

The Financial Perspective Study on Tax Avoidance

Hisar Pangaribuan¹, Jouse Fernando HB², Sukrisno Agoes³, Jenny Sihombing⁴,
Denok Sunarsi⁵

^{1,4}Adventist University of Indonesia

²EMTrade, Solo, Indonesia

³Tarumanagara University, Indonesia

⁵Universitas Pamulang, Tangerang, Indonesia

pangabhsr@gmail.com, habeahanjose@gmail.com, Sukrisno.a@gmail.com, sihombingjenny@gmail.com,
denoksunarsi@unpam.ac.id

Abstract

Practically, it is still found that there is a distinction of interest between government and taxpayers, where the government has an interest in collecting taxes as optimal as possible to be channeled in the public interest, while taxpayers try to pay tax as efficiently as possible for their individual benefits. This study employed a confirmatory descriptive approach with aims to find out wheter financial reasons urged taxpayers to do tax avoidance. The population in this study is the annual financial statements of manufacturing companies listed in Indonesia Stock Exchange. The data collected and processed using the ordinary least square approach. This study proposed that transfer pricing has no significant effect on tax avoidance, leverage has a significant effect on tax avoidance, profitability has a significant effect on tax avoidance, and sales growth has a significant effect on tax avoidance. While the result of the simultaneous test shows that the overall predictor has a significant effect on tax avoidance. The findings from this study are important inputs, especially for government tax recipients to pay more attention to the companies where profitability and sales growth are high, and when receivables shifts are more concentrated on receivables with related parties when compared to receivables from other parties, the such companies are tend to do tax efficiency by means of tax avoidance.

Keywords

transfer pricing; leverage;
profitability; sales growth;
financial; tax;
manufacturing



I. Introduction

The phenomenon of the difference in interests between taxpayers and the government and the average tax ratio that has not achieved the target indicates a fairly large tax avoidance activity (Jost, 2018). Tax avoidance by carrying out aggressive tax planning is classified as an unlawful act that is inappropriate for company management, and is one of the causes of not achieving the target of government revenue originating from taxes (Lee et al., 2015; Gaaya et al., 2017). The fact is that tax cases and allegations of tax evasion have occurred and become global in nature Several cases that have occurred and have been published include those that occurred in Hong Kong (UK tax avoidance cases considered in hong kong trust case, 1999); in Ghana (Amidu et al., 2019); in Nigeria (Adegbite & Bojuwon, 2019); in Croatia (Roska et al., 2019); the case of a football club in England (Croft & Houlder, 2017); in America (Robert, 2006); in London Marriner, (2017) in Thailand (Thailand: Govt goes ahead with ex-PM's tax avoidance case, 2018, Nov 09); in Indonesia (Bimo et al., 2019) and many other tax cases related to various industries and professions.

The practice of transfer pricing is the main driving factor for companies to do tax avoidance (Adegbite & Bojuwon, 2019). The company carries out transfer pricing practices for regions with a higher tax rate to regions with a lower tax rate for tax avoidance or at least lowering the tax expense (Liu et al., 2019), so the regulator must carefully observe and make appropriate rules so that this transfer pricing practice does not interfere with the target of government revenues and programs for the welfare of the society (Rathke et al., 2020).

Regarding the leverage, Ichsani & Susanti (2019) said that with the increase in corporate debt (which is described by an increase in debt to equity ratio), the company tries to avoid tax, considering the tendency of companies to have high debt expenses, so that leverage affects tax avoidance practices (Adegbite & Bojuwon, 2019).

When it comes to profitability, Adegbite & Bojuwon (2019) have stated that profitability is also a driving force for companies to do tax avoidance. Companies with a high level of profitability are significantly trying to make plans to reduce their tax obligations, where the company feels that the amount that must be paid for its tax expense is too large (Ichsani & Susanti, 2019), this is also supported by Gunaasih (2021) who said that companies with high profit rates try to do tax avoidance efforts. Profitability (profit) is the result of the wisdom taken by management. Profit ratio to measure how much the level of profit that can be obtained by the company (Yusuf et al, 2019).

Furthermore, related to company growth, Kim & Chae (2017) said that tax avoidance practices are quite different for small and medium-sized companies when compared to the large companies, company's growth also influences different tax avoidance practices. The large companies and or companies that have higher growth will tend to do tax avoidance. The companies with higher growth rates (one of which is indicated by sales growth) are in need of large capital, to meet the large capital needs, the company will increase debt or equity, in which each source of funding for this capital there is an expense that must be paid at such times, in such condition the company tries to do cost efficiency, including tax avoidance efforts (Anonymous, 2015).

