

DOES FIRM SIZE MODERATING INFLUENCE OF SALES GROWTH ON TAX AVOIDANCE ?

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Abstract

This study aims to obtain empirical evidence concerning the effect of sales growth and firm size on tax avoidance and to empirically prove whether firm size can moderate the effect between sales growth and tax avoidance. This study was conducted on mining companies listed on the Indonesia Stock Exchange from 2014 to 2019. This study involved 17 companies with a total of 102 observations. Data were analyzed using moderated regression analysis. The results showed that sales growth and firm size had a significant effect on tax avoidance. The results of this study also show that firm size has a moderating effect that weakens sales growth on tax avoidance.

Keyword : sales growth; firm size; tax avoidance.

INTRODUCTION

Tax is one of the largest sources of state revenue. Tax revenues help the government in implementing development projects in Indonesia. Many corporate taxpayers or firms consider taxes as a cost as financially, taxes are a form of transferring resources from the business sector to the public sector or government (Faradiza, 2019). Generally, company management does not want the company's profits to decrease due to the amount of taxes. Thus, management performs cost efficiency including in tax payments through tax avoidance.

Tax avoidance is a reduction in the amount of tax burden paid explicitly based on various tax strategies (Matute *et al.*, 2021). Tax avoidance is a form of earnings management to adjust taxable profit in accordance with the wishes of the firm. Tax avoidance is seen as a management of the tax burden without violating the tax regulations (Hardianti, 2014). This strategy includes activities that are in the "gray area" but have a detrimental effect on the government's capacity to acquire resources to expand or improve public services (Bird & Davis-Nozemack, 2018).

Tax avoidance practices still become a concern, for example, news related to the data leak of the Pandora Papers published in October 2021 revealed the tax avoidance scandal. The data contains 12 million files that reveal financial transactions involving various individuals and companies from various countries related to tax avoidance cases (Jones, 2022). This tax avoidance phenomenon is interesting to study considering the large impact of tax avoidance which indicates non-compliance behavior.

Companies practicing tax avoidance are considered to have reduced the information contained in their financial statements (Ichsani & Susanti, 2019). For companies, the greater the tax to be paid means the less profit to be earned. Tax avoidance indicates the behavior of company management to maximize the expected final return by reducing the tax burden (Ichsani & Susanti, 2019). This indicates that tax avoidance occurs because of differences in

interests between companies and the government that try to collect state revenues from the tax sector.

Tax avoidance practices affect state tax revenues. The tax avoidance practice is carried out by taking advantage of the gap in the applicable tax regulations so that the practice is considered legal. However, this affects the company's support for the government in order to encourage development and other social projects so that companies practicing tax avoidance are categorized as socially irresponsible (Huseynov & Klamm, 2012). Chen *et al.* (2016) state that companies that practice tax avoidance do not contribute to the government in order to carry out the function to finance public services. Tax avoidance behavior is an efficiency measure by management that conflicts with the interests of shareholders as the integrity of the company's internal control system is at stake due to tax avoidance (Lee *et al.*, 2015).

Tax avoidance practices are influenced by many factors. A complex tax system involving high tax rates is one of the most influencing factors in tax avoidance (Colombo & Terra, 2022). Besides, decisions for corporate taxation taken by managers also indicate the characteristics of the company or management behavior (Huseynov & Klamm, 2012).

A business indicator that can be considered in predicting tax avoidance practices is sales growth. The higher the sales growth, the higher the profit and it is in line with the level of the tax burden borne by the company (Muti'ah & Ahmad, 2021). The company's sales growth makes its profit before tax increases and makes the company increase its operating capacity (Budiman & Setiyono, 2012). This situation makes the company's management view the increase in profit as an indication of an increase in the tax burden which allows the tax avoidance practice.

