THE EFFECT OF SALES GROWTH, PROFITABILITY, AND INDEPENDENT COMMISSIONERS ON TAX AVOIDANCE

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ABSTRACT

This study aims to determine the effect of sales growth, profitability, and independent commissioners on tax avoidance. The selected population is the primary consumer goods companies listed on the Indonesia Stock Exchange (IDX) for the 2018-2021 period. This study takes data on the Indonesia Stock Exchange through www.idx.co.id. The sample of this study consisted of 180 data after selecting the sample by purposive sampling. This study uses multiple regression analysis. The analytical method used is the Statistical Package for Social Science (SPSS). Calculation of tax avoidance using ETR (Earning Tax Rate). The results showed that the variables of sales growth and profitability had a positive effect on tax avoidance. But the independent commissioner variable does not affect tax avoidance.

Keywords: sales growth, profitability, independent commissioner, tax avoidance

INTRODUCTION

One of the most important elements in the state revenue and expenditure budget is taxes. Tax receipts until the end of February 2022 reached 199,4 trillion rupiahs, increased by 36,5%, and could reach 15,77% of the 2022 state budget target. However, based on the monthly increase, various types of taxes have been reduced due to changes in payment records and non-return transactions last year, for example, payment of tax assessment (Kemenkeu, 2022). According to law, tax is a mandatory contribution to the state carried out by individuals or organizations that are coercive by law, indirectly, and used for the benefit of the state for the greatest prosperity of the people. While the tax for the company in Fauzan, Wardan, & Nurharjanti (2019), tax is a burden because it reduces income and is not directly given at the time of tax payment. The difference in interests between the state and the company is one of the reasons why many companies do tax avoidance. According to Moeljono (2020), the practice of tax avoidance is a means to minimize tax costs that are lower than the established regulations. Therefore, taxpayers can take advantage of weaknesses in tax regulations, so that the legislation states that its implementation does not violate the regulation. However, this can reduce state revenues and the state treasury to be low so it will have an impact on decreasing development and spending for public welfare. Based on a survey conducted by IMF investigator Ernesto Crivelly in 2016, Indonesia was ranked 11 out of 30 countries with large losses due to tax avoidance (Yulyanah & Kusumastuti, 2019).

One of the factors that can affect tax avoidance is sales growth. Sales growth shows changes in sales levels from one period to the next Mahdiana & Amin (2020). Increased sales growth tends to make the company profit so that the tax burden is borne by the company also increases. This allows companies to carry out tax avoidance.

The next factor is profitability. Profitability is how the company's ability to earn profits with activities within the company (Harahap, 2016). The amount of tax that must be paid by the company will also be affected by higher profits. This allows companies to use tax avoidance strategies in reducing their overall tax costs.

The next factor is the company that plays a role in decision-making, one of which is the independent commissioner. In IDX regulations, an independent commissioner is a person who does not have any relationship with the shareholders and is not a director of a company that is the owner of the company (Nyoman & Ketut, 2014). To create policies that are following the law, here the independent commissioner can determine whether there is a tax avoidance strategy that is included in the payment of taxes (Diantari & Ulupui, 2016).

The object of research is the primary consumer goods processing and trading sector listed on the Indonesia Stock Exchange in 2018 – 2021. The purpose of this study was to analyze the effect of sales growth, profitability, and independent commissioners on tax avoidance in processing and trading companies in the primary consumer goods sector in 2018-2021.

THEORETICAL BASIS

Compliance theory

Compliance theory is the study of how people comply with applicable regulations or laws. Tyler (1990) finds two perspectives on legal compliance in the sociological literature, namely instrumental and normative. The instrumental point of view assumes that a person is intact because of a common set of interests in the various changes that occur as a result of behavior. The perspective of the term normative refers to something he believes morally, this is contrary to personal interests. The application of tax compliance is the obedience of the taxpayer in carrying out the applicable provisions.

Compliance theory in this study is related to taxpayer compliance in paying taxes. The government uses regulations and laws to achieve its goal of obtaining as much income as possible from taxes while corporate taxpayers who have high profits must of course pay high taxes, so achieving a high level of tax compliance requires high volunteerism from the company. This encourages companies to reduce or minimize their tax costs, one of which is tax avoidance by taking advantage of loopholes so that taxes can be minimized. This is of course contrary to the theory of obedience.

Tax

Taxes are obligations to the state that are owned by individuals or legal entities that are imposed by law without receiving direct compensation and are used for the welfare of the community (Direktorat Jendral Pajak, 2013).

