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The Impact of Profitability, Firm Size, and Sales Growth Toward Tax Avoidance in Agriculture Sector Companies Listed on the Indonesia Stock Exchange

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A R T I C L E I N F O

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A B S T R A C T

This study examines the effects of profitability, firm size, and sales growth on tax avoidance. The target population consists of companies in the agriculture sector that are listed on the Indonesia Stock Exchange during the years 2020 to 2022. Employing a purposive sampling technique, 14 companies were chosen, resulting in a total of 42 samples for analysis. The research data were subjected to descriptive statistics, classical assumptions, multiple linear regression, and hypothesis testing, all conducted using SPSS 26. The results indicate that both profitability and sales growth have a beneficial impact on tax avoidance, while firm size appears to negatively affect tax avoidance. This research is conducted using quantitative research design. The population for this study includes agriculture sector companies that have been listed on the Indonesia Stock Exchange website from 2020 to 2022.

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INTRODUCTION

The only sector that continues to grow during the pandemic is the agriculture sector, specifically in palm oil sector companies. However, the potential country's income is losing every year due to tax avoidance practiced by the palm oil companies. The income tax in the oil palm plantation industry is declining, according to Prianto Budi Saptono, Executive Director of the Pratama-Kreston Tax Research Institute, because so many businesses utilize transfer pricing as a means of evading taxes. By using the BEPS scheme, the statement of profit or loss reports are made continuously at loss position by the company to avoid paying corporate income tax (Tirto, 2023).

Tax avoidance practice conducted by companies is impacted by many factors, which is profitability, firm size, and sales growth. Companies usually use profitability as the tools to measure a company's performance throughout the year. There are several measurements that can be used to measure profitability, which are categorized into margin and return. The research will utilize Return on Assets (ROA) as the measurement metric. Return on Assets (ROA) is a metric used to analyse the impact of a specific quantity of resources (assets) on a company's ability to create net profit. (Hitijahubessy et. al., 2022)

The second variable examined in this research is firm size. This study will utilize the natural logarithm of total assets as a measure of the firm's value, as the value of assets is considered to offer a more reliable indication of company size (Azaro et al., 2020). According to a study by Kalbuana et al. (2023), larger firms typically engage in a broader array of stakeholder activities compared to their smaller counterparts. Larger corporations typically necessitate greater financial resources to support their operational activities. Consequently, the size of a firm influences how companies ultimately present their financial statements in order to engage in tax avoidance strategies.The last deciding factor is the growth in the companies' sales. The Regulation No. 89/PMK.010/2020 issued by the Minister of Finance, which pertains to the alternative value as a tax base for the sale of certain agricultural products, significantly influences sales growth in Indonesia. By dividing the sales of the companies in the current year by the sales of the companies in the previous year, one may calculate the growth in sales. Companies which sales growth keep on increasing will contribute to bigger tax payments because the possibility of getting more profit will be higher compared to those which sales growth are stable or decreasing (Sari et. al., 2021). Consequently, companies facing higher tax liabilities will be more inclined to pursue tax avoidance strategies in order to lessen their tax responsibilities.

Previous research conducted by Darsani and Sukartha (2021) alongside Widyastuti et al. (2022) revealed a direct correlation between profitability and tax avoidance, suggesting that greater profitability tends to lead to higher levels of tax avoidance. In contrast, research conducted by Hitijahubessy et al. (2022) and Laila et al. (2021) suggested that there exists a negative correlation between these two variables. Additionally, the findings of Apriatna and Oktris (2022) as well as Rahayu et al. (2023) indicated that profitability does not influence tax avoidance. Rahayu, et. al. (2023) claimed that profitability does not impact tax avoidance.

Hitijahubessy et al. (2022) conducted research indicating a positive relationship between the size of a firm and its tax avoidance practices. In contrast, studies by Kalbuana et al. (2023) and Sari et al. (2021) revealed that larger firms tend to experience a negative effect on tax avoidance. Additionally, Prabowo (2020) and Apriatna & Oktris (2022) found that firm size does not significantly influence tax avoidance.

