prob. F(14,153)	0.0000
Obs*R-squared	42.37771	Prob. Chi-Square(14)	0.0001
Scaled explained SS	318.8881	Prob. Chi-Square(14)	0.0000

Source: Data processed with Eviews (2022)

The results of the Heteroscedasticity test yielded Obs*R-Squared with Prob. Chi_Square is 0.0001 where this value is smaller than 0.05, so the model has a heteroscedasticity problem so that the model does not meet the requirements or assumptions of homoscedasticity. According to Prasanti, Wuryandai, and Rusgiyono (2015), a correction procedure that can be used if the model does not meet the assumptions of homoscedasticity is cross section weights. If from testing the assumptions of heteroscedasticity it is concluded that there is heteroscedasticity, then a correlation test between unit cross sections is carried out.

Tabel 8. Inter-Individual Dependency Test Results

Test	Statistic	d.f.	Prob.
Breusch-Pagan LM	1401.792	1081	0.0000
Pesaran scaled LM	6.899146		0.0000
Pesaran CD	1.881831		0.0599

Source: Data processed with Eviews (2022)

The p value of the Breusch-Pagan LM test is 0.0000 where this value is less than 0.05, so there is cross-sectional dependence. According to Greene in Prasanti, et al (2015), a correction procedure that can be used if the model has a cross-sectional dependence is a cross-sectional SUR.

Tabel 9. Autocorrelation Test Results

Breusch-Godfrey Serial Correlation LM Test:

F-statistic	2.544870	Prob. F(2,181)	0.0813
Obs*R-squared	5.141988	Prob. Chi-Square(2)	0.0765

Source: Data processed with Eviews (2022)

Based on the results of the autocorrelation test, the Obs*R-squared value was obtained with a Prob Chi-square of 0.0765 where this value was more than 0.05 so it can be concluded that there was no autocorrelation violation.

Tabel 10. Multicollinearity Test

	X1	X2	X3	X4
X1	1.000000	-0.483980	-0.119635	-0.181350
X2	-0.483980	1.000000	0.001524	0.001524
X3	-0.119635	0.001524	1.000000	0.180193
X4	-0.181350	0.194554	0.180193	0.180193

Source: Data processed with Eviews (2022)

Based on the correlation matrix in Table 4.12, there is no correlation between the independent variables that exceeds 0.9. Thus, there is no multicollinearity problem.

4. CONCLUSION

Based on the results of data analysis testing, as explained in the previous section, the following is a discussion of the hypotheses that have been built previously:

Effect of Profitability on Tax Avoidance.

Based on the results of the data analysis, it was found that the coefficient value for the Profitability variable was -0.092233. At the same time, the probability value is 0.2772, which is greater than the significance level of 0.05, so it can be concluded that Profitability does not affect Tax Avoidance. Therefore, the initial hypothesis that Profitability positively affects Tax Avoidance is rejected. According to Sihombing (2018), Profitability is a ratio that describes a company's ability to generate profits from a certain level of sales, assets, and share capital. It can be concluded that the level of company profits does not affect tax avoidance. This aligns with research conducted by Fitri and Munandar (2017) and by Dianawati and Agustina (2020).

Effect of Leverage on Tax Avoidance.

Based on the results of the data analysis, it was found that the coefficient value for the Leverage variable was -0.013462. While the probability value is 0.5120, where this value is greater than the specified significance level of 0.05 so it can be concluded that Leverage does not affect tax evasion. Therefore, the initial hypothesis that Leverage positively affects Tax Avoidance is rejected. This is in line with research conducted by Wiratmoko (2018), Azizah and Kusmuriyanto (2016), Putri and Suryani (2017), and Dianawati and Agustina (2020).

Effect of Company Size on Tax Avoidance.

Based on the results of the data analysis, it was found that the coefficient value for the Firm Size variable was -0.000139. At the same time, the probability value is 0.7724, which is greater than 0.05, so it can be concluded that company size does not affect tax evasion. Therefore, the initial hypothesis, namely, company size harms tax avoidance, is rejected. Company size is a scale that determines company size, which can be seen from the equity value, company sales value, number of employees, total assets owned, and other measures (Putri et al., 2018). Based on the analysis results, it is known that large and small company size has no effect on tax avoidance. This is in line with research conducted by Ernawati et al. (2021), Sugeng, Prasetyo, and Zaman (2020), Ulfa et al. (2021), Lestari and Solikhah (2019), Sumartono and Puspitasari (2021), Pamungkas and Fachrurozie (2021), and Rahayu and Suryarini (2021).

