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The Influence of Earnings Management, Sales Growth, Leverage, And Firm Size on Tax Avoidance with Profitability as a Moderating Variable in Mining Companies Listed on the IDX 2017-2022

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ABSTRACT

This research aims to determine the influence of Earnings Management, Sales Growth, Leverage, and Firm Size on Tax Avoidance with Profitability as a Moderating Variable in Mining Companies Listed on the Indonesia Stock Exchange (BEI) in 2017-2022. The population used in this research is all mining companies listed on the Indonesia Stock Exchange in 2017-2022. The sampling technique used was the purposive sampling method, where a final sample of 17 companies was obtained with observations for six years for a total of 102 observation samples. The analysis technique used is Logistic Regression Analysis using the SPSS 25 program.

This research indicates that Earnings Management, Sales Growth, Leverage, and Firm Size do not partially influence Tax Avoidance. Meanwhile, Profitability can partially moderate the influence of Earnings Management, Sales Growth, Leverage, and Firm Size on Tax Avoidance.

Keywords: *tax avoidance, earnings management, sales growth, leverage, Firm size, profitability*

INTRODUCTION

For developed countries, taxes are an essential element in supporting state revenues. Tax is a contribution to the state that can be imposed, which is owned by those who are obliged to pay it according to regulations, with no return and is used to finance general expenses related to the duties of the state and the government as organizer (Adriani in Waluyo: 2011). Apart from that, taxes are also essential in supporting the state revenue budget, so the government must pay great attention to the tax sector. The government can optimize revenue from the tax sector through intensifying and extensification of tax revenue (Circular Letter from the Directorate General of Taxes No.SE-09/PJ.9/2001).

The government also uses taxes as the most critical source of state financing in the APBN. The tax revenue target is expected to continue to increase each year. The state will use tax revenues. Therefore, the greater the tax revenue, the more public facilities and infrastructure are built, and the higher the quality of state services the government represents to the community. People must understand the importance of taxes for the country and be aware of paying taxes.

The following is data on tax revenue targets and actual revenue from 2017-2022:

Table 1. Realization of Indonesian Tax Revenue

Year	Target	Realization	Percentage
2017	1.283,5 T	1.151,0 T	89,67 %
2018	1.424,0 T	1.315,5 T	92,38 %
2019	1.577,5 T	1.332,0 T	85,56 %
2020	1.198,82 T	1.069,8 T	89,25 %
2021	1.229,6 T	1.227,50 T	99,83%
2022	1.485 T	1.716,8 T	115,6%

Source: Report of Kinerja Direktorat Jenderal Pajak 2017-2021

Table 1 shows that the realized tax revenue figures fluctuate yearly, with 2020 having the lowest realized value compared to previous years. The realization of tax revenues for 2020 experienced a decline due to the COVID-19 pandemic, which caused restrictions, resulting in a decrease in national economic income and reduced tax revenues from within the country. The government's effort to overcome this is to provide tax relaxation so that the business world can survive. Tax revenues have begun to increase positively since 2021 with a realized value of 1,227.50 T, and this will also be followed in 2022 with a percentage of 115.6%. In this case, it can prove that economic recovery is becoming increasingly accurate. According to data from the Directorate General of Taxes (DJP), the growth in tax revenues from the mining sector has fluctuated in the last five years. In 2017 and 2018, the growth of tax revenues from the mining sector increased positively, namely 40.20% and 49.40%. Then, it experienced a decline in 2019 of -20.6% and experienced a decrease again in 2020 of -43.7% due to the Covid-19 virus outbreak. Then, in 2021 and 2022, tax revenues in the mining sector will begin to increase rapidly, reaching 170%. Mining companies are among the five main sectors supporting the most extensive tax revenues (Statistics, 2018).

Table 2. Growth in The Mining Sector Tax Revenue

Year	Percentage
2017	40,20%
2018	49,40%
2019	-20,60%
2020	-43,70%
2021	154,7%
2022	170,0%

Source: Financial Reports of Direktorat Jenderal Pajak 2017-2022

The government's efforts to optimize the tax sector are with obstacles. One of the government's obstacles in efforts to optimize the tax sector is tax avoidance. Tax avoidance measurement describes the existence of tax avoidance activities because the Cash Effective Tax Rate (CETR) does not affect estimates changes, such as tax protection (Dyreng et al., 2010). The higher the CETR percentage level, which is close to the corporate income tax rate of 25%, indicates that the lower the company's level of tax avoidance, the lower the CETR percentage level suggests that the company's tax avoidance level is high.