Tax Avoidance

Tax avoidance is legal for taxpayers because the methods and techniques used do not violate the tax field, by reducing the amount of unpaid taxes by looking at the weaknesses in the tax laws and regulations (Pohan, 2016). The indicator in this study regarding tax avoidance is measured by calculating the Effective Tax Rate (ETR). The formula for calculating ETR according to (Rist & Pizzica, 2014) is as follows:

$$ETR = \frac{Tax\ Expense}{Earnings\ before\ tax}$$

Sales Growth

Sales growth is the annual change in sales increase seen in a company's income statement. The fact that sales continue to increase year after year is a good company. This has an impact on increasing company profits and also increasing the company's funds (Maryanti, 2016). The indicators in calculating sales growth according to (Budiman, Judi, & Setiyono, 2012):

$$Sales\ Growth = \frac{sales\ (t) - sales\ (t-1)}{sales\ (t-1)}$$

Profitability

Profitability is how the company's ability to earn profits with activities within the company (Harahap, 2016). According to (Kasmir, 2014), one of which is using Return On Assets. The formula for ROA / Return On Assets in Kasmir (2014):

$$ROA = \frac{Earning\ after\ interest\ and\ tax}{Total\ Asset}$$

Independent Commissioner

An independent commissioner is a

person who has nothing to do with the controlling shareholder, has nothing to do with the board of directors, and is not a director of a company affiliated with the owner company based on IDX regulations (Nyoman & Ketut, 2014). According to Martatilova & Djuitaningsih (2012), independent commissioners are measured using the ratio/percentage between the number of independent commissioners and the total number of commissioners. The calculation formula for independent commissioners is measured by the following ratio:

$$Independent\ Comissioner = \frac{Amount\ Independent\ Comissioner}{Total\ Amount\ Comissioner}$$

HYPOTHESES

The effect of sales growth on tax avoidance

The relationship between sales growth and tax avoidance can have a positive effect because growing sales growth will be followed by increased profits so that the company's tax costs also increase, this allows companies to do tax avoidance to reduce the company's tax burden. This statement is supported by research Budiman dan Setiyono (2012), Febrianti (2017), Dewinta dan Setiawan (2016), Wahyuni, Fahada, dan Atmaja (2019).

H1: Sales growth has a positive effect on tax avoidance

The effect of profitability on tax avoidance

According to Chen et al., (2010), state that companies with high levels of profit allow tax planning to minimize the company's income tax costs. If the company earns high profits, it will be followed by high tax costs so that net profit after tax or profit for the current year will be reduced. This statement is supported by research Saputra dan Rahmawati (2015), Subagiastra, Arizona, dan Mahaputra (2016), Dewinta dan Setiawan (2016).

H2: Profitability has a positive effect on tax avoidance

The effect of an independent commissioner on tax avoidance

Independent commissioners can supervise and control management to reduce taxes/tax savings, and reduce agency costs, thereby reducing tax avoidance practices (Ariawan & Setiawan, 2017). This is in line with previous research by Wijayanti and Merkusiwati (2017) and Iswara and Oktaviani (2021) which state that independent commissioners have a negative effect on tax avoidance. The relationship between independent commissioners and tax avoidance can be said to have a negative effect because the independent board of commissioners is an independent party in supervising and providing good policies for companies, for example in paying taxes to comply with tax rules to make tax avoidance practices decrease.

H3: Independent Commissioner has a negative effect on Tax Avoidance

METHOD

Population and sample

Sample Selection		Total
Population		
101 primary consumer goods industry companies multiplied by 4 years on the Indonesia Stock Exchange in 2018 – 2021		404
Sample selection criteria:		
1	Data on companies in the primary consumer goods industry that did not report financial statements on the IDX in 2018-2021	(77)
2	Company data that suffered losses in 2018-2021	(81)
3	Data of companies that do not use rupiah in their financial statements in 2018-2021	(12)
Amount of data that can be prosessed		234
Outlier		(54)
Amount of data that can be processed 2018 – 2021		**180**

Descriptive Statistic

	N	Maximum	Minimum	Average	Standart Deviation
Sales Growth	180	-0,9984	0,9538	0,0839	0,2165
Profitability	180	0,0006	0,3431	0,0785	0,0592
Independent Comissioner	180	0,2000	0,5000	0,4005	0,0824
Tax Avoidance	180	0,1172	0,4537	0,2495	0,0531

Normality

	Unstandardized Residual
N	180
Asymp. Sig. (2-tailed)	0,552

The results of the normality test with Kolmogorov-Smirnov all variables have a sig value > 0.05, which is 0.552. From these results, it means accepting Ho and rejecting Ha, so that the data of all variables shows that the variables are normally distributed.

Multicollinearity

Model	Colinearity Statistics	
	Tolerance	VIF
Sales Growth	0,982	1,018
Profitability	0,980	1,021
Independent Comissioner	0,997	1,003
Dependent Variable: Tax avoidance		

That the tolerance value of 3 variables has a value above 0.1, namely sales growth of 0.982, the profitability of 0.980, and independent commissioners of 0.997, and the VIF value for all variables is less than 10, namely sales growth of 1.018, the profitability of 1.021, and independent commissioners of 1.003. Based on these tests, it can be concluded that there is no multicollinearity in the data.

Heteroscedasticity

Model	*Sig*
	Std. Eror
constant	0,782
Sales Growth	0,908
Profitability	0,322
Independent Comissioner	0,297

The results of the glejser test show that all independent variables are regressed with the absolute residual value, namely sales growth of 0.908, the profitability of 0.322, and independent commissioner of 0.297 indicating a sign value greater than 0.05 which means that the data does not occur heteroscedasticity.