This research to find out whether financial perspective (as seen from transfer pricing practices, leverage ratios, profitability, and sales growth) can significantly affect tax avoidance practices. The results of this study will be very useful for tax regulators to optimize state revenues from taxes. The results of this study are also expected to be useful to the companies in connection with good tax planning efforts, and the results of this study can also be an additional reference for academics regarding transfer pricing, leverage, profitability, sales growth and their effect on tax avoidance.

II. Review of Literature

Transfer pricing is a transaction of goods and services between several divisions in a business group, either by marking up or marking down the price. This activity has implications for income shifting in the corporate group and potentially to avoid corporate income tax (Tila, 2015). Various objectives to be achieved in transfer pricing, including maximizing global income (Solilova & Nerudova, 2018).

The companies need funding for operational activities. Companies that use debt as a source of funding for their operational activities will bear interest expense that must be paid (Jost, 2018). On the one hand interest on debt will reduce the company's profit, but on the other hand, the interest expense component will reduce the company's profit before tax, so that the tax expense will be reduced. this has the implication that the company's funding policy must be very carefully considered (Ichsani & Susanti, 2019).

Meanwhile, the company's short-term goal is to make and increase profit. Profitability is the company's ability to earn profits from sales and operational activities. Profitability can also be used to measure the company's health, the company's ability to generate profits from business activities (Baginski et al., 2018). The profitability ratio also reflects how the performance of management in maintaining the effectiveness of the company's operations (Subramanyam, 2014). One of the most frequently used profitability ratios is the return on assets ratio. This ratio is important for the management to evaluate the effectiveness and efficiency of the company's management in managing all company's assets (Davidson, 2020).

Sales are the main source of income from business activities. Sales growth reflects the company's success in managing resources to be able to generate revenue growth which illustrates an increase in operational capacity, and has the potential to become a profit for the company (Kim & Chae, 2017). The increase in sales reflects the company's performance in managing existing resources is quite good, a continuous increase in sales will make the size of the company bigger which makes taxable income and tax expense also increase (Susanti, 2017).

Meanwhile, the behavior of taxpayers in general is to seeks the efficiency of the tax expense, one of the ways is through tax avoidance (Hughes, 2006). Tax avoidance is an effort to manipulate taxes so that it becomes a "tax affair" which is still within the framework of tax provisions. Although tax avoidance is still within the framework of taxation provisions, this is contrary to the government's goal of increasing tax revenue. So that often loopholes that companies use to reduce the tax expense can be corrected by the tax office (Karayan et al., 2002). Hughes (2006) further said that the tax avoidance model is most likely to occur in trading companies. This happens because the transactions carried out are related to various aspects of taxation, such as value added tax, import export tax, to income tax.

2.1 Transfer Pricing and Tax Avoidance

Transfer pricing in the company is carried out through transactions with related parties. Intra-company transactions, which are reflected in high intra-company receivables, indicate high transfer pricing (Rathke et al., 2020). These activities tend to be carried out to shift tax obligations, including to reduce the value added tax expense which will later cancel each other out so that it becomes a profit for the company as a whole (Liu et al., 2019). The transfer pricing mechanism is also carried out by setting changes in the selling price for intra transactions (Clausing, 2003). In multinational companies, transfer pricing is carried out by conducting transactions with related parties by shifting profits from countries with high tax rates to the countries with low tax rates (Desai and Dharmapala, 2006). Sikka and Willmott, (2010) say that transfer pricing aims to avoid taxes and allocate intra-company resources.

Susanti and Firmansyah (2018) explained that there were allegations of corporate tax evasion by transferring business profits to foreign company networks and also characterized by increasing intercompany receivables in an effort to reduce tax payments. Research conducted by Adegbite and Bojuwon (2019); Amidu et al., (2019) stated that transfer pricing has a positive and significant effect on tax avoidance practices, this is due to the company's desire to minimize the tax expense by taking advantage of the tax provisions gap. Previous research related to tax avoidance actually shown that transfer pricing did not have a significant effect on tax avoidance, Panjulusman et al., (2018). Sari et al., (2020) found that transfer pricing practices for tax avoidance occur only for service

fee transactions and not for the sale of goods. Based on these findings, the research hypothesis related to these variables is:

H1: Transfer pricing has a significant impact on tax avoidance.