According to the studies undertaken by Apriatna & Oktris (2022) and Yustrianthe & Fatniasih (2021), there is no correlation between sales growth and tax avoidance. While according to Afrianti et. al. (2022) and Harahap (2021), the increase in sales growth correlates with the increase of tax avoidance, which means tax avoidance is impacted positively by sales growth. A distinct investigation conducted by Wulansari and Nugroho (2023) demonstrated that a rise in sales adversely impacts the practice of tax avoidance.

Based on the explanation above, the writer is driven to carry out the research namely "The Impact of Profitability, Firm Size, and Sales Growth Toward Tax Avoidance in Agriculture Sector Companies Listed on the Indonesia Stock Exchange".

LITERATURE REVIEW

Agency Theory

Agency theory is a theory that addresses the issues between shareholders as the principal and the managers as their agents (Jensen & Meckling, 1976). Agents will act on behalf of the principal to handle the company and do the decision-making for the company. According to Antwi (2021), the term called "principal-agent problem" will occur because there are differences in interests and priorities set between the principal and the agents.

The research by Darsani & Sukartha (2021) demonstrates the disagreements that arise between the government represented by Directorate General of Taxation (as principal) and taxpayers (as agent). Taxpayers are legally required to fulfil their commitment of paying their taxes to the government, but the taxpayers also have their own personal interest to maximize their profits. In the other hand, the government is seeking for a maximum tax revenue paid by taxpayers to fund government spending. Both principal and agent expect to fulfil their own objectives, driving agency problems occurring between the parties.

Tax

As stipulated in Article 1, Paragraph 1 of Law Number 28 of 2007 regarding General Provisions and Taxation Procedures, it is the responsibility of taxpayers to fulfill their tax obligations to the government. The contribution made to the government will be imposed for both individual taxpayers and entity taxpayers in line with the latest regulations.

In Waluyo (2011), the tax collection system has three methods, which are self-assessment system, official assessment system, and withholding system. The self-assessment system is a tax collection mechanism that assigns taxpayers with the independent responsibility of determining the amount of tax they are required to pay to the Directorate General of Taxation. Under the self-assessment

system, taxpayers bear responsibility to firstly calculate and report their tax burden to tax officer appropriately.

The actions taken by taxpayers to minimize their tax liabilities through the exploitation of gaps in tax legislation are referred to as tax avoidance (Suandy, 2016). Tax avoidance is not an illegal method to be used in the taxation field if the utilization follows the rules and regulations that have been legalized. According to Muljono (2006), tax avoidance appears from using loopholes in fiscal and commercial treatment of expenses within a company.

According to Indrawan and Nuraini (2021), tax avoidance can be understood through the lens of principal-agent relationship theory, wherein the government functions as the principal responsible for collecting taxes from consumers or end users via the companies that serve as agents. . Every company that is already registered as taxable enterprises must issue a tax invoice for every purchase of taxable goods by customers.

The author uses the annual Effective Tax Rate (ETR) indicator to evaluate the execution of tax avoidance practices in this study. The term ETR refers to the accurate assessment of a company's actual tax obligation. The Effective Tax Rate (ETR) serves as an indicator of the disparity between the calculation of net income for business purposes and the taxable income for tax purposes. Gebhart (2017) indicates that the statutory tax rate can be evaluated alongside the assessments of the annual effective tax rate (ETR). A situation where the Effective Tax Rate (ETR) falls below the legally established tax rate implies that the corporation might be involved in tax avoidance practices within its operations.

Profitability

Profitability is commonly recognized as the measurement to demonstrate a company's performance. By maintaining a stable or lower resources and have the increased results value in the company, the company can be considered to use their resources effectively. An upward trend in profitability within the company may serve as a potential indicator of its future growth. The primary objective of the company is to enhance profitability in its operations. . Darsani and Sukartha (2021) indicate that the government, serving as the principal, finds itself in conflict with companies acting as agents, as these companies seek to maximize their profits through tax avoidance strategies that minimize their tax liabilities.