The Tax Justice Network article states in its report that in 2020, Indonesia is estimated to suffer a loss of US$ 4.86 billion per year or the equivalent of IDR 68.7 trillion, due to tax avoidance. A company in Indonesia carries out tax avoidance in the field of affiliated health services in Singapore, namely PT RNI (Rajawali Nusantara Indonesia). In 2016, PT RNI carried out this practice in various ways, recognizing its affiliate debt as capital, reporting losses in financial reports, and reporting company income of under 4.8 billion per year. Thus, because capital is considered debt, the company is protected from tax obligations, reducing company taxes (www.kompas.com). In 2019, tax avoidance was carried out by PT Adaro Energy Tbk. The Taxing Times report for Andro stated that from 2009 – 2017, this company used its subsidiary in Singapore, Coaltrade Service International, for tax avoidance. PT Adaro Energy Tbk knew this

and paid taxes of US$ 125 million or the equivalent of Rp. 1.75 trillion less than what should be paid in Indonesia (www.bisnisbisnis.com).

Tax avoidance is carried out by engineering taxes that are still within the limits of tax law. Tax avoidance actions are carried out because of opportunities seen by companies as corporate taxpayers, namely weak regulations and laws related to taxation and weaknesses in human resources (fiscus). Tax avoidance actions will cause state revenues from taxes to decrease in the State Revenue and Expenditure Budget (Putra & Merkusiwati, 2016). This research will discuss several factors influencing companies' tax avoidance: earnings management, sales growth, leverage, and firm size. Researchers will also use profitability as a moderating variable.

Briska Rosyid (2018) shows that leverage positively affects tax avoidance. Meanwhile, Dewinta Setiawan (2016) shows that leverage has a negative effect on tax avoidance.

Dewinta & Setiawan (2016) and Rahedi (2019) show that sales growth has a positive effect on tax avoidance, meaning that the higher the company's sales growth, the higher the tax avoidance activity, which is because companies with relatively large sales levels will provide opportunities to earn large profits. On the other hand, Aprianto & Dwimulyani (2019) and Mahanani et al. (2017) stated that sales growth does not affect tax avoidance.

Olivia and Dwimulyani (2019) stated that profitability positively affects Tax Avoidance. On the other hand, the research studied by Alfina et al. (2018) stated that profitability does not affect tax avoidance. The amount of profit obtained by the company greatly influences the company's actions in carrying out tax avoidance practices.

Based on the background description above, this research is entitled "The Influence of Profit Management, Sales Growth, Leverage, and Firm Size on Tax Avoidance with Profitability as a Moderating Variable in Mining Companies Listed on the Indonesia Stock Exchange (IDX) in 2017-2022."

LITERATURE REVIEW

Tax Avoidance

There are two approaches to reducing tax payment strategies: reducing income or increasing company expenses. Efforts to minimize tax payments made by the applicable tax regulations permit them, which is called tax avoidance. Tax avoidance behavior is included in tax planning. Tax planning is the process of organizing a taxpayer's business so that the tax debt, both income tax and other taxes, is in the minimum position, per the provisions of tax law and commercial regulations.

According to Santoso and Rahayu (2013), tax avoidance can be done in three ways, namely:

a) Restraint, namely, the taxpayer does not do something that can be taxed, for example, not smoking to avoid tobacco excise;
b) Moving location is moving a business location or domicile with a high tax rate to a location with a low tax rate. An example is providing relief for investors who wish to invest capital in the Eastern Indonesia region and;
c) juridical tax avoidance. This action is carried out so that the actions carried out are not subject to tax. It is usually done by exploiting gaps or ambiguities in the law (loopholes).

Tax avoidance can be done by taking advantage of opportunities that exist in tax law, such as tax loopholes and grey areas. Tax loopholes are a legal way to avoid paying taxes or part of the tax bill because there are gaps in tax provisions (Saptono, 2013). Taking advantage of loopholes or loopholes in taxation can be beneficial for taxpayers in avoiding their tax obligations. Grey areas arise because of unclear tax regulations, which can become weaknesses taxpayers can exploit to avoid taxes.

Taxpayers can take advantage of

loopholes and grey areas to minimize their tax payments because this method is legalized by tax law. To find out how much tax avoidance activity there is in a company, researchers used the Cash Effective Tax Rate (CETR) in this study. CETR is formulated as cash disbursed for tax costs divided by profit before tax (Budiman & Setiyono, 2012). CETR identifies the aggressiveness of tax planning carried out by companies using fixed and temporary differences.