2.2 Leverage and Tax Avoidance

The use of debt in funding the operational activities will result in fixed costs in the form of interest, interest expense will reduce the tax expense, meaning to say if the interest expense increase, than the tax expense will decrease, so it can be said that the company's goal in carrying out tax expense efficiency is successful and indicates the company is tax evasion. Previous research conducted by Ichسانی & Susanti (2019) explained that leverage has a positive effect on tax avoidance. The higher the company's leverage, the higher the interest costs arising from debt and the impact on the reduction of the company's tax expense. Similar findings are also said that leverage affects tax avoidance practices (Adegbite & Bojuwon, 2019). However, Gunaasih (2021) shown that leverage cannot significantly affect tax avoidance. On the basis of this description, this study also makes hypothesis related to these variables, namely:

H2: Leverage has a significant impact on tax avoidance.

2.3 Profitability and Tax Avoidance

Profitability is a reflection of the company's financial performance in generating a return on the company's asset management. The low return on assets shows the small profit generated on assets used for company operations. High profitability will result in high corporate tax expense. Kraft (2014) says that when profitability is high, companies will tend to be tax efficient with tax avoidance, one of the reasons is that companies feel too big to pay taxes even with high profitability. Even the bonus hypothesis plan states that management will tend to get high bonuses when they are able to carry out tax expense efficiency (Godfrey et al., 2010). Gunaasih (2021) also shows that there is a significant and positive effect between profitability and the level of corporate tax avoidance. Irianto et al., (2017) who examined companies in Indonesia, and Salaudeen (2017) who examined companies in Nigeria found that there was a negative relationship between profitability and corporate tax avoidance. Meanwhile, Nugraha & Meiranto (2015) found that profitability had no significant effect on tax avoidance. Based on the previous findings, the research hypothesis related to these variables is:

H3: Profitability has a significant impact on tax avoidance.

2.4 Sales Growth and Tax Avoidance

Companies with high levels of sales growth need more funds for future growth funding so that companies will tend to finance through debt and maintain profits to be reinvested in the company. Debt used for operational funding has interest that can reduce taxes, so high sales growth indicates tax avoidance efforts arised. The study has been described by Calvin & Sukartha (2015) which shown that there was a significant and positive effect sales growth on tax avoidance. Meanwhile, Kim & Chae (2017) said that growing companies need more funds and will tend to make efficiencies including minimizing tax payments for a better growth orientation. On the other hand (Susanti, 2017) said that with sales growth it can indicate that profits also have the potential to increase which makes taxable income also increase. Based on above description, this research hypothesizes as follows:

H4: Sales growth has a significant impact on tax avoidance.

III. Research Methods

This study is a quantitative research with explanatory descriptive, which describes the situation based on the actual facts and tests the hypotheses that have been developed. Sekaran & Bougie (2010) explained that the descriptive method is a collection of data obtained, presented, described and can provide core information from the existing data set. Explanatory means testing and outlining casual hypotheses which are developed to find out the factors that cause phenomena to occur. Social factors that become priority parameters include; in what fields property is developed, independently or in cooperation, if the cooperation to which party is invested, and so on (Martinelli et al, 2019).

The population of this study are manufacturing companies listed on the Indonesia Stock Exchange. Sampling in this study used a purposive sampling technique, namely the technique of determining the sample through certain considerations (Saunders et al., 2009). The sample criteria in this study are that the observed companies are manufacturing companies that present complete financial statements and do not experience losses during the observation period, namely 2018 - 2020, and also that the observed companies have related party receivable during the observation period.

From the data screening result using purposive sampling method found there were 38 companies that did not report complete financial statements, 59 companies that suffered losses, 21 companies that did not have receivables from related parties, and 10 companies that did not present financial statements in rupiah during period 2018 - 2020. The number of companies that meet the criteria are 65 companies with data for 3 years, so the total sample of this research is 195 research data.

Operational variable is one part of research that aims to provide information about how to measure research variables. The variables studied consisted of independent variables and dependent variable, the independent variables of this study are transfer pricing, leverage, profitability and sales growth, while the dependent variable is tax avoidance.

Table 1. Operational and Measurement Variables

Variables	Measurement	Scale
Transfer Pricing (X ₁)/ Independent (Rathke et al., 2020)	$TP = \frac{\text{receivables to related parties}}{\text{total receivable}}$	ratio
Leverage (X ₂)/ Independent (Jost, 2018; Ichسانی & Susanti, 2019)	$DER = \frac{\text{total Liabilities}}{\text{total equity}}$	ratio
Profitabilitas (X ₃)/ Independent (Kraft, 2014; Salaudeen, 2017)	$ROA = \frac{\text{net income}}{\text{total assets}}$	ratio
Sales Growth (X ₄)/ Independent (Calvin & Sukartha, 2015)	$Sales Growth = \frac{\text{sales}(t) - \text{sales}(t - 1)}{\text{sales}(t - 1)}$	ratio
Penghindaran Pajak (Y)/ Dependent (Hanlon & Heitzmen, 2010)	$ETR = \frac{\text{tax expense}}{\text{pre tax income}}$	ratio

In this study, the data collected for processing is secondary data, namely from the financial statements of manufacturing companies listed on the BEI during the research period (it is for the year of 2018 - 2020). Testing the data hypothesis using STATA software to be able to correctly process panel data according to the needs of this study. The population observed in this study has a close relationship with research variables, especially those related to transfer pricing variables, namely manufacturing companies because manufacturing companies tend or have great potential to carry out affiliated product transactions from upstream to downstream (Amidu et al., 2019).

