

THE EFFECT OF SALES GROWTH, PROFIT MANAGEMENT, AND CAPITAL INTENSITY ON TAX AVOIDANCE

Sidqi Bachtiar Adi Sunarana

Accounting, Institute of Asia Malang, Indonesia

Aditya Hermawan

Accounting, Institute of Asia Malang, Indonesia

Email Correspondence: sidqibachtiaradis007@gmail.com

ABSTRACT

In companies definitely making tax payments, companies are faced with the consideration of paying taxes not too expensive so that the company does tax avoidance. This study aims to determine the effect of sales growth, profit management, and capital intensity on tax avoidance. The population in this study is a manufacturing company listed on the IDX 2021 using purposive sampling techniques. Sample selection in the study used purposive sampling method. Based on the purposive sampling method, the number of companies is 91 companies. The analytical tool for researching hypotheses is multiple regression analysis using the SPSS 26 program. Hypothesis testing results show that capital intensity affects tax avoidance while profit management, and sales growth has no effect on tax avoidance

KEYWORDS: Sales Growth, Profit Management, Capital Intensity, Tax Avoidance

Introduction

Taxes are the main source of state income which has an important role that is coercive under the law so that the implementation of taxation is highly regulated by the government in order to maintain state revenues used for state purposes for the greatest extent for the prosperity of the people. Taxes are an important source of funding for a country's economy because the most potential source of state revenue and occupy the highest data in the State Budget (APBN) is taxes (Kalbuana et al., 2020).

For the state, taxes are one of the main sources of income. However, this is different from companies because for companies taxes are an expense that can reduce the company's net profit. In its implementation, there are differences in interests between taxpayers and the government. The company strives to pay as little and as minimal taxes as possible because paying taxes is one of the things to reduce the economic capabilities of the company. Such conditions have caused many companies to look for ways to minimize the tax burden. Minimizing tax liabilities that do not violate the law is commonly referred to as *tax avoidance*.

With the policies contained in tax avoidance so that the theory used is agency theory that provides a theoretical view of the relationship or contact between principals and *agents*. *The principal* employs an agent to perform duties for the benefit of the *principal*, including delegation of decision-making authorization from the *principal* to the *agent*. Tax collection is not an easy thing to implement. Taxes from the corporate side are one of the factors considered because taxes are considered a burden that can affect the survival of the company (Masrullah et al., 2018). From the physical side, taxes are one of the sources of income that can potentially affect and increase state revenue. These two sides cause a difference in interests between the fiscus and the company where the fiscus as *the principal* wants as much tax revenue as possible from the community, while the company as an agent wants a minimum tax payment. From the difference in interests between the fiscus and the company based on the theory of the agency will give rise to non-compliance by corporate taxpayers that will have an impact on the company's efforts to avoid avoidance tax. Tax avoidance strategies is the way the law allows but the strategy implemented by this company is still detrimental to state revenue.

Tax avoidance is an effort to reduce, avoid or ease the tax burden in various ways possible by tax legislation by taking into account the presence or absence of a tax result caused. The practice of tax avoidance is generally carried out because of differences in tax regulations that are carried out in such a way as not to officially violate taxes, but to violate the economic substance of an ongoing business activity. *Tax avoidance* is a unique and complicated problem because on the one hand *tax avoidance* does not violate the law, but on the other hand it is not wanted by the government.

THE EFFECT OF BONDHOLDERS-SHAREHOLDERS CONFLICT, COMPANY SIZE, AND CAPITAL INTENSITY ON ACCOUNTING CONSERVATISM

There is a difference in tax *avoidance*, namely active and passive tax avoidance. Passive tax avoidance is in the form of obstacles that make taxes difficult for the government to collect and have a close relationship with the economic structure, while active tax avoidance is an action that is shown directly to the government / fiscus. Active tax avoidance is *tax avoidance* and *tax evasion*. (Ultimate, 2020) states that *tax avoidance* refers to tax reduction through legal means by exploiting loopholes in existing tax regulations, but *not evasion* refers to illegal means such as reporting lower income with high deductions. Although *tax avoidance* is an implementation of efficiency for companies in a legal way due to imperfections in tax laws, the government still does not want this. In this case, the directorate general of taxes cannot do anything or prosecute legally even though this *practice of tax avoidance* will affect state revenue from taxes.