Besides sales growth, tax avoidance can also be predicted by looking at the characteristics of the company, namely firm size. Firm size can show the company's stability and ability in carrying out its activities and operations (Kurniasih & Sari, 2013). The larger the firm size, the higher the compliance or the aggressive attitudes toward tax avoidance (Nengsih *et al.*, 2018). Tax avoidance can occur because management tries to reduce corporate tax obligations which will endanger the integrity of the company's internal control system in an aggressive tax avoidance plan and pose a risk to shareholders (Lee *et al.*, 2015). The indicators and characteristics of sales growth and firm size can trigger agency problems or tax avoidance behavior due to differences in interests between various parties including management, shareholders, and tax authorities. Indeed, management tries to minimize the tax burden along with increasing tax obligations by having high sales growth and large firm size.

Many studies have observed various aspects influencing tax avoidance such as sales growth and firm size Wahyuni *et al.* (2019), Oktaviyani & Munandar (2017), Harahap (2021), Marfiana & Putra (2021), Pratiwi *et al.* (2021), Dewinta & Setiawan (2016), Singly & Sukartha (2015), Sonia & Suparmun (2019), Nengsih *et al.*, (2018), Ichsan & Susanti (2019), Yahaya & Yusuf (2020), and Kalbuana *et al.* (2020). The inconsistency of the results of previous studies related to the effect of sales growth and firm size on tax avoidance practices motivates the researcher to add a test for firm size as a moderating variable to determine whether it can strengthen or weaken the effect between sales growth and tax avoidance. The researcher involved mining companies listed on the Indonesia Stock Exchange (IDX) in the period 2014 – 2019 as samples. The selection of the mining sector was based on the widespread disclosure of some cases of tax avoidance that harm state revenues, for example, PT. Adaro Energy and PT. Kaltim Prima Coal. Rahmadani *et al.* (2020) reveal that some mining companies practice tax avoidance in the form of using transfer pricing, and modifying financial statements to inter-mergers for businesses that experience losses.

This study aims to obtain empirical evidence regarding the effect of sales growth and firm size on tax avoidance practices in mining companies listed on the Indonesia Stock Exchange and to empirically prove whether firm size can moderate the effect between sales

growth and tax avoidance. This study is expected to contribute to the development of accounting and taxation literature regarding the effect of sales growth and firm size on tax avoidance and the ability of firm size to moderate the effect of sales growth and tax avoidance in mining companies listed on the Indonesia Stock Exchange. This study makes a practical contribution to management so that they can have proper and correct tax planning to comply with laws and regulations and avoid unethical tax avoidance practices. The results of this study are expected to be a recommendation for the government to consider the aspects of tax policy, especially in mining companies to avoid tax avoidance practices that can potentially harm the state revenues.

Lee *et al.* (2015) explain that management who perform tax avoidance practices means intentionally creating and utilizing the “gray area” function of internal control for personal gain and to the detriment of shareholders as the impact of poor internal control integrity of the company due to tax avoidance practices. This is in line with the agency theory concerning the problem due to differences in interests between stakeholders in a company. Tax avoidance is part of the agency problem due to information asymmetry between managers and shareholders enabling managers to have more opportunities to regulate their interests through tax avoidance (Shafai *et al.*, 2018).

Jensen & Meckling (1976) define an agency relationship as a “contract” where one or more persons (the principal) engage another person (the agent) to perform some service on their behalf which involves delegating some decision-making authority to the agent”. In the business context, agents are the management of the company, while the principal is the shareholder. When the interests of the principal and agent conflict, it can cause a problem called agency conflict.

Wang *et al.* (2020) explain that the agency theory suggests that managers can divert the cash created by tax avoidance for their own benefit. Tax avoidance involves the activities of companies withholding resources that should be left to the government. However, this tax avoidance causes agency problems due to some reasons other than the possibility of management exploiting tax avoidance for personal gain. These include the complexity and modification of tax avoidance activities that can reduce the transparency of financial information to shareholders. Besides, tax avoidance can threaten the long-term reputation and social responsibility that are important for some shareholders (Sikka, 2010). The problem of tax avoidance is important to predict for shareholders to maximize their role in the company's internal control that is not detrimental due to tax avoidance.