Acts of tax avoidance should be identified, and whether a company is carrying out acts of tax avoidance is known. Even though the actions taken by the company do not violate regulations, they will result in losses for the state.

$$\text{CETR} = \frac{\text{Tax Expenses}}{\text{Earnings Before Tax}}$$

Earnings Management

Scott (2015) reveals that earnings management is the action of managers choosing accounting policies or actions that influence earnings in financial reporting. Profit management prioritizes the manager's interests to maximize utility and welfare in the contract with the principal. Adequate company information managers are utilized to carry out earnings management actions.

Earnings management is manipulating options and making the right choices to achieve the desired profit level. From this definition, it can be concluded that managers exhibit opportunistic behavior when managing the company. Managers have the freedom to choose and use available alternatives to prepare financial reports so that the profits generated follow what is desired, even though the profits generated do not reflect the actual condition of the company.

The indicator researcher to measure earnings management actions is projected discretionary accruals in the Modified Jones Model.

$$\text{DAit} = \frac{\text{TAit}}{\text{Ait} - 1} - \text{ND Ait}$$

Sales Growth

Sales growth is the change in sales in financial reports per year, which can reflect the company's prospects and future profitability. Sales growth can be measured by comparing the current year's sales minus the previous year's sales with the previous year's sales. If the company's sales growth increases, profitability will also increase, and the company's performance will improve because as the company's profitability increases, the company's profits will also increase, which can encourage increased sales growth from year to year.

Companies can adequately optimize existing resources by looking at sales from the previous year. Measuring sales growth can describe whether a company's growth rate is good or bad. Companies can predict how much profit they will make by looking at the size of sales growth. Dewinta and Setiawan (2016) said that increasing sales growth makes companies earn large profits; therefore, companies tend to practice tax avoidance.

Sales growth is measured by calculating the current year's sales minus the previous year's sales divided by the previous year's sales. Sales growth is formulated as follows:

$$\text{SG} = \frac{\text{Current year sales} - \text{Sales of the previous year}}{\text{Sales of the previous year}}$$

Leverage

Leverage is a ratio used to measure a company's ability to fulfill its long-term obligations. Leverage is the amount of debt a company has when carrying out debt-financed financing. Debt to Total Asset Ratio (DAR) is a proxy for leverage, where DAR measures how much of a company's assets are financed with total debt. DAR is used to measure the percentage of funds that come from all debt owned by the company in the short and long term. The smaller the DAR, the

more secure (solvable) the company's financial condition.

$$\text{DAR} = \frac{\text{Total Assets}}{\text{Total Debt}}$$

Firm Size

Firm size is a scale or value that can classify a company into large or small categories according to various methods such as total assets, share market value, average sales level, and number of sales. Firm size is generally divided into three categories: large, medium, and small (Cahyono, 2016). According to Hermawan (2014), Firm size can be calculated using several indicators, namely:

1. Total assets: The greater the company's total assets, the more invested capital.
2. The number of sales increases, and more money circulation exists.
3. Market capitalists: The more significant the market capitalist, the bigger it is known to measure firm size, namely using total assets because firm size is proxied by total assets. Using a natural log (Ln) reduces excessive data fluctuations without changing the proportions and original values.

$$\text{Size} = \text{Log (Total Assets)}$$

Profitability

Profitability describes the Company's performance to obtain profits after deducting taxes and other expenses. Sartono (2010) explains that profitability is company management to obtain profits related to total assets, capital, and sales. The profitability proxy is measured using a measurement scale using the return on assets (ROA), which can be measured by comparing net profit and total assets at the end of the period and is used as an indicator of the company's ability to generate profits. So, the higher the company's profitability, the higher the company's net profit will be so that companies with high profits will not have difficulty paying tax obligations. In contrast, companies with low profits will have difficulty paying taxes, thus encouraging companies to avoid taxes.