The first factor that is thought to *affect tax avoidance* is *sales growth*. *Sales growth* shows the development of sales levels from year to year. Sales growth gives a positive signal to the company's growth in the future which will affect investors' interest in investing. The company can predict the amount of profit that will be obtained with the amount of sales growth. If there is an increase in revenue from sales, it will result in an increase in the level of profit received by the company. Thus, the greater the company's taxable income will cause the company's effective tax rate to increase (Pratiwi et al., 2020). *Sales growth* in the company cannot determine how much profit or income will be obtained by the company because the income cannot be known. With so many competitors outside the company who have the same quality products but at a cheaper price and people always want the necessary supplies / needs but at an affordable price. The increasing growth allows the company to be more able to increase the company's operating capacity. On the other hand, if its growth declines, the company will encounter obstacles in order to increase its operating capacity. The results of the study (Pratiwi et al., 2020) that *Sales growth* has a positive effect on *tax avoidance*. These results contradict the results of the study (Masrullah et al., 2018) concluded the results of the study that *Sales growth* has a negative effect on *tax avoidance*.

The second factor is suspected to *affect non-avoidance*, namely profit management. Various ways are made by taxpayers to be able to reduce the tax burden or even eliminate these obligations. One of the efforts to do tax avoidance is by doing profit management. Profit management is one of the ways that managers use and use in managing profits. Profit management is not only used to increase profits, but can also be used to manipulate profits so that tax liabilities that must be paid can be suspended or even reduced. The results of the study (Darma et al., 2018) that profit management has a positive effect on *tax avoidance*. This is contrary to the results of the study (Alfarizi et al., 2021) that profit management negatively affects *tax avoidance*.

The third factor is thought to affect *non-avoidance*, namely *capital intensity*. Large holdings of fixed assets can reduce tax repayment, because fixed assets have a depreciation expense or depreciation expense that can be used as a tax deduction. This shows that companies with

THE EFFECT OF BONDHOLDERS-SHAREHOLDERS CONFLICT, COMPANY SIZE, AND CAPITAL INTENSITY ON ACCOUNTING CONSERVATISM

a high level of fixed assets have a lower tax burden than companies with low fixed assets. Companies that place more emphasis on investing in the form of fixed assets will have a low effective tax rate (Marlinda et al., 2020). *Capital Intensity* is the level of investment of company assets in its fixed assets. *Capital intensity* is often associated with how much asset remains and the inventory the company has. The fixed assets owned by the company allow the company to withhold taxes as a result of depreciation of the company's fixed assets annually. Almost all fixed assets will experience depreciation which will be the cost of depreciation in the financial statements company. While this depreciation fee is a cost that can be deducted from income in the calculation of taxes. The greater the depreciation fee, the smaller the level of tax that must be paid by the company. This is supported by the results of research (Kalbuana et al., 2020) that *capital intensity* has a positive effect on *tax avoidance*. These results are different from the results of research from (Anasta, 2021) that Capital Intensity negatively affects *tax avoidance*. The results of the study from (Fatimah et al., 2021) bahwa capital intensity are insignificant and negatively affect tax avoidance.

Tax *avoidance* is an action that can harm the government and the state but is very beneficial for companies with the phenomenon of *tax avoidance*. With the occurrence that many companies do to avoid taxes to the government and the state by shrinking tax payments.

Method

Types of Research

This type of research is causal associative research that aims to determine the influence between the variables of *sales growth*, profit management, and *capital intensity* on *tax avoidance* as a dependent variable

Population and Sample

The population of this study is manufacturing companies listed on the Indonesia Stock Exchange (IDX) as many as 195 companies. In this study, samples were taken using *non-probability sampling* using the *purposive sampling method*. *Purposive sampling* is carried out by taking samples based on certain criteria with the aim of providing maximum information (Bahri, 2018). The sample selection criteria are as follows:

1. A manufacturing company listed on the Indonesia Stock Exchange in 2021.
2. Manufacturing companies that present financial statements for the 2021 period.
3. A manufacturing company that presents financial statements denominated in rupiah.
4. Manufacturing companies that reported corporate profits in 2021.

Based on the criteria and sample selection procedures obtained as many as 91 manufacturing companies that were the samples of this study.

THE EFFECT OF BONDHOLDERS-SHAREHOLDERS CONFLICT, COMPANY SIZE, AND CAPITAL INTENSITY ON ACCOUNTING CONSERVATISM

Data Types and Sources

The type of data in the study is quantitative data in the form of numbers or numbers. The data is an annual report of manufacturing companies listed du IDX for the 2021 period. The source of this research data is secondary data (*cross section*) which aims to determine the impact of *sales growth*, profit management, and *capital intensity* towards *tax avoidance*.