IV. Results and Discussion

The analysis in this study consisted of two parts, namely descriptive statistical analysis and hypothesis testing, which the aim to obtain the answers to the developed hypotheses.

4.1 Descriptive Statistical Analysis

The descriptive data in in Table 2 shown that the research data consists of 195 observational data for each variable, the data also shown that the variability of the research data is quite good, where each variable standard deviation value is below the average value. The descriptive statistics described that ETR has a minimum value of 0.0124, a maximum value of 0.9596, an average value of 0.2677, with a standard deviation of 0.1071. ETR is the most frequently used tool to measure how much a company can do tax avoidance which is part of tax management. The greater the ETR value indicates the lower the company in practicing tax avoidance, and vice versa (Hanlon & Heitzmen, 2010). The results of the data in this study found that there were companies that have an ETR close to one, meaning that they almost do not practice tax avoidance efforts, but there are also companies that clearly practice tax avoidance efforts with an ETR value close to zero. With an average value of 0.28899, it shows that more than half of the observed companies practice tax avoidance.

Table 2. Descriptive Statistics

Variables	Obs	Mean	Min	Max	Std. Dev.
Transfer					
Pricing	195	0.28899	0.00008	0.96844	0.21275
DER	195	0.87437	0.07127	3.60927	0.70993
ROA	195	0.09197	0.00044	0.92100	0.09149
Sales Growth	195	0.06611	-0.19008	0.44601	0.03904
ETR	195	0.26774	0.01242	0.95961	0.10707

Furthermore, the transfer pricing variable (calculated by the proportion of receivables from related parties divided by total receivables) has a minimum value of 0.000079, a maximum value of 0.9684, an average value of 0.2889, with a standard deviation of 0.3127. The larger the proportion of the results of this calculation indicates the larger the transfer pricing transactions that occur, with an average value of 0.2889 and a maximum value of 0.9684, this indicates that the transfer pricing transactions that occur are quite large.

The leverage variable as measured by the DER ratio has a minimum value of 0.0712, a maximum value of 3.6092, an average value of 0.8743, with a standard deviation of 0.7099, this indicates that there are quite a number of sample companies in this study that have funding sources that come from debt. Furthermore, the profitability variable as measured by ROA has a minimum value of 0.0004, a maximum value of 0.9209, an average value of 0.0919, with a standard deviation of 0.1114, the company being the sample of this study has varying returns, ranging from moderate returns to high returns. Furthermore, the sales growth variable has a minimum value of -0.1901, a maximum value of 0.4460, an average value of 0.0661, with a standard deviation of 0.1390, this variable also has a varying growth rate, although some experienced a minus growth rate, but on average that the sales growth is moderate.

4.2 Data Feasibility Testing

The classical assumption test was first carried out to determine whether the panel data in this study was feasible to use. Thus, the classical assumption test of this study includes multicollinearity, heteroscedasticity, and autocorrelation tests. The results of the multicollinearity test proved that the value of the variance inflation factor (VIF) of transfer pricing, leverage, profitability, and sales growth is around 1 or <10 , the data used in this study does not have multicollinearity problem. The result of heteroscedasticity testing shown p-value of 0.0874 or > 0.05 , the data is free from heteroscedasticity problem. The result for autocorrelation testing also shown probability value was 0.1934 or > 0.05 , it means the data free from autocorrelation problem, concluded that the data is feasible to be utilized in further testing process.

4.3 The Hypotheses Testing

a. Correlation

Table 3, shown that the Pearson correlation between transfer pricing and tax avoidance is -0.0907. This indicates that transfer pricing has a negative and very weak correlation with the ETR value. As Hanlon & Heitzman, (2010) say that the greater the value of ETR indicates the smaller the company is in practicing tax avoidance and vice versa, this finding indicated that the greater the value of the existing transfer pricing (reflected in receivables with related parties of the company), at the same time the efforts to increase corporate tax avoidance are increasing (which is reflected in the decreasing value of ETR). Although the relationship between these two variables is very weak, this study shows that there is still an effort to avoid corporate tax through transfer pricing.