Sales growth is a measure to be considered in predicting tax avoidance practices. Budiman & Setiyono (2012) state that sales growth shows a change in the sales between a certain year and the following year which can be an increase or decrease. Increased growth allows the company to increase its operational capacity. On the other hand, decreased growth makes the company will be constrained in increasing its operating capacity (Desmiranti, 2019). The higher the sales growth, the higher the tax avoidance. This is in line with Wahyuni *et al.* (2019), Harahap (2021), Pratiwi *et al.* (2021), Dewinta & Setiawan (2016), and Marfiana & Putra (2021) that have empirically proven that sales growth has a significant effect on tax avoidance. On the other hand, Oktaviyani & Munandar (2017) and Swingly & Sukartha (2015) state that sales growth does not have a significant effect on tax avoidance. Therefore, the researcher proposes the following hypothesis:

H₁ = Sales growth has a significant effect on tax avoidance

Firm size is one of the benchmarks to classify whether a firm is small or large. Askenberg & Isaksson (2018) state that large firms are more likely to avoid taxes than small firms. Firm size can be seen through the assets and the level of sales. Large firms have a high level of sales so it is possible for them to face high tax obligations. Putra & Jati (2018). Swingly

& Sukartha (2015), Ichsani & Susanti (2019), and Yahaya & Yusuf (2020) empirically prove that firm size has a significant effect on tax avoidance. Whereas, Nengsih *et al.* (2018), Kalbuana *et al.* (2020), and Sonia & Suparmun (2019) state that firm size does not affect tax avoidance. Thus, the researcher proposes the following hypothesis:

H₂ = Firm size has a significant effect on tax avoidance

H₃ = Firm size moderated the effect of sales growth on tax avoidance

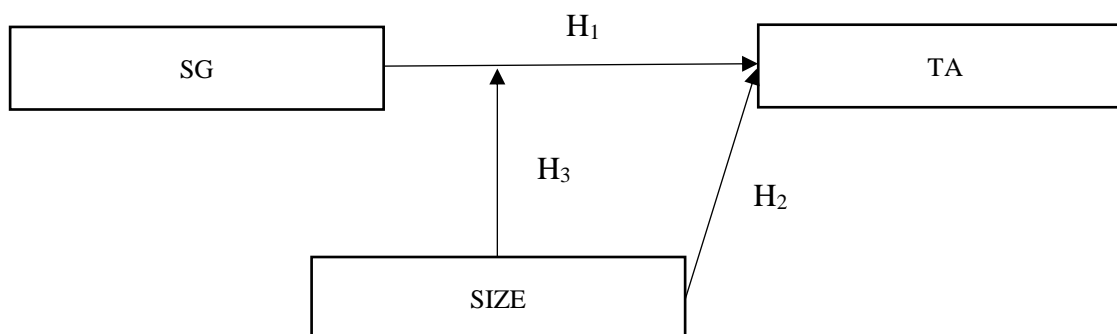


Figure 1 Research Model

METHOD

This study used quantitative research. Quantitative methods are based on the philosophy of positivism to examine certain populations or samples, data collection using research instruments with quantitative or statistical data analysis to test the predetermined hypotheses (Sugiyono, 2018). This study explains the relationship between sales growth, firm size and tax avoidance variables, where firm size is also a moderating variable. The population of this study was mining companies listed on the Indonesia Stock Exchange (IDX) from 2014 – 2019 with a total of 41 companies. The observation period was between 2014 and 2019 as the Covid-19 pandemic since 2020 has caused differences in economic conditions. The selection of the mining sector was due to some cases that have been revealed related to tax avoidance that harms state revenues. The sample in this study was mining companies listed on the Indonesia Stock Exchange (IDX) from 2014 to 2019 with a total of 17 companies. The determination of the sample used a purposive sampling technique in with the criteria listed in table 1.

Table 1. Sample Selection

No.	Description	Notes
1	Number of mining companies in the OSIRIS dataset	41
2	Mining companies that do not consistently report positive earning before tax	(19)
3	Mining companies with required data related to variable measurement are not available/incomplete in the OSIRIS dataset	(5)
Number of eligible sample companies		17
Total sample/observation (2014-2019)		102

Source: Processed Data, 2022

This study involved one dependent variable of tax avoidance (TA) and two independent variables, namely sales growth (SG) and firm size (SIZE). In this study, SIZE is also a moderating variable between SG and TA. The operational definition of variables is presented in Table 2.