Operational Definition

Defoperational initiation of variables is a description of the indicators of each variable and can be described in the form of a table or narrative (Bahri, 2018).

1. Tax avoidance

Dependent (bound) variables are variables whose existence is known or becomes a result, due to the existence of free variables (Bahri, 2018). The dependent variables of the study are *tax avoidance* formulated with a *cash effective tax rate* (CETR), namely:

$$CETR = \frac{\text{Pembayaran Pajak}}{\text{Laba Sebelum Pajak}} \dots\dots\dots(1)$$

2. Sales growth

Sales growth is the level of growth in sales of a company from year to year so that it can reflect the prospects and profitability of a company in the future (Rahmi et al., 2020). The formula used to calculate *sales growth* is as follows:

$$\text{Sales Growth}_t = \frac{\text{Penjualan Periode } t - \text{Penjualan Periode } t-1}{\text{Penjualan Periode } t-1} \dots\dots\dots(2)$$

3. Profit management

Profit management is accidental or manipulation of profits in financial statements in order to get more profit (Fathoni & Indrianto, 2021). Profit management can be calculated using the following formula:

$$ML = \frac{\text{akrual modal kerja}}{\text{penjualan}} \dots\dots\dots(3)$$

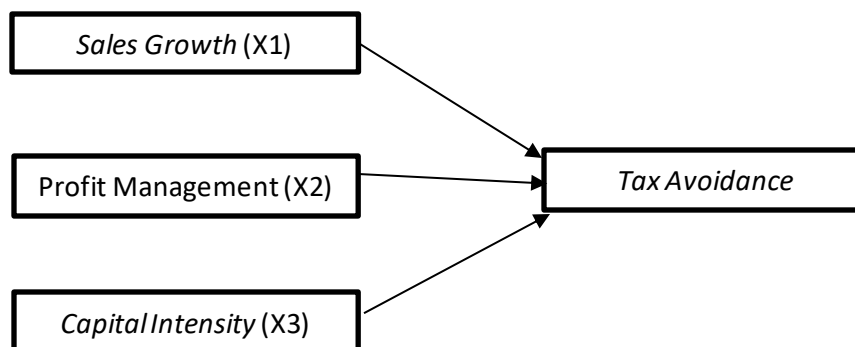
4. Capital Intensity

The capital intensity ratio is proxied using the ratio of the intensity of fixed assets. The fixed asset intensity ratio is how much a company invests its assets in fixed assets (Widya et al., 2020). *Capital intensity* can be calculated using the following formula:

$$\text{Rasio Intensitas Asset Tetap} = \frac{\text{Aset Tetap}}{\text{Total Aset}} \dots\dots\dots(4)$$

THE EFFECT OF BONDHOLDERS-SHAREHOLDERS CONFLICT, COMPANY SIZE, AND CAPITAL INTENSITY ON ACCOUNTING CONSERVATISM

Figure 1 Conceptual Framework



Data Analysis Techniques and Hypothesis Testing

In this study, it used classical assumption tests, namely normality tests, multicollinearity tests, heteroskedasticity tests, and correlation tests. In addition to using classical assumption tests, it also uses multiple regression analysis techniques, coefficient of determination test and hypothesis test.

Data Normality Test

The approach used to test the normality of the data, namely the One-Sample-Kolmogorov-Smirnov test method. Decision-making guidelines:

1. The value of sig < 0.05, the distribution is abnormal.
2. Sig value > 0.05, the distribution is normal.

Multicollinearity Test

In the multicollinearity test, you can find out a regression model whether it experiences symptoms of multicollinearity can be seen in the value of the variance inflation factor (VIF). The result of calculating the value of VIF < 10, then the regression model is said to be good and there are no symptoms of multicollinearity.

Heteroskedasticity Test

Heteroskedasticity was tested using Spearman's rho method. Spearman's rho correlation is to correlate independent variables with their residuals. The test used a significant rate of 0.05 with a 2-sided test. If the correlation between independent and racial variables has a significant level of more than 0.05 then it is said that heteroskedasticity does not occur.

Autocorrelation Test

A tool used to test autocorrelations by using a run test. The test criteria are significant values < 0.05 autocorrelation occurs and when a significant value > 0.05 then no autocorrelation occurs.