The leverage on tax avoidance has a Pearson correlation value of 0.1401. This indicates that leverage as measured by DER has a positive and very weak correlation with ETR. As it is known that the large ETR value shows the company's small effort in tax avoidance practices and vice versa. This means that the company's management views that efforts to reduce the tax expenses are in line with expectations through increasing sources of funds originating from debts outside the company, so that there is a positive relationship between DER and ETR.

The correlation coefficient results in the same table also shown that profitability calculated by ROA with tax avoidance calculated by ETR has a Pearson correlation value of -0.2039, this indicated that ROA has a negative and weak correlation with ETR. As has also been mentioned that the magnitude of the ETR value shows the company's small effort in tax avoidance practices and vice versa, the implication of the findings of this correlation shows that when profitability is high, management tends to do tax avoidance, because management feels it is too big to pay taxes even if it is in high profitability. Even management will tend to get big bonuses when they are able to make efficiency through tax avoidance efforts.

Sales growth on tax avoidance has a Pearson correlation of -0.0919, this indicates that sales growth has a negative and very weak correlation with tax avoidance (which is calculated by ETR). As it is known that a large ETR value shows the company's small effort in tax avoidance practices and vice versa, it means that when the company experiences a high sales growth rate, the ETR value becomes lower, which means that efforts to avoid tax will also be high. The company's management felt that with the management's efforts to increase sales, it is also necessary to make tax payments efficiency through tax avoidance.

Table 3. Statistical Results of Correlation Coefficient

	ETR	Transfer Pricing	DER	ROA	Sales Growth
ETR	1	-0.0907	0.1401	-0.2039	-0.0919
Transfer Pricing	-0.0907	1	0.1293	-0.0528	-0.0240
DER	0.1401	0.1293	1	-0.0440	0.0001
ROA	-0.2039	-0.0528	-0.0440	1	-0.3796
Sales Growth	-0.0919	-0.0240	0.0001	-0.3796	1

b. Coefficient of Determination

The results in Table 4 shown that the R-squared value is about 11%. Transfer pricing, leverage, profitability, and sales growth contributed to the determination of corporate tax avoidance by 11%, while the rest was determined by other variables outside of this study, including the implementation of effective internal control (Bimo et al., 2019) ; application of financial reporting standards (Gupta and Lynch, 2015); the presence of woman on the board (Riguen et al., 2020); audit quality (Richardson et al., 2013) and others.

Table 4. The Results of Linear Regression Statistics

Source	SS	df	MS	Number of obs =	195
				F(4, 190) =	5.74
Model	0.239698817	4	.059924704	Prob > F =	0.0002
Residual	1.98429428	190	.010443654	R-squared =	0.1078
				Adj R-squared =	0.099
Total	2.2239931	194	.011463882	Root MSE =	0.10219
ETR	Coef.	Std. Err.	t	P>t	[95% Conf. Interval]
Transfer Pricing	-0.0441744	.0237105	-1.86	0.064	-.0909439 0.0025952
DER	0.0217921	.0104306	2.09	0.038	.0012175 0.0423668
ROA	-0.2697852	.0713463	-3.78	0.000	-.4105178 -0.1290526
Sales Growth	-0.1553187	.0571096	-2.72	0.007	-.2679691 -0.0426683
_Cons	0.2965274	.0160467	18.48	0.000	.2648748 0.3281799

c. Significance Test and Regression Equation Model

Table 4 implied that transfer pricing cannot significantly affect tax avoidance practices (p-value of 0.064 or > 0.05). The results of this study are not in line with the findings of Panjulusman et al., (2018) which states that an increase in transfer pricing can significantly affect tax avoidance, but this finding is in line with what has been conveyed by Sari et al., (2020).

The findings also shown that leverage has a significant effect on tax avoidance practices, as evidenced by a p-value of 0.038 or <0.05. This finding is in line with the research by Adegbite & Bojuwon, (2019) which states that leverage has a significant effect on tax avoidance practices, but this finding contradicts what has been conveyed by Gunaasih (2021). Furthermore, profitability has a significant effect on tax avoidance practices with a p-value of 0.000 or <0.05, this result is in line with previous research which says that when profitability is high, the company will make tax efficiency efforts by

avoiding tax (Gunaasih, 2021). Meanwhile, Nugraha & Meiranto (2015) found that profitability had no significant effect on tax avoidance.