Table 2. Definition of Operational Variables

Variable	Variable Name	Measurement	Description
Y	Tax Avoidance (TA)	$\frac{\text{Income tax expense}}{\text{Earning before income tax}}$	Tax avoidance is commonly measured by Effective Tax Rate (ETR). The ETR is computed as total income tax expense divided by pre-tax accounting income (Wang <i>et al.</i> , 2020)
X ₁	Sales growth (SG)	$\frac{\text{Sales } (t) - \text{Sales } (t - 1)}{\text{Sales } (t - 1)}$	Sales growth is measured by reducing observation year's sales and previous year's sales divided by sales in previous year (L. Chen <i>et al.</i> , 2015)
X ₂	Firm size (SIZE)	ln(Asset)	Firm size is measured by natural log of total assets (Kasim & Saad, 2019)

Source: Processed Data, 2022

The hypothesis in this study was tested using the moderated regression analysis (MRA) test. This MRA test is a special application of multiple linear. The regression equation in the MRA has an interaction with the independent variable in the form of multiplication between two or more independent variables. In this study, MRA was used to test the effect of sales growth (SG) on tax avoidance (TA) and firm size (SIZE) as moderating variables. The regression equation of the moderation regression model is as follows:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_1 X_2 + \varepsilon \dots\dots\dots(1)$$

Description:

- α = Constant
- $\beta_1, \beta_2, \dots, \beta_n$ = Regression coefficient
- Y = Tax avoidance (TA)
- X₁ = Sales growth (SG)
- X₂ = Firm size (SIZE)
- X₁X₂ = Interaction between X₁ (SG) and X₂ (SIZE) as moderating variable
- ε = Standard error

RESULT AND DISCUSSION

Descriptive statistical analysis is the description of the data based on the maximum, minimum, average (mean), and standard deviation values. This section discusses the results of

descriptive statistical tests on each variable including sales growth, firm size, and tax avoidance obtained from SPSS.

Table 3. Statistics Descriptive Test Results

	Descriptive Statistics				
	N	Minimum	Maximum	Mean	Std. Deviation
Sales Growth	102	-0.42	3.69	0.152	0.51286
Size	102	20.68	25.35	22.695	1.12769
Tax Avoidance	102	-0.50	1.88	0.2675	0.22564
Valid N (listwise)	102				

Source: Processed Data, 2022

Based on table 3, the number of respondents (N) is 102 for Sales Growth (X1), Firm Size (X2), and Tax Avoidance (Y) variables. The average value (Mean) is 0.26 for Sales Growth (X1). The average value is close to the minimum value, this means that the company has sales growth from previous sales. The distribution of the sales growth variable data is measured by reducing observation year's sales and previous year's sales divided by sales in previous year has an evenness or inconspicuous difference in data according to the standard deviation value obtained of 0.51. The minimum value in the Sales Growth variable (X1) is -0.42 in Harum Energy Tbk in 2014 and 2015 so that the company has the lowest sales growth from the observed sample, while the maximum value is 3.69 in Surya Esa Perkasa Tbk in 2018 which means that the company has the most high sales growth from the observed sample.

The average value for firm size (X2) is 22.69 which is closer to the maximum value indicating that the scale of mining companies listed on the IDX tends to be large-scale companies. The standard deviation value is 1.12 which indicates that the distribution of firm size data is even or the difference between one data and another is not high. The company with the smallest firm size value is Radiant Utama Interinsco of 20.68 in 2017. The company with the largest company size value is Adaro Energy Tbk of 25.35 in 2018.