Multiple Regression Analysis

Multiple Linear Regression hypothesis testing is used to find out how free variables affect bound variables. Hypothesis testing of the study using a multiple regression model. Statistical test of multiple regression by using

THE EFFECT OF BONDHOLDERS-SHAREHOLDERS CONFLICT, COMPANY SIZE, AND CAPITAL INTENSITY ON ACCOUNTING CONSERVATISM

$$\text{Model : } Y = a + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + e. \dots\dots\dots(5)$$

Coefficient of Determination Test

The degree of regression accuracy is expressed in the coefficient of compound determination (R²) whose value is between 0 to 1. A value close to 1 means that the independent variable provides almost all the information needed to predict the variation of the independent variable

Hypothesis Test

Uji t is used for hypothesis testing the influence of individual independent variables on dependent variables.

Result

Tabel 1. Kolmogorov-Smirnov one Sample test

		Unstandardized Residual
N		91
Normal Parameters ^{a,b}	Mean	.0000000
	Std. Deviation	.11979559
Most Extreme Differences	Absolute	.067
	Positive	.067
	Negative	-.046
Test Statistic		.067
Asymp. Sig. (2-tailed)		.200 ^{c,d}

Test the normality of the data using the Kolmogorov-Smirnov one Sample test. Based on the table one Sample Kolmogorov-Smirnov/Test statistic of 0.067 with a signification rate of 0.200. The significance value of 0.200 > 0.05, it can be concluded that the residual data are normally distributed and can meet the assumption of normality.

Tabel 2 Multicollinearity Test

Model	Collinearity Statistics	
	Tolerance	VIF
1 (Constant)		
SalesGrowth	.926	1.079
ManajemenLaba	.921	1.085
CapitalIntensity	.874	1.144

The results of the multicollinearity test showed the VIF value of the *Sales Growth* variable of 1.079, the Profit Management variable of 1.085 and the Capital Intensity variable of 1.144. The three variables have a VIF value of less than 10 so it can be concluded that there is no multicollinearity between independent variables.

THE EFFECT OF BONDHOLDERS-SHAREHOLDERS CONFLICT, COMPANY SIZE, AND CAPITAL INTENSITY ON ACCOUNTING CONSERVATISM

Tabel 3 Heteroskedasticity Test

	SalesGrowth	ManajemenLaba	CapitalIntensity	Unstandardized Residual
Spearman's rho	1.000	-.117	-.285**	-.020
Correlation Coefficient				
Sig. (2-tailed)	.853	.521	.774	.
N	91	91	91	91

** . Correlation is significant at the 0.01 level (2-tailed).

The results of the corelation between the *variables sales growth*, Profit Management, *capital intensity* with unstandardized residual values have a Significance of Sig.(2-tailed) more than 0.05 so that it can be concluded that heteroskedasticity does not occur

Tabel 4 Autocorrelation Tests

	Unstandardized Residual
Test Value ^a	-.01693
Cases < Test Value	45
Cases >= Test Value	46
Total Cases	91
Number of Runs	53
Z	1.372
Asymp. Sig. (2-tailed)	.170

a. Median

The results of the run test showed that the significance value of 0.170 > 0.05, it can be concluded that there is no autocorrelation.

Tabel 5 Uji Koefisien Determinasi

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.271 ^a	.074	.042	.12184

Based on the table obtained the figure R² 0.042 or 4.2%. This shows that *sales growth*, profit management, *capital intensity* have an influence on *tax avoidance* by 4.2% while the remaining 95.8% is influenced by other variables that are not included in this study.

Tabel 6 Multiple Regression Analysis and Hypothesis Test

Model		Unstandardized Coefficients		Standardized Coefficients		t	Sig.
		B	Std. Error	Beta			
1	(Constant)	.305	.041			7.400	.000
	SalesGrowth	-.131	.082	-.170		-1.586	.116
	ManajemenLaba	-.106	.064	-.178		-1.654	.102
	CapitalIntensity	-.125	.058	-.240		-2.179	.032

THE EFFECT OF BONDHOLDERS-SHAREHOLDERS CONFLICT, COMPANY SIZE, AND CAPITAL INTENSITY ON ACCOUNTING CONSERVATISM

The multiple linear equation is as follows : $\text{Tax Avoidance} = 0.305 + (-0.131) \text{ sales growth} + (-0.106) \text{ profit management} + (-0.125) \text{ capital intensity}$. Hasil t table found 1,987 and the conclusion of the t test is as follows :

1. Variable Sales Growth

The_{calculated} t value of $1.586 < 1.987$ t_{table} with a significance value of $0.116 > 0.05$. This value shows that *Sales Growth has a negative effect on Tax Avoidance*

2. Variable Profit Management

The_{calculated} t value of $1.654 < 1.987$ t_{table} with a significance value of $0.102 > 0.05$. This value indicates that Profit Management has no effect on *Tax Avoidance*.