The measure utilized to evaluate profitability in this research is Return on Assets (ROA), which assesses a firm's ability to generate earnings from its assets and demonstrates the relationship between profitability and operational efficiency. ROA is commonly used when businesses in the same industry seek to compare their results with their business competitors.

H1: Profitability (ROA) has a positive impact on tax avoidance in agriculture sector companies listed on the Indonesia Stock Exchange (IDX) partially.

Firm Size

The market is likely to respond favorably when a company's size suggests that it is undergoing growth. Different methods yield varying classifications of firm size. According to Brigham & Houston (2010), firm size is defined as a metric that can be assessed through the analysis of total assets, total expenses, total sales, and other relevant analyses. The firm size is one of the factors that reflects how capable a company can fulfil their tax obligations by analysing the utilization of the resources. (Barli, 2018).

This research assesses the firm's size by calculating the natural logarithm (ln) of its total assets.. To achieve regular distribution of total assets, the gap between organizations with low asset value and those with high asset value is eliminated through the utilization of natural logarithms.

H2: Firm Size has a positive impact on tax avoidance in agriculture sector companies listed on the Indonesia Stock Exchange (IDX) partially.

Sales Growth

Sales growth is the consistent improvement in sales on a yearly basis. The sales growth measurement seeks to determine the change in sales revenue over a period by comparing the gap between sales in the current year and sales in the previous year to the sales in the previous year (Horne & Wachowicz, 2007). Generally, companies who have higher sales will be followed by higher expenses in business activities. The companies who have a higher number of sales growths tend to conduct tax avoidance as their profit increases.

The method for calculating sales growth, as outlined by Kim & Im (2017), involves subtracting the sales figures of the previous year from the current year's sales and then dividing the result by the sales of the previous year.

H3: Sales Growth has a positive impact on tax avoidance in agriculture sector companies listed on the Indonesia Stock Exchange (IDX) partially.

Profitability, Firm Size and Sales Growth

While individually, profitability, firm size and sales growth are assumed to make impact on tax avoidance, they are all simultaneously considered as the factors to influence the tax avoidance. They are all connected with the performance of the company, which in turn determine the level of tax paid to government.

H4: Profitability, Firm Size and Sales Growth have a positive impact on tax avoidance in agriculture sector companies listed on the Indonesia Stock Exchange (IDX) simultaneously.

Based on the hypotheses above, the research model is described as follows:

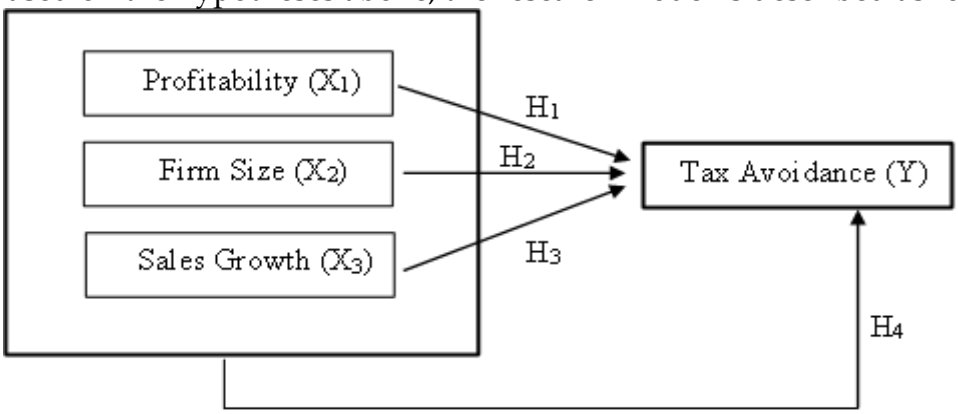

Figure 1. Conceptual Framework

METHODOLOGY

This research is conducted using quantitative research design. The population for this study includes agriculture sector companies that have been listed on the Indonesia Stock Exchange website from 2020 to 2022.