$$\text{ROA} = \frac{\text{Earnings After Tax}}{\text{Total Assets}}$$

Framework

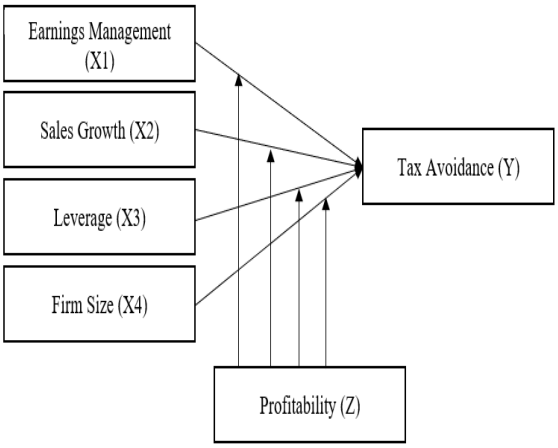


Figure 1. Framework

H1: Earnings management influences tax avoidance
H2: Sales growth influences on tax avoidance
H3: Leverage influences on tax avoidance
H4: Firm size influences on tax avoidance
H5: Profitability can moderate the relationship between earnings management and tax avoidance.
H6: Profitability can moderate the relationship between sales growth and Tax Avoidance.
H7: Profitability can moderate the relationship between leverage and Tax Avoidance.
H8: Profitability can moderate the relationship between firm size and Tax Avoidance.

MATERIALS & METHODS

This causal associative research aims to analyze the relationship between two or more variables. Based on the type of data used, this research is quantitative because it refers to calculating data in numbers. This research uses secondary data, namely

data obtained by researchers indirectly through intermediaries, such as other people or documents (Sugiyono, 2013).

The population used in this research is all mining companies listed on the Indonesia Stock Exchange in 2017-2022. A purposive sampling technique is used to determine the sample size. The purposive sampling method adjusts to specific criteria so that the selected sample is representative. The following are the sampling criteria for this research using the purposive sampling method.

1. Mining companies successively listed on the Indonesia Stock Exchange for the 2017-2022 research period.
2. Mining companies that do not report financial reports during the 2017-2022 research period.
3. Mining companies that did not make a profit during the 2017-2022 research period

Based on the criteria above, the sample in this study was 102 data observations (17 companies x 6 years of research). The data analysis method used in this research is the panel data regression and moderating test, which was carried out with the help of Statistical Product and Service Solution (SPSS) software version 25.

RESULT

Classic Assumption Test

Normality Test

The normality test is carried out to evaluate whether the disturbance or residual variables in the regression model follow a normal distribution (Ghozali, 2018).

Two standard methods for normality testing are graphical analysis and statistical tests. In the context of this research, the Kolmogorov-Smirnov (K-S) test is used as a statistical test. If the value of Asymp. Sig (2-tailed) > significance level (5%), then the distribution is considered normal.

Conversely, if the Asymp. Sig (2-tailed) < significance level (5%), then the distribution is considered not normal. Normality testing in this research can be observed through the following results:

Table 3. Overall Model Fit Test

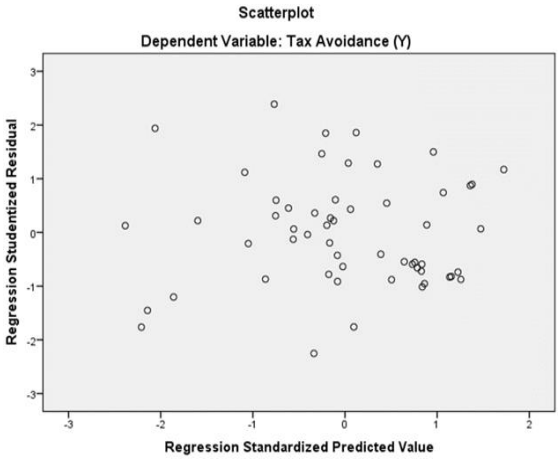
One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		56
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	.10303105
Most Extreme Differences	Absolute	.104
	Positive	.104
	Negative	-.067
Kolmogorov-Smirnov Z		.775
Asymp. Sig. (2-tailed)		.586
a. Test distribution is Normal.		
b. Calculated from data.		

Source: SPSS 25, Data Processed by Researchers (2023)

The normality test results in the table above show a significance value of 0.586, and it is concluded that the data is normally distributed because it meets the normality requirements, namely > 0.05.

Heteroscedasticity Test

The heteroscedasticity test aims to determine whether there are differences in the variance of the residuals from each other in the regression model. The heteroscedasticity test in this study uses a graph plot (scatterplot) to look at the distribution of points. If the points are spread out and do not form a particular pattern, it can be concluded that heteroscedasticity does not occur. Heteroscedasticity testing in this research can be observed through the following results:



Source: SPSS 25, Data Processed by Researchers (2023)

Figure 2. Heteroscedasticity Test Result

The image above shows that the points are spread randomly, above and below the number 0 on the Y-axis. It indicates that the regression model in the research does not have heteroscedasticity, so it is suitable for use.