Tax Avoidance variable (Y) has an average value (mean) is 0.26. tax avoidance respectively measured using the ETR for mining companies listed on the IDX in 2014-2019 which is closer to the basic rate of corporate income tax that applies in Indonesia of 25% which indicates that companies are practicing less tax avoidance. The distribution of tax avoidance data has an evenness or insignificant difference in data according to the standard deviation value obtained of 0.22. In terms of tax avoidance (Y) here it is measured using the ETR, if the ETR is small then the tax avoidance of a company is high, and vice versa. So a company that has a high tax avoidance (Y) value is Golden Energy Mines Tbk because the ETR value is -0.50 in 2015, a company with a low tax avoidance (Y) value is Harum Energy Tbk because the ETR value is 1.88 in 2015.

A regression model can be used as an unbiased estimation tool if the data are normally distributed. There was no multicollinearity, heteroscedasticity, and autocorrelation. Thus, the regression model test must be carried out by using the classical assumptions test. The classical assumption test in this study covered the normality test, multicollinearity test, heteroscedasticity test, and autocorrelation test.

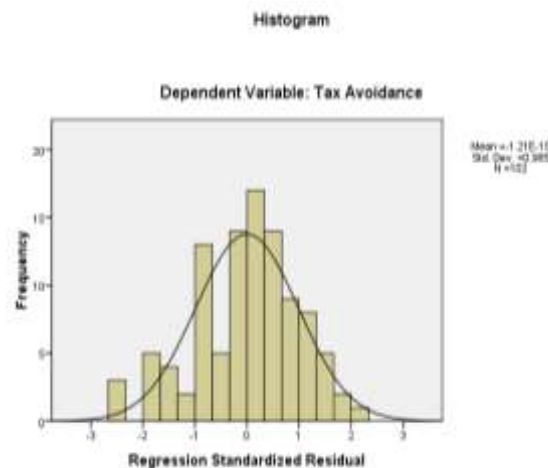


Figure 2. Results of the Normality Data Test

Source: Processed Data, 2022

The figure above is a histogram. The histogram is considered normal if the data distribution is bell shaped, not skewed to the left or not to the right (Santoso, 2015). The histogram graph forms a bell and is not skewed to the right or left so that the histogram graph is considered normal.

The results of the normality test using the Kolmogorov-Smirnov test can be seen below:

Table 4. Results of the Normality Data Test

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
	N	102
Normal Parameters ^a	Mean	0.0000000
	Std. Deviation	1.33995112
Most Extreme Differences	Absolute	0.106
	Positive	0.049
	Negative	-0.106
Kolmogorov-Smirnov Z		1.072
Asymp. Sig. (2-tailed)		0.201

a. Test distribution is Normal.

Source: Processed Data, 2022

Based on the Kolmogorov-Smirnov test, all variables have sig values of > 0.05 which means that all data are normally distributed.

Table 5. Results of Multicollinearity Test

Model	Unstandardized		Standardized	t	Sig.	Collinearity Statistics	
	Coefficients		Coefficients			Tolerance	VIF
	B	Std. Error	Beta				
(Constant)	4.166	0.595		6.997	0.000		
Sales Growth	0.162	0.043	0.194	3.745	0.000	0.602	1.662
Size	0.462	0.052	0.619	8.821	0.000	0.329	3.043

Sales	0.099	0.036	0.195	2.710	0.008	0.313	3.200
Growth*Size							
a. Dependent Variable: Tax Avoidance							
Source: Processed Data, 2022							

Based on Table 5, data do not show symptoms of multicollinearity between each independent variable. Based on the results of the multicollinearity test, the tolerance value for each variable is higher than 0.10 and the VIF is lower than 10. This indicates that there is no multicollinearity between the two independent variables so the assumption of multicollinearity is fulfilled.

Table 6. Results of Heteroscedasticity Test

Model	Unstandardized		Standardized	t	Sig.
	Coefficients		Coefficients		
	B	Std. Error	Beta		
(Constant)	0.566	0.371		1.525	0.131
Sales Growth	0.003	0.027	0.014	0.110	0.912
Size	-0.020	0.033	-0.108	-0.621	0.536
Sales	0.027	0.023	0.214	1.196	0.234
Growth*Size					

Source: Processed Data, 2022

Based on the results of the heteroscedasticity test using the Glesjer test, the significance value of each variable is > 0.05 . This indicates that there is no heteroscedasticity in the model.