Autocorrelation

Model	*Durbin Watson*
1	1,939

The value of Durbin Watson (dw) is 1,939. For the value of du seen from the table dw with a total of 180 data and the number of k = 3 which is 1.7901, if du < dw < 4-du is entered then 1.7901 < 1.939 < 2, 209, it can be concluded that there is no correlation so the data is received.

F Test

Model	*F*	Sig.
Regression	16,578	0,000
Residual		

Shows a significance level of F of 0.000 <0.05 and if viewed from the calculated F value of 16.578 which is greater than F table which is 2.66, it means Ho is rejected, and Ha is accepted so that there are one or all of the independent variables of sales growth, profitability, and commissioners independent influence on tax avoidance.

Coefficient of determination

Model	*R Square*
1	0,220

R Square value is 0.220. This shows that the variation of the independent variable that can be explained by the dependent variable is 0.22 (22%), and the remaining 78% is influenced by other variables

T-test

Model	*Unstandardized Coefisients*	*t*	*Sig.*
	B		
constant	-2,048		
Sales Growth	0,461	3,925	0,000
Profitability	1,365	5,241	0,000
Independent Comissioner	0,225	0,885	0,377

The first hypothesis is that sales growth has a positive effect on tax avoidance. The significance level of sales growth is 0.000 which means <0.05. If using t arithmetic and t table, the results of t arithmetic 3.925 > t table 1.97353 this shows a significant effect, the direction of the influence is positive with a beta value of 0.461 so that Ha is accepted, it can be concluded that the sales growth variable has a positive effect on the variable tax avoidance.

The second hypothesis is that profitability has a positive effect on tax avoidance. The significance level of profitability is 0.000, which means <0.05, and the hypothesis is accepted. If using t arithmetic and t table, the results of t arithmetic 5.241 > t table 1.97353, this shows a significant effect, the direction of the influence is positive with a beta value of 1.365 so that Ha is accepted, it can be concluded that the profitability variable has a positive effect on the tax variable avoidance.

The third hypothesis is that independent commissioners have a negative effect on tax avoidance. The significance level of the independent commissioner is 0.377, which means > 0.05, the hypothesis is rejected. If using t arithmetic and t table, the results of t arithmetic are 0.885 < t table 1.97353, so Ha is rejected. The direction of the effect is positive with a beta value of 0.225, it can be concluded that the independent commissioner variable does not affect the tax avoidance variable.

RESULTS AND DISCUSSION

Sales growth has a positive effect on tax avoidance, indicating that the higher the company's sales growth, the higher the tax avoidance action. In general, high sales growth will result in high profit before tax, this will affect the company's tax costs which will also increase. If the tax costs are high, it will reduce the company's current year's profit. This allows companies to do tax avoidance to reduce tax costs. This statement is supported by research by Budiman and Setiyono (2012), Febrianti (2017), Dewinta and Setiawan (2016), Wahyuni, Fahada, and Atmaja (2019).

The profitability variable has a positive effect on tax avoidance. The greater the profitability, the greater the company's tax avoidance efforts. When the company earns high profits, the tax costs will also be high, so it will cause net profit after tax or profit for the current year to be lower, with this the company allows tax avoidance by taking advantage of loopholes or loopholes in taxation rules to minimize tax costs.

There is no effect of independent commissioners on tax avoidance. This shows that the number of independent commissioners in the company cannot affect tax avoidance actions, so it can be said that independent commissioners are not effective in detecting the presence or absence of tax avoidance actions in a company. As for the reasons or things that can be suspected why independent commissioners do not have a significant effect on tax avoidance, namely a large number of independent commissioners cannot show their independence, this is possible if the supervision of management in carrying out tax avoidance is not running well (Handayani, 2017). The next assumption is that the possibility of tax avoidance is not considered a crime and is allowed. The results of this study are in line with Handayani (2017).

CONCLUSION

Based on the results of the research and discussion above, it can be concluded that sales growth has a positive effect on tax avoidance, meaning that if sales growth increases, tax avoidance will also increase, and increased sales growth will be followed by large profits so that corporate tax costs also increase, this is possible. companies do tax avoidance to reduce the company tax costs. Profitability has a positive effect on tax avoidance, meaning that if profitability increases, tax avoidance also increases. If the profit is high, the tax costs will also be high, so it will cause the current year's profit to be lower, with this the company allows tax avoidance. Independent commissioners do not affect tax avoidance. The number of at least independent commissioners in a company can not affect tax avoidance actions.

As for the limitation, many primary consumer sector companies were newly listed on the IDX in the research year, so data availability was limited, so they could not use all primary consumer companies in Indonesia. Further research can add companies or replace the sector of companies that have tax payments that have decreased from year to year such as the financial services and insurance sectors as well as the mining sector and can add other independent variables such as business strategy, capital intensity, and earnings management to explain tax avoidance better.

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