The last result of the partial significance test proved that sales growth has a significant effect on tax avoidance practices with a p-value of 0.007 or <0.05. Kim & Chae (2017) are also in line with this research which said that growing companies need more funds and will make tax payments efficiency for a better growth orientation, Calvin & Sukartha (2015) have also stated that sales growth has a significant effect on tax avoidance, but on the other hand Susanti (2017) says that sales growth is not a variable that can significantly affect corporate tax avoidance. The results of the significance test of the simultaneous model of this study indicated that the variables of transfer pricing, leverage, profitability and sales growth can significantly affect tax avoidance, this is shown in Table 4 with a significance value of 0.0002.

This study uses multiple linear regression analysis to determine the functional equation model between the variables of transfer pricing, leverage, profitability, and sales growth on tax avoidance as the results are shown in Table 4. Based on the table the multiple linear regression model is found that the constant value is 0.2965, the value transfer pricing linear regression -0.0442, leverage 0.0218, profitability -0.2698, and sales growth -0.1553, so that the multiple linear regression equation becomes:

$$\text{ETR} = 0.2965 - 0.0442 \text{ TP} + 0.0218 \text{ DER} - 0.2698 \text{ ROA} - 0.1553 \text{ sales growth.}$$

This model shown that by default the observed companies made tax avoidance efforts with a constant value of 0.2965. As mentioned by Hanlon & Heitzmen, (2010) that the greater value of ETR indicates the smaller the company is in practicing tax avoidance and vice versa, the model implied that the practice of tax avoidance in Indonesia was getting higher by increasing the transfer pricing by increasing receivables from related parties, decreasing leverage through DER, increasing profitability through ROE and increasing company sales growth.

V. Conclusion

Based on the results of the discussion, this study drawn the conclusion that transfer pricing, leverage, profitability and sales growth can simultaneously and significantly affect the practice of tax avoidance, although partially transfer pricing has no significant effect on tax avoidance, but the variables of leverage, profitability and sales growth can significantly affect tax avoidance practices.

The direction of the relationship between the research variables also shown that the greater the transfer pricing value of the company (reflected by the increase in receivables from related parties), then at the same time the practice of corporate tax avoidance increased (which is reflected in the decrease in the value of ETR). Although the relationship between these two variables was very weak, this shown that there were efforts to avoid corporate tax through transfer pricing. The direction of the relationship between research variables also shown that the greater the leverage value (reflected in DER) at the same time the ETR value increased, meaning that tax avoidance has decreased. Although these two variables have a very weak relationship, they have a significant effect. In this case the company's management avoids interest expense upon debt. Furthermore, for the profitability variable (calculated by ROA) it was found that the greater the ROA value, at the same time efforts to increase corporate tax avoidance increased (which was reflected in the decrease in the value of ETR), when profitability was high, management tended to do

tax avoidance, because management felt too large to pay taxes even with high profitability, and the effect is significant.

Furthermore, for the profitability variable (calculated by ROA) it was found that the greater the ROA value, at the same time efforts to increase corporate tax avoidance increased (which was reflected in the decrease in the value of ETR), when profitability was high, management tended to do tax avoidance, because management felt too large to pay taxes even with high profitability, and its effect was significant. The last part of the relationship test result shown that the greater the value of sales growth, at the same time efforts to increase corporate tax avoidance increased (which is reflected in the decrease in the value of ETR), company management felt that with management's efforts to increase sales, payment efficiency also needs to be carried out. taxes through tax avoidance, so that management performance looks better.

These findings are an important input for regulators and tax collection agencies to take a closer look at whether companies are trying to avoid tax. Especially when the company experiences high profitability and increased sales growth, the potential for a company's efforts such as this character in tax avoidance will be high. This means that in this case, if necessary, a more in-depth examination is carried out to find out whether tax evasion in ways that are outside the regulations or illegal has occurred.