Multicollinearity Test

The multicollinearity test is used to see the relationship between independent variables. If the regression models do not correlate with each other, then the model will be said to be good. A good regression model does not correlate with variables or tolerance values >0.10 and VIF <10. Multicollinearity testing in this research can be observed through the following results:

Table 4. Multicollinearity Test Results

Variables	Tolerance	VIF	Condition	Descriptions
Earnings Management (X1)	0.924	1.083	Tolerance >0,1 and VIF<10	No Multicollinearity
Sales growth (X2)	0.945	1.058		No Multicollinearity
Leverage (X3)	0.696	1.438		No Multicollinearity
Firm Size (X4)	0.677	1.476		No Multicollinearity

Source: SPSS 25, Data Processed by Researchers (2023)

The results of the multicollinearity test in the table above show that the independent variables, namely Profit Management, Sales Growth, Leverage, and Firm size, have tolerance values ≥ 0.10 and VIF ≤ 10, so it can be concluded that there is no multicollinearity in the regression model.

Autocorrelation Test

The autocorrelation test aims to find out whether there is a correlation between the variables in the prediction model and changes in time. A good regression model meets the requirements where the value of DU < Durbin Watson < 4-DU, then it is said that the regression model is free from autocorrelation. Autocorrelation testing in this study can be observed through the following results:

Table 5. Autocorrelation Test Results

Type	DU	DW	4-DU	Condition
K (independent variable) = 4	1.7246	1.337	2.2754	Dw<4-Du
N=56				1.337<2.754

Source: SPSS 25, Data Processed by Researchers (2023)

The DU value of 1.7246 was obtained from the Durbin-Watson table (with a significance of 0.05) with a sample size of 56 (n=56) and a total of 4 independent variables (k=4). Based on the autocorrelation test results in the table above, it shows 2.22754. So, it can be concluded that there is no autocorrelation in the regression model.

Hypothesis Testing

Partial Significant Test (t-Test)

The t-test is a statistical method used to determine whether each independent variable significantly influences the dependent variable. The partial test evaluates each independent variable's impact on the dependent variable, namely company value. An independent variable significantly affects the dependent variable if its significance value (sig) is less than 0.05. The t-test results in this research can be observed through the following results:

Table 6. t-Test Results

Variables	Coefficient β	Sig	R Square	Result	Descriptions
Constant	0,297				
Earnings Management (X1)	-0,09	0,154	3.7%	Hypothesis Rejected	There is no influence of earnings management on tax avoidance
Sales Growth (X2)	-0,072	0,202	3.0%	Hypothesis Rejected	There is no influence of sales growth on tax avoidance
Leverage (X3)	-0,034	0,149	3.8%	Hypothesis Rejected	There is no influence of leverage on tax avoidance
Firm Size (X4)	0,010	0,304	2.0%	Hypothesis Rejected	There is no influence of firm size on tax avoidance

Source: SPSS 25, Data Processed by Researchers (2023)

Based on the test results above, the following equation is obtained:

Tax Avoidance = 0.297 – 0.009 Earnings Management – 0.072 Sales Growth – 0.034 Leverage – 0.010 Firm Size

Coefficient of Determination Test (R2)

The coefficient of determination (R2) in research measures how much variation in the independent variable can explain the variance in the dependent variable (Ghozali, 2018). The results of the Coefficient of Determination Test in this research can be observed through the following results:

Table 7. Coefficient of Determination Test Results

R	R^2	Adjusted R^2	Std. Error of the Estimate
0,709	0,503	0,495	9,176

Source: SPSS 25, Data Processed by Researchers (2023)

Based on the table above it shows that the Adjusted R2 value is 0.495, meaning that the variance in Earnings Management, Sales Growth, Leverage, and Firm Size as independent variables can explain the variance in the dependent variable, which is 50%, while other factors outside the model explain the remaining 50% studied.

Moderation Test

A moderating variable is an independent variable that can strengthen or weaken the relationship between other independent variables and the dependent variable (Ghozali, 2018). Ghozali (2018) states that three approaches can be used to test regression with moderating variables: the interaction test, the absolute difference value test, and the residual test. The results of the Moderation Test in this research can be observed through the following results:

Table 8.Moderation Test Results

Hypothesis	R *Square*	Result	Descriptions
H5	5.3%	Hypothesis Accepted	Profitability can moderate the influence of earnings management on tax avoidance.
H6	3.6%	Hypothesis Accepted	Profitability can moderate the influence of sales growth on tax avoidance.
H7	12%	Hypothesis Accepted	Profitability can moderate the effect of leverage on tax avoidance.
H8	4.0%	Hypothesis Accepted	Profitability can moderate the influence of firm size on tax avoidance.