3. Variable Capital Intensity

The_{calculated} t value of $2.179 > 1.987$ t table with a significance value of $0.032 < 0.05$. This value shows that *Capital Intensity affects Tax Avoidance*

Discussion

Judging from the results of the study, it can be seen that the first variable of *sales growth* has a negative effect on *tax avoidance* so that the first hypothesis is rejected. This is in line with research (Masrullah et al., 2018) which states that *sales growth* has no effect on *tax avoidance* and is contrary to research (Pratiwi et al., 2020) which states that *sales growth* affects *tax avoidance*. In general, every company definitely wants a large profit or profit from its operational activities or in other words the company does not want losses so that *principal* gives the task to *the agent* to manage the profit obtained from the sale. *Good sales growth* in the company will cause the size of the company to be large, where the larger the size of the company will cause the total assets of the company to be larger, so that the company must maintain the image and reputation of the company in the eyes of the public, finally the company will comply with taxes the company is growing its sales besert done efficiently it will get large profits therefore there is no need to do tax avoidance.

The second variable of this study is profit management, the results of data analysis state that profit management has no effect on *tax avoidance* so that the second hypothesis is rejected. This is supported by research (Pratiwi et al., 2020) which states that profit management has no effect on *tax avoidance* and is contrary to research (Darma et al., 2018) which states that profit management has a positive effect on *tax avoidance*. Managers will use their considerations in financial reporting and transaction structures to amend financial statements with the aim of misleading stakeholders. Management will report profits according to its goal of using accounting options to reduce profits or income decreasing as a form of tax avoidance.

The third variable of this study is *capital intensity*, the results of data analysis state that *capital intensity* has a positive effect on *tax avoidance*, this is because the greater the *capital intensity* owned by the company, the greater the company does tax avoidance, because companies that have fixed assets will become a depreciation expense or depreciation expense which can be a

THE EFFECT OF BONDHOLDERS-SHAREHOLDERS CONFLICT, COMPANY SIZE, AND CAPITAL INTENSITY ON ACCOUNTING CONSERVATISM

profit reduction before taxes. So in such a way the company will take advantage of fixed assets to minimize the tax burden by investing fixed assets in the company. The logic of the theory is supported by the results of research from (Darma et al., 2018), (Darma et al., 2018) which states that *capital intensity affects tax avoidance* but is contrary to research (Anasta, 2021) which states that *capital intensity* has no effect on *tax avoidance*.

Conclusion

This study shows the results that *capital intensity* has a positive effect on *tax avoidance*, while *sales growth* and profit management do not have an impact on *tax avoidance* in manufacturing companies listed on the IDX for the 2021 period. In this study, it is hoped that the government should be able to correct the current tax loopholes so that later the tax target received by the government can be achieved. The theoretical benefit of this research is that it can be used as a source of research and subsequently become a source of information and a means of science for the community.

This study has limitations on only using 2021 so the number of samples is limited and the empirical test is less accurate. In addition, the study only used three *variables of sales growth*, profit management, *capital intensity* only had an influence of 4.2% while the remaining 95.8% was influenced by other variables that were not included in this study. Suggestions can be given for further research, which is expected to add and expand the object of research and increase the period of research so that the empirical carried out is higher and more accurate. In addition, you can look for other more complete data sources regarding *tax avoidance disclosures*.