Samples are selected by purposive-sampling method, with criteria established as below:

1. Agriculture sector companies that are listed on the Indonesia Stock Exchange from 2020 to 2022.
2. Consistently publish their annual financial statement reports in Indonesia Stock Exchange website from 2020 to 2022.
3. Do not suffer loss from 2020 to 2022.
4. Published their financial statement reports using the Indonesia Rupiah currency from 2020 to 2022.
5. Do not change their orientation of business from 2020 to 2022.

The data for this research will be sourced from secondary data. The information obtained from the chosen samples will be analyzed through descriptive statistical tests, classical assumption tests, multiple linear regression analysis, and hypothesis testing.

RESEARCH RESULT

Sample Selection

Based on the criteria developed for this research, the result of sample selection is as below:

Table.1 Samling Criteria

No.	Sampling Criteria	Total
1.	Agriculture sector companies that are registered in the Indonesia Stock Exchange from the year 2020 to 2022	33
2.	Agriculture sector companies that did not consistently publish their financial statement reports from the year 2020 to 2022	(6)
3.	Agriculture sector companies that suffered loss from the year 2020 to 2022	(11)
4.	Agriculture sector companies that published their financial statement report using the US Dollar currency from the year 2020 to 2022	(1)
5.	Agriculture sector companies that changed their business orientation during 2020 to 2022	(1)
Total companies eligible for the sample criteria		**14**
Total samples in the research period (14 x 3 years)		**42**

Source: Prepared by writer (2024)

The list of companies selected as samples are as below:

Table.2 Company Name

No.	Company Name	Listing Code
1.	PT Astra Agro Lestari Tbk	AALI
2.	PT Bisi Internasional Tbk	BISI
3.	PT Wilmar Cahaya Indonesia Tbk	CEKA
4.	PT Charoen Pokphand Indonesia Tbk	CPIN
5.	PT Cisadane Sawit Raya Tbk	CSRA
6.	PT Dharma Satya Nusantara Tbk	DSNG
7.	PT Japfa Comfeed Indonesia Tbk	JPFA
8.	PT PP London Sumatra Indonesia Tbk	LSIP
9.	PT Palma Serasih Tbk	PSGO
10.	PT Salim Ivomas Pratama Tbk	SIMP
11.	PT Sinar Mas Agro Resources and Technology Tbk	SMAR
12.	PT Sawit Sumbermas Sarana Tbk	SSMS
13.	PT Tunas Baru Lampung Tbk	TBLA
14.	PT Triputra Agro Persada Tbk	TAPG

Descriptive Statistics

The result of descriptive statistics test in form of minimum, maximum, mean, and standard deviation values of data are summarized as below:

Table 3. Descriptive Statistics

Description	N	Minimum	Maximum	Mean	Standard Deviation
Tax Avoidance (ETR)	42	.001	.666	.23086	.105536
Profitability (ROA)	42	.009	.213	.07964	.043404
Firm Size	42	27.966	31.383	30.08695	1.107624
Sales Growth	42	-.202	.898	.20030	.200941
Valid N (listwise)	42				

Source: Prepared by writer (2024)

The Effective Tax Rate (Y) recorded its minimum at PT Palma Serasih Tbk (PSGO) in 2022, while it reached its peak at PT Salim Ivomas Pratama Tbk (SIMP) in 2020. The average value of the Effective Tax Rate exceeds the standard deviation, suggesting that the data exhibits less variability and is concentrated around the average.

In 2020, PT Palma Serasih Tbk (PSGO) recorded the lowest Return on Assets (X1), while PT Triputra Agro Persada Tbk (TAPG) achieved the highest value in 2022. The average Return on Assets is greater than the standard deviation, suggesting that the data exhibits less variability and is concentrated around the mean.

The variable Firm Size (X2) reached its minimum value at PT Cisadane Sawit Raya Tbk (CSRA) in 2020, whereas its maximum value was noted at PT Sinar Mas Agro Resources and Technology Tbk (SMAR) in 2022. The average firm size surpasses the standard deviation, indicating that the data shows reduced variability and is predominantly clustered around the mean.