References

- Adegbite, T. A., & Bojuwon, M. (2019). Corporate Tax Avoidance Practices: An Empirical Evidence from Nigerian Firms. *Studia Universitatis Babes-Bolyai*, 64(3), pp. 39-53.
- Amidu, M., Coffie, W. & Acquah, P. (2019). Transfer Pricing, Earnings Management and Tax Avoidance of Firms in Ghana. *Journal of Financial Crime*, Vol. 26 No. 1, pp. 235-259.
- Anonymous. (2015). *Firm Age, Sales Growth, and Tax Aggressiveness: Focus on Small and Medium Enterprises* (2015). . Washington: International Council for Small Business (ICSB).
- Baginski, S.P., Bradshaw, M.T. & Wahlen, J.M. (2018). *Financial Reporting, Financial Statement Analysis, and Valuation: A Strategic Perspective*. Cengage. Boston USA.
- Bimo, I. D., Christianus, Y. P., & Susilandari, C. A. (2019). The Effect of Internal Control on Tax Avoidance: the Case of Indonesia. *Journal of Economics and Development*, Vol. 21 No. 2, pp. 131-143.
- Calvin, S., & Sukartha, I.M. (2015). The Effect of Executive Characteristics, Audit Committee, Company Size, Leverage and Sales Growth on Tax Avoidance. *Jurnal Akuntansi Universitas Udayana*. 10 (1).
- Clausing, K.A. (2003). Tax Motivated Transfer Pricing and US Intrafirm Trade. *Journal of Public Economics*. Vol. 87, No. 9/10, pp. 2207-2223.
- Croft, J., & Houlder, V. (2017). Rangers Football Club Tax Avoidance Case Reaches Supreme Court. *FT.Com*, Retrieved from <https://search.proquest.com.ezproxy.ugm.ac.id/trade-journals/rangers-football-club-tax-avoidance-case-reaches/docview/1902221812/se-2?accountid=13771>
- Davidson, W. (2020). *Financial Statement Analysis: Basis for Management Advice*. AICPA & CIMA, Wiley
- Desai, M.A. & Dharmapala, D. (2006). Corporate Tax Avoidance and High-Powered Incentives. *Journal of Financial Economics*, Vol. 79, No. 1, pp. 145-179.

- Gaaya, S., Lakhali, N. & Lakhali, F. (2017). Does Family Ownership Reduce Corporate Tax Avoidance? The Moderating Effect of Audit Quality. *Managerial Auditing Journal*, Vol. 32 No. 7, pp. 731-744.
- Godfrey, J., Hodgson, A., Tarca, A., Hamilton J., & Holmes, S. (2010). *Accounting theory* (7th ed.). New York: John Wiley & Sons.
- Gunaasih, S. A. P. P. (2021). The Profitability, Leverage, and Company Size of the IDX80 Index on Tax Avoidance in Indonesia Stock Exchange. *Review of Integrative Business and Economics Research*, 10, 106-113.
- Gupta, S. and Lynch, D.P. (2015). The Effects of Changes in State Tax Enforcement on Corporate Income Tax Collections. *The Journal of the American Taxation Association*. Vol. 38 No. 1, pp. 125-143.
- Hanlon, M. & Heitzman, S. (2010). A Review of Tax Research. *Journal of Accounting and Economics*. September. 50, pp 127-178.
- Hughes, P. (2006). *Tax Planning for Businesses and Their Owners*. Thorogood Professional Insights
- Ichsani, S., & Susanti, N. (2019). The Effect of Firm Value, Leverage, Profitability and Company Size on Tax Avoidance in Companies Listed on Index LQ45 Period 2012-2016. *Global Business & Management Research*, 11(1), pp. 307–313.
- Irianto, B. S., Sudibyo, Y. A., & Wafirli, A. (2017). The Influence of Profitability, Leverage, Firm Size and Capital Intensity Towards Tax Avoidance. *International Journal of Accounting and Taxation*, 5(2), 33–41.
- Jost, H. K. (2018). Tax Avoidance, Tax Risk and The Cost of Debt in A Bank-Dominated Economy. *Managerial Auditing Journal*, 33(8), pp 683-699. doi: 10.1108/MAJ-12-2017-1734
- Karayan, J.E., Swenson, C.W., & Neff, J.W. (2002). *Strategic Corporate Tax Planning*. John Wiley & Sons, Inc.
- Kim, J. H., & Chae, C. I. (2017). The Study on The Effect and Determinants of Small and Medium Sized Entities Conducting Tax Avoidance. *Journal of Applied Business Research*, 33(2), pp. 375-390.
- Lee, B.B., Dobiyski, A. and Minton, S. (2015). Theories and Empirical Proxies for Corporate Tax Avoidance. *Journal of Applied Business and Economics*, Vol. 17 No. 3, pp. 21-34
- Liu, L., Schmidt-Eisenlohr, T., & Guo, D. (2019). International Transfer Pricing and Tax Avoidance: Evidence from Linked Trade-Tax Statistics in the UK. *Review of Economics & Statistics*, pp. 1–45.
- Marriner, K. (2017, Aug 23). HMRC Winning Majority of Tax Avoidance Cases. *Fundweb*, Retrieved from <https://search.proquest.com.ezproxy.ugm.ac.id/magazines/hmrc-winning-majority-tax-avoidance-cases/docview/1931426498/se-2?accountid=13771>
- Martinelli, I., et al. (2019). Community Economic Development Prospect Based on Wakaf Funds. *Budapest International Research and Critics Institute-Journal(BIRCI-Journal)*, 409-423.
- Nugraha, N. B., & Meiranto, W. (2015). The Influence of Corporate Social Responsibility, Company Size, Profitability, Leverage and Capital Intensity on Tax Aggressiveness (Empirical Study on Non-Financial Companies Listed on the Indonesia Stock Exchange 2012-2013). *Diponegoro Journal Of Accounting*, 4, 1–14.
- Panjalusman, P.A., Nugraha, E., & Setiawan, A. (2018). The Effect of Transfer Pricing on Tax Avoidance. *Journal of Accounting and Finance Education*. 6(2).
- Rathke, A.A.T., Rezende, A.J. & Watrin, C. (2020). The Impact of Countries' Transfer Pricing Rules on Profit Shifting. *Journal of Applied Accounting Research*, Vol. 22 No. 1, pp. 22-49.