Table 7. Results of Autocorrelation Test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0.917 ^a	0.842	0.837	1.36031	1.964

a. Predictors: (Constant), Sales Growth*Size, Sales Growth, Size

b. Dependent Variable: Tax Avoidance

Source: Processed Data, 2022

Based on table 7 "Model Summary" above, the Durbin-Watson (d) value is 1.964. This value was compared with the Durbin Watson table at a significance of 5% with the formula of $(k' ; N)$ where k is the number of independent variables which is 2 or $k=2$, while N is the number of samples or $N= 102$, then $(k' ; N) = (2 ; 102)$. This number $(k' ; N) = (2; 102)$ is then seen in the distribution of the Durbin Watson table at a significance of 5%.

Based on the table above, with $(k' ; N) = (2; 102)$, the value of $dL = 1.637$ and $dU = 1.717$, while the value of the Durbin-Watson (d) regression model reaches 1.964. It means that the Durbin Watson (d) regression value is in $dU < d < 4- dU$, namely $1.637 < 1.964 < 4-1.637 = 1.637 < 1.964 < 2.283$. Based on the decision-making from the results obtained, it can be concluded that the regression model used is free from autocorrelation.

Based on the results of data processing, the results of the Regression Analysis are as follows:

Table 8. Results of Linear Regression Test

Model		Unstandardized Coefficients		Standardized	t	Sig.
		B	Std. Error	Coefficients Beta		
1	(Constant)	4.166	0.595		6.997	0.000
	Sales Growth	0.162	0.043	0.194	3.745	0.000
	Size	0.462	0.052	0.619	8.821	0.000
	Sales Growth*Size	0.099	0.036	0.195	2.710	0.008

a. Dependent Variable: Tax Avoidance

Source: Processed Data, 2022

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.917 ^a	0.842	0.837	1.36031

a. Predictors: (Constant), Sales Growth*Size, Sales Growth, Size

Source: Processed Data, 2022

Based on table 8 above, the moderating linear regression equation is as follows:

$$Y = 4,166 + 0,162X_1 + 0,462X_2 + 0,099 X_1 * X_2 + \varepsilon$$

Based on the results of the regression model above, it can be concluded that the positive constant value is 4.166. This indicates that Sales Growth (X1), Firm Size (X2), and Sales Growth*Firm Size (X1*X2) affect Tax Avoidance (Y). The Sales Growth variable (X1) has a value of 0.162. This means that every increase in Sales Growth (X1) by one percent will decrease Tax Avoidance (Y) by 0.162. The Firm Size variable (X2) has a value of 0.462 which means that each increase in Size (X1) by one percent will decrease Tax Avoidance (Y) by 0.462. Then, Sales Growth*Firm Size (X1*X2) has a value of 0.099 indicating that with each increase in the interaction between Sales Growth and Firm Size by one percent, the Tax Avoidance (Y) decreases by 0.099.

The first hypothesis (H1) is that sales growth positive affects tax avoidance proxy used, namely the ETR, in which the higher the sales growth, the lower the tax avoidance practices. Based on the table above, the Sales Growth (X1) has a significance value of 0.000 < 0.05. Thus, it can be said that Sales Growth (X1) influences Tax Avoidance (Y). A positive t-value indicates that the Sales Growth (X1) variable has the same effect as Tax Avoidance (Y). Therefore, the first hypothesis (H1) is accepted which means that sales growth has a significant effect on tax avoidance. However, the indicator of tax avoidance in this study is ETR, therefore the results of this study will be reversed to become sales growth which has a significant negative effect on tax avoidance.

Companies with high sales growth will pay higher taxes along with sales growth which can increase profits. Thus, reducing the possibility of companies to carry out tax avoidance. Budiman & Setiyono (2012) reveal that sales growth shows a change in the sales growth levels between a certain year and the following year which can be an increase or decrease. The higher

the sales growth, the lower the tax avoidance. Companies with high sales growth will certainly attract the attention of the tax authorities or regulators, therefore the company will become more vigilant and obedient in fulfilling the company's tax obligations in order to avoid sanctions and a bad image, so that the possibility of companies to do tax avoidance will be small. The results of this study are in line with Wahyuni *et al.* (2019), Harahap (2021), Pratiwi *et al.* (2021), Dewinta & Setiawan (2016), and Marfiana & Putra (2021). However, it contradicts previous studies Oktaviyani & Munandar (2017) and Swingly & Sukartha (2015).