Sales Growth (X3) has the minimum value at PT BISI International Tbk (BISI) in 2020 and the maximum value by PT Palma Serasih Tbk (PSGO) in 2021. The mean value of sales growth is less than standard deviation, indicating that the data is more varied and has a broader dispersion around the mean.

Classical Assumption Tests

The classical assumption tests are performed through normality, multicollinearity, heteroscedasticity, and autocorrelation tests.

Table 4. Normality Test using Ones-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		42
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	0.09109763
Most Extreme Differences	Absolute	0.101
	Positive	0.101
	Negative	-0.078
Test Statistic		0.101

Asymp. Sig. (2-tailed)	0.200[c,d]
a. Test distribution is Normal.	
b. Calculated from data.	
c. Lilliefors Significance Correction.	
d. This is a lower bound of the true significance.	

Source: Prepared by writer (2024)

The findings displayed in Table 4 reveal a significance level of 0.200, which surpasses the critical value of 0.05 (0.200 > 0.05). Consequently, it can be inferred that the data adheres to a normal distribution and has effectively passed the normality assessment.

Table 5. Multicollinearity Test using Tolerance and VIF (Variance Inflation Factor) Test

Coefficients[a]			
Model		Collinearity Statistics	
		Tolerance	VIF
1	Profitability (ROA)	.839	1.192
	Firm Size	.852	1.174
	Sales Growth	.948	1.055
a. Dependent Variable: Tax Avoidance (ETR)			

Source: Prepared by writer (2024)

The data presented in Table 5 indicates that the tolerance values for all independent variables exceed 0.10, and the Variance Inflation Factor (VIF) remains below 10. This suggests that there is no multicollinearity issue among the independent variables, confirming that they have successfully passed the multicollinearity assessment.

Table 6. Heteroscedasticity Test using Spearman Correlation Test

		Profitability (ROA)	Firm Size	Sales Growth	Unstandardized Residual
Profitability (ROA)	Correlation Coefficient	1.000	-.359**	.215	.083
	Sig. (1-tailed)	.	.010	.085	.301
	N	42	42	42	42
Firm Size	Correlation Coefficient	-.359**	1.000	-.099	-.120
	Sig. (1-tailed)	.010	.	.267	.225
	N	42	42	42	42
Sales Growth	Correlation Coefficient	.215	-.099	1.000	.182
	Sig. (1-tailed)	.085	.267	.	.124
	N	42	42	42	42
Unstanda-rdized Residual	Correlation Coefficient	.083	-.120	.182	1.000
	Sig. (1-tailed)	.301	.225	.124	.

	N	42	42	42	42

Source: Prepared by writer (2024)

Table 4 above shows that every independent variable has significance value more than 0.05. We can conclude that there is no heteroscedasticity problem within the data. Thus, it has passed the heteroscedasticity test.

Table 7. Autocorrelation Test using Runs Test

	Unstandardized Residual
Test Value[a]	-.01369
Cases < Test Value	21
Cases >= Test Value	21
Total Cases	42
Number of Runs	20
Z	-.469
Asymp. Sig. (2-tailed)	.639
a. Median	

Source: Prepared by writer (2024)

From the Table 7 above, we see that the significance value is bigger than 0.05. It indicates that the data does not have autocorrelation issue. Thus, it has passed the autocorrelation test.

Table 8. Summary of Classical Assumption Tests

Classical Assumption Tests	Type of Test	Result
Normality	Kolmogorov-Smirnov (K-S)	Normally distributed
Multicollinearity	Tolerance and VIF	No multicollinearity issue
Heteroscedasticity	Spearman's Correlation	No heteroscedasticity issue
Autocorrelation	Runs	No autocorrelation issue

Source: Prepared by writer (2024)

Multiple Linear Regression Analysis

Multiple linear regression analysis is conducted to determine the level of influence by independent variables toward dependent variable.