Reference

- Alfarizi, R. I., Sari, R. H. D. P., & Ajengtiyas, A. (2021). PENGARUH PROFITABILITAS, TRANSFER PRICING, DAN MANAJEMEN LABA TERHADAP TAX AVOIDANCE. *Jurnal Review Akuntansi*, 2(1), 898–917.
- Anasta, L. (2021). Pengaruh Sales Growth, Profitabilitas Dan Capital Intensity Terhadap Tax Avoidance the Effect of Sales Growth, Profitability and Capital Intensity for Tax Avoidance. *Jurnal Ilmiah GEMA EKONOMI*, 11(1), 1803–1811.
- Bahri, S. (2018). *Metodologi Penelitian Bisnis Lengkap dengan Teknik Pengolahan Data SPSS* (E. Risanto (ed.)). Penerbit ANDI.
- Darma, R., Tjahjadi, J. D. Y., & Mulyani, D. S. (2018). PENGARUH MANAJEMEN LABA, GOOD CORPORATE GOVERNANCE, DAN RISIKO PERUSAHAAN TERHADAP TAX AVOIDANCE.
- Fathoni, M., & Indrianto, E. (2021). Pengaruh Leverage, Sales Growth, dan Manajemen Laba terhadap Tax Avoidance Pada Perusahaan Manufaktur Sektor Barang Konsumsi Yang Terdaftar Di Bursa Efek Indonesia. In *Jurnal Ilmu Akuntansi* (Vol. 19, Issue 1, pp. 70–87).
- Fatimah, A. N., Nurlaela, S., & Siddi, P. (2021). Pengaruh Company Size, Profitabilitas, Leverage, Capital Intensity Dan Likuiditas Terhadap Tax Avoidance Pada Perusahaan

THE EFFECT OF BONDHOLDERS-SHAREHOLDERS CONFLICT, COMPANY SIZE, AND CAPITAL INTENSITY ON ACCOUNTING CONSERVATISM

- Makanan Dan Minuman Yang Terdaftar Di Bei Tahun 2015-2019. *EKOMBIS REVIEW: Jurnal Ilmiah Ekonomi Dan Bisnis*, 9(1), 107–118. <https://doi.org/10.37676/ekombis.v9i1.1269>
- Kalbuana, N., Widagdo, R. A., & Yanti, D. R. (2020). Pengaruh Capital Intensity, Ukuran Perusahaan, Dan Leverage Terhadap Tax Avoidance Pada Perusahaan Yang Terdaftar Di Jakarta Islamic Index. *Jurnal Riset Akuntansi Politika*, 3(2), 46–59. <https://doi.org/10.34128/jra.v3i2.56>
- Marlinda, D. E., Titisari, K. H., & Masitoh, E. (2020). Pengaruh Gcg, Profitabilitas, Capital Intensity, dan Ukuran Perusahaan terhadap Tax Avoidance. *Ekonomis: Journal of Economics and Business*, 4(1), 39. <https://doi.org/10.33087/ekonomis.v4i1.86>
- Masrullah, Mursalim, & Su'un, M. (2018). *PENGARUH KEPEMILIKAN INSTITUSIONAL, KOMISARIS INDEPENDEN, LEVERAGE DAN SALES GROWTH TERHADAP TAX AVOIDANCE PADA PERUSAHAAN MANUFAKTUR DI BURSA EFEK INDONESIA MASRULLAH1*. 16(2), 142–165.
- Pamungkas, D. A. P. A. (2020). Pengaruh profitabilitas, leverage, ukuran perusahaan, dan sales growth terhadap tax avoidance pada perusahaan manufaktur yang terdaftar di BEI tahun 2015-2018. *Skripsi-2020*, 2(1), 202–211. http://repository.trisakti.ac.id/webopac_usaktiana/index.php/home/detail/detail_koleksi/0/SKR/th_terbit/000000000000000003393/2010
- Pratiwi, N. P. D., Mahaputra, I. N. K. A., & Sudiartana, I. M. (2020). Pengaruh Financial Distress, Leverage dan Sales Growth terhadap Tax Avoidance Pada Perusahaan Manufaktur yang Terdaftar di BEI Tahun 2016. *Jurnal Kharisma*, 2(1), 202–211.
- Rahmi, N. U., Nur'saadah, D., & -, F. (2020). Pengaruh Corporate Risk, Leverage Dan Sales Growth Terhadap Tax Avoidance Pada Perusahaan Sektor Pertambangan. *Jurnal Ekonomi Bisnis Manajemen Prima*, 1(2), 98–110. <https://doi.org/10.34012/jebim.v1i2.885>
- Widya, A., Yulianti, E., Oktapiani, M., Jannah, M., & Prasetya, E. R. (2020). Pengaruh Capital Intensity Dan Inventory Intensity Terhadap Tax Avoidance. *E-Jurnal Universitas Pamulang*, 1(1), 89–99. <http://openjournal.unpam.ac.id/index.php/Proceedings/article/view/9945>