Effect of Related Party Transactions on Tax Avoidance.
Based on the results of data analysis, it was found that the coefficient value for the Related Party Transaction variable was 1.429615. While the probability value is 0.0000, which is smaller than the specified significance level of 0.05, it can be concluded that related party transactions significantly affect tax evasion. Therefore, the initial hypothesis that related party transactions positively affect tax avoidance is accepted. Related Party Transactions are transactions carried out by a company with related parties or parties that have a special relationship. Related parties are people or entities related to the entity that prepares its financial statements. Companies that carry out transactions with related parties tend to do tax avoidance by not implementing transactions based on the arm's length principle or the principle of fairness and customary business. This aligns with research conducted by Azizah and Kusmuriyanto (201s6).

The influence of Profit Management in moderating the effect of Profitability on Tax Avoidance.
The influence of Profit Management in moderating the effect of Profitability on Tax Avoidance was tested using MRA. Concluding whether there is a moderating variable effect is done by comparing the significance value of the moderating variable effect in equation one with the significant value of the effect of the interaction variable in equation two. At the same time, the direction of the influence of the moderating variable is done by comparing the Adjusted R-squared equation one and equation two. So Profit Management acts as a quasi-moderator and plays a role in strengthening the effect of Profitability on Tax Avoidance. This means that the pattern of Profit Management in the form of income minimization can strengthen the influence of Profitability on Tax Avoidance. Therefore, the initial hypothesis that Profit Management can moderate the effect of Profitability on Tax Avoidance is accepted. This aligns with research conducted by Nandita and Agus (2021) and Rani et al. (2018).

The Effect of Profit Management in Moderating the Effect of Leverage on Tax Avoidance
The effect of Profit Management in moderating the effect of Leverage on Tax Avoidance was tested using MRA. Concluding whether a variable moderating effect is done by comparing the significance value of the variable moderating effect in equation one with the significant value of the effect of the interaction variable in equation two. At the same time, the direction of the influence of the moderating variable is done by comparing the Adjusted R-squared equation one and equation two. So Profit Management acts as a quasi-moderator and plays a role in strengthening the influence of Leverage on Tax Avoidance. This means that the pattern of Profit Management in income minimization can strengthen the effect of Leverage on Tax Avoidance. Therefore, the initial hypothesis that Profit Management can moderate the influence of Leverage on Tax Avoidance is accepted. This aligns with research conducted by Nandita and Agus (2021) and by Rani et al. (2018).

The Effect of Earnings Management in Moderating the Effect of Company Size on Tax Avoidance.
The influence of Earnings Management in moderating the effect of Firm Size on Tax Avoidance was tested using MRA. Concluding whether a variable moderating effect is done by comparing the significance value of the variable moderating effect in equation one with the significant value of the effect of the interaction variable in equation two. At the same time, the direction of the influence of the moderating variable is done by comparing the Adjusted R-squared equation one and equation two. So Profit Management acts as a pure moderator and plays a role in strengthening the influence of Company Size on Tax Avoidance. This means that the pattern of Profit Management in income minimization can strengthen the effect of Company Size on Tax Avoidance. Therefore, the initial hypothesis that Earnings Management can moderate the effect of Firm Size on Tax Avoidance is

accepted. This is in line with research conducted by Nandita and Agus (2021) and research conducted by Rani et al (2018)

The influence of Profit Management in moderating the effect of Related Party Transactions on Tax Avoidance.

The influence of Profit Management in moderating the effect of Related Party Transactions on Tax Avoidance was tested using MRA. Concluding whether a variable moderating effect is done by comparing the significance value of the variable moderating effect in equation one with the significant value of the effect of the interaction variable in equation two. At the same time, the direction of the influence of the moderating variable is done by comparing the Adjusted R-squared equation one and equation two. So that Profit Management acts as a quasi-moderator and plays a role in strengthening the effect of Related Party Transactions on Tax Avoidance; this means that the pattern of Profit Management in the form of income minimization can strengthen the effect of Related Party Transactions on Tax Avoidance. Therefore, the initial hypothesis that Earnings Management can moderate the effect of Firm Size on Tax Avoidance is accepted. This aligns with research conducted by Nandita and Agus (2021) and Rani et al. (2018).

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