- Richardson, G., Wang, B. and Zhang, X. (2016). Ownership Structure and Corporate Tax Avoidance: Evidence from Publicly Listed Private Firms In China. *Journal of Contemporary Accounting & Economics*, Vol. 12 No. 2, pp. 141-158.
- Riguen, R., Salhi, B., & Jarboui, A. (2020). Do Women in Board Represent Less Corporate Tax Avoidance? A Moderation Analysis. *The International Journal of Sociology and Social Policy*, 40(1), pp. 114-132.
- Robert, G. M. (2006, Oct 18). U.S. Indicts Actor Snipes in Tax-Avoidance Case. *Wall Street Journal* Retrieved from <https://search.proquest.com.ezproxy.ugm.ac.id/newspapers/u-s-indicts-actor-snipes-tax-avoidance-case/docview/398990991/se-2?accountid=13771>
- Roska, V., Valcic, S. B., & Samodol, A. (2019). Tax Avoidance – Case Study In Croatia. *Varazdin: Varazdin Development and Entrepreneurship Agency (VADEA)*. Retrieved from <https://conference-papers-proceedings/tax-avoidance-case-study-croatia/docview/2269008424/se-2?accountid=13771>
- Salaudeen, Y. M. (2017). Corporate Effective Tax Rates in the Financial Services Sector: Evidence from Nigeria. *International Journal of Accounting and Taxation*, 5(1), 68–88.
- Sari, D., Utama, S., Fitriany, and Rahayu, N. (2020). Transfer Pricing Practices and Specific Anti-Avoidance Rules in Asian Developing Countries. *International Journal of Emerging Markets*, Vol. ahead-of-print No. ahead-of-print. <https://doi:10.1108/IJOEM-10-2018-0541>
- Sekaran, U., & Bougie, R. (2010). *Research Methods for Business: A Skill Building Approach*. (5th ed.). Haddington: John Wiley & Sons.
- Sikka, P. & Willmott, H. (2010). The Dark Side of Transfer Pricing: Its Role in Tax Avoidance and Wealth Retentiveness. *Critical Perspectives on Accounting*, Vol. 21 No. 4, pp. 342-356.
- Solilova, V. & Nerudova, D., (2018). *Transfer Pricing in SMEs Critical Analysis and Practical Solutions*. Springer.
- Subramanyam, K.R. (2014). *Financial statement analysis*. 11th Ed. University of Southern, USA.
- Susanti, M. (2017). Corporate Social Responsibility, Size and Tax Avoidance. *International Journal of Economic Perspectives*, 11(1), 1639-1650.
- Susanti, A., & Firmansyah, A. (2018). Determinants of Transfer Pricing Decisions in Indonesia Manufacturing Companies. *Jurnal Akuntansi dan Auditing Indonesia*, 22(2), pp. 81-93.
- Saunders, M., Lewis, P., and Thornhill, A. (2009). *Research Methods for Business Students* 5th ed, Pearson Education Limited.
- Thailand: Govt Goes Ahead With Ex-PM's Tax Avoidance Case. (2018, Nov 09). *Asia News Monitor* Retrieved from <https://search.proquest.com.ezproxy.ugm.ac.id/newspapers/thailand-govt-goes-ahead-with-ex-pms-tax/docview/2130811252/se-2?accountid=13771>
- Tila, D. (2015). Transfer pricing: A multistate tax issue. *Journal of State Taxation*, 34(1), pp. 25-30.
- UK Tax Avoidance Cases Considered in Hong Kong Trust Case. (1999). *Trusts & Trustees*, 5(2), pp. 6-36.
- Yusuf, D., et al. (2019). The Effect of Buy and Sell Financing (Murabahah), Profit Share Financing (Mudarabah), Equity Capital Financing (Musyarakah) and Non-Performing Financing Ratio on Profitability Level of Sharia Commercial Banks in North Sumatera. *Britain International of Humanities and Social Sciences (BIOHS) Journal*, 81-88.