The second hypothesis (H2) is that firm size affects tax avoidance in which the larger the firm size, the higher the tendency for the company's compliance or aggressive (tax avoidance practice) in taxation. Based on the table above, the Firm size (X2) has a significance value of $0.000 < 0.05$ which means that Firm size (X2) affects Tax Avoidance (Y). A positive t-value indicates that the Firm size (X2) has the same effect as Tax Avoidance (Y). Therefore, the second hypothesis (H2) is accepted which means that firm size has a significant effect on tax avoidance. However, tax avoidance indicator in this study is ETR, therefore the results of this study will be reversed to mean that firm size has a negative effect on tax avoidance.

Large companies with a high level of profits are faced with high tax obligations which can lead to a tendency for company management to be compliant. The bigger the firm size, the lower the tax avoidance practices. The low likelihood of companies committing to tax avoidance is due to the possibility of companies coming to the attention of regulators or the government, thereby forcing companies to be more compliant. The results of this study are in line with Putra & Jati (2018). Swingly & Sukartha (2015), Ichsani & Susanti (2019), and Yahaya & Yusuf (2020). On the other hand, it contradicts previous studies by Nengsih *et al.* (2018), Kalbuana *et al.* (2020), and Sonia & Suparmun (2019).

The third hypothesis (H3) is firm size moderated the effect of sales growth on tax avoidance. Based on the table above, moderating variable of Sales Growth*Size (X1*X2) obtained a significance value of 0.008. This means that the Firm Size can moderate the relationship between Sales Growth and Tax Avoidance. A positive coefficient value of 2.710 indicates that Firm Size can strengthen the effect of Sales Growth on (ETR). That means weaken the effect of sales growth on Tax Avoidance practice. Therefore, the third hypothesis (H3) is accepted which means that firm size moderated the effect of sales growth on tax avoidance. However, the tax avoidance indicator in this study is ETR, so the results of this study will be reversed to firm size, weaken the effect of sales growth on tax avoidance.

The larger the companies, the greater the assets and profits, and indeed the tax burden is also higher. This may encourage companies to minimize their tax burden. That must be paid by the company even greater, so that it will lead to a tendency for company management to be compliant (compliance) because of the possibility of companies to come to the attention of regulators or the government, thereby forcing companies to be more compliant, thereby reducing tax avoidance.

CONCLUSION

This study aims to obtain empirical evidence concerning the effect of sales growth and firm size on tax avoidance and to empirically prove whether firm size can moderate the effect between sales growth and tax avoidance. Based on the results of the analysis and discussion, sales growth has a positive effect on the proxy used for tax avoidance, namely ETR. If the ETR is small then the tax avoidance of a company is high, so if the ETR is large then the tax

avoidance of a company is low. The higher the sales growth, the lower the tax avoidance practices. Firm size has a significant positive effect on the proxy used for tax avoidance. The larger the firm size, the tendency for company management to behave in a tax compliance manner. The interaction between sales growth and firm size decreases the level of tax avoidance practices. The larger the company, the greater the assets and profits it owns and can obtain, these large profits and assets will of course also make the tax burden to be paid by the company even greater so that it will lead to a tendency for company management to comply because there is a possibility companies to come to the attention of regulators or the government, thereby forcing companies to be more compliant. This causes the possibility of companies to carry out tax avoidance even smaller.

Large companies are suggested to consider every decision that will be made and the risks. Companies are expected to make decisions by referring to the applicable tax laws and regulations. Company management should carry out good tax planning that does not violate regulations. Then, the government is expected to increase more careful supervision of corporate taxes to increase state tax revenues and reduce tax avoidance practices. Future studies are expected to expand the samples of companies outside mining companies or add other relevant variables and are expected to increase the period of the financial statements that will be used as samples.

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