Source: SPSS 25, Data Processed by Researchers (2023)

This research uses a moderating test with an interaction test. The following is the research equation using moderating variables.

$$\mathbf{Y = \alpha + \beta1X1 + \beta2X2 + \beta3X3 + \beta4X4 + \beta5X1.Z + \beta6X2.Z + \beta7X3.Z + \beta8X4.Z + e}$$

$$\mathbf{Y = \alpha + 0{,}154X1 + 0{,}202X2 + 0{,}149X3 + 0{,}304X4 + 0{,}206X1.Z + 0{,}420X2.Z + 0{,}021X3.Z + 0{,}352X4.Z + e}$$

CONCLUSION

Based on the results of data analysis and discussion results, the conclusion of the research entitled "The Influence of Profit Management, Sales Growth, Leverage, and Firm Size on Tax Avoidance with Profitability as a Moderating Variable in Mining Companies Listed on the Indonesia Stock Exchange (IDX) in 2017-2022 " is as follows:

1. Profit Management (X1) does not affect Tax Avoidance with a significance value of 0.154 > 0.05. Based on agency theory, the principal incurs a certain amount of costs to employ the agent so that the agent can make decisions according to the agent's interests and desires. It is assumed that management will carry out profit management so that the tax burden borne by the company can be minimized. However, in this study, no link was found between earnings management and tax avoidance, which indicates whether big or small earnings management actions taken by the company will not influence decisions regarding tax actions.
2. Sales Growth (X2) does not affect Tax Avoidance with a significance value of 0.202 > 0.05. The higher the company's sales growth, the higher its profits will align with the tax burden it will bear. Increasing sales growth will concern tax officials who assume that the higher the sales growth, the greater the tax owed the company should pay. It can make management more vigilant in implementing its tax policies.
3. Leverage (X3) does not affect Tax Avoidance with a significance value of 0.149 > 0.05. The higher the level of leverage, the higher the company's dependence on funds from third parties. Third parties, such as creditors, will supervise the company so that it can pay off its obligations. Company management tends to need more motivation to practice tax avoidance due to the supervisory function carried out by creditors.

4. Firm size (X4) does not affect Tax Avoidance with a significance value of 0.304 > 0.05. The larger the size of the company, the lower the level of tax avoidance in a company. In other words, companies that are grouped into large sizes (have significant assets) can significantly influence the reduction in tax avoidance practices within the company.
5. Profitability (Z) is significant in moderating the influence of Profit Management (X1) on Tax Avoidance (Y). Companies that manage earnings will try to control their profitability by covering up income to reduce tax revenues.
6. Profitability (Z) is significant in moderating the influence of Sales Growth (X2) on Tax Avoidance (Y). Increasing sales growth tends to make companies gain large profits; therefore, companies tend to practice tax avoidance.
7. Profitability (Z) is significant in moderating the effect of Leverage (X3) on Tax Avoidance (Y). Companies with higher debt levels and low profitability will encourage managers to avoid tax to increase net income.
8. Profitability (Z) is significant in moderating the influence of Firm size (X4) on Tax Avoidance (Y). High profitability can moderate the need for large companies to engage intensively in tax avoidance. Companies prefer more conservative and sustainable tax strategies.

LIMITATIONS

Several things could be improved based on the results of the research that has been carried out. Some of these include:

1. The independent variable only includes four factors, namely earnings management, sales growth, leverage, and Firm size, with the moderating variable profitability. The remaining 50% is influenced by other factors not covered within the scope of this research.
2. The types of companies still need to be varied so they do not provide information influencing tax avoidance.

SUGGESTION

Based on the conclusions and research limitations that have been explained, several suggestions can be made as follows:

1. For further research, it is recommended to develop this research by adding other variables or indicators as predictors of the level of tax avoidance. It can increase the variation in results and provide a more comprehensive picture of the factors influencing tax avoidance.
2. This research can be expanded by using alternative measuring instruments at specific ratios to compare with results from previous studies.
3. Expanding the observation period and increasing the sample can be the focus of developing this research. By involving more samples and expanding the population coverage, research can more accurately reflect the company's financial performance development. It can improve the overall quality and results of research.

Declaration by Authors

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