Table.9 Multiple Linear Regression Analysis

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.418	.448		-.933	.356
	Profitability (ROA)	-.562	.372	-.231	-1.512	.139

	Firm Size	.024	.014	.251	1.651	.107
	Sales Growth	-.122	.076	-.232	-1.612	.115
a. Dependent Variable: Tax Avoidance (ETR)						

Source: Prepared by writer (2024)

From Table 9, the multiple linear regression is summarized in an equation as below:

$$ETR = -0.418 – 0.562X_1 + 0.024X_2 - 0.122X_3 + \varepsilon$$

The equation shows that profitability (ROA) and sales growth are partially has negative impact toward the effective tax rate. On the other side, firm size has positive impact toward effective tax rate partially.

Partial Hypothesis Test (T-Test)

The degree of freedom (df) of the research is determined by the formula of subtracting the number of samples to the number of variables. The number of samples is 42, while the number of variables is 4, resulting the degree of freedom (df) at 38. 42-4 equals to 38. Upon consulting the t-distribution table at a significance level of 5%, the corresponding t-table value is found to be 1.686. The findings presented in Table 7 indicate that the significance level for each variable is greater than 0.05, while the t-count is less than the t-table value, and the negative t-count exceeds the negative t-table value. Consequently, we can deduce that each independent variable does not exert a partial significant influence on the effective tax rate when considered individually.

Simultaneous Hypothesis Test (F-Test)

The degree of freedom for the numerator (df1) in this research is 3, whereas the degree of freedom for the denominator (df2) is 39. According to the f-distribution table at a significance level of 5%, the critical value of f is 2.84.

Table.10 Simultaneous Hypothesis Test (F-Test)

ANOVA[a]						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.116	3	.039	4.333	.010[b]
	Residual	.340	38	.009		
	Total	.457	41			
a. Dependent Variable: Tax Avoidance (ETR)						
b. Predictors: (Constant), Sales Growth, Profitability (ROA), Firm Size						

Source: Prepared by writer (2024)

Based on Table 10 above, the significance value is 0.010, which is below the limit 0.05, while f-count is bigger than f-table value. This indicates that the variables of profitability, firm size and sales growth simultaneously have a significant impact on effective tax rate in agriculture sector companies listed on the Indonesia Stock Exchange from the period 2020 to 2022.

Simultaneous Hypothesis Test (F-Test)

The coefficient of determination test serves to measure the level to which the independent variable impacts the dependent variable in a regression model, ranging from zero to one.

Table.11 Coefficient of Determination Test

Model Summary[b]				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.505[a]	.255	.196	.094625
a. Predictors: (Constant), Sales Growth, Profitability (ROA), Firm Size				
b. Dependent Variable: Tax Avoidance (ETR)				

Source: Prepared by writer (2024)

According to the findings of the coefficient of determination test in Table 4.12, the R^2 is equal to 0.255. This indicates that the relationship between the effective tax rate and factors such as profitability, firm size and sales growth is not described clearly.

In the other hand, the adjusted R^2 is 0.196, indicating that profitability, firm size, and sales growth can only explain 19.6% of the variations in effective tax rate. The remaining 80.4% is impacted by the other variables that are not addressed in this study.

DISCUSSION

The Impact of Profitability toward Tax Avoidance

Based on the coefficient of regression model for profitability, the company's profitability has a positive impact on tax avoidance. This is indicated by a coefficient value of -0.562. The negative coefficient demonstrates that profitability has an inverse relationship toward the effective tax rate. Should the company's profitability rise, the extent of tax avoidance undertaken by the company will be regarded as significant, attributed to the reduced effective tax rate.The additional point is that according to the partial hypothesis test, the tax avoidance of agriculture sector companies listed on the Indonesia Stock Exchange from 2020 to 2022 is not significantly impacted by profitability as the significance level is equal to 0.139, which exceeds the limit of 0.05.

The findings indicate that the initial hypothesis (H1), which posits that "Profitability exerts a positive influence on Tax Avoidance among agricultural sector firms listed on the Indonesia Stock Exchange in a partial manner," is validated. This conclusion is corroborated by the studies carried out by Kim & Im (2017), Delgado et al. (2018), and Chytis et al. (2019). The statement stated in the previous research is that profitability has a positive impact on tax avoidance. However, the research result is in contrary with the research conducted by Sonia & Suparmun (2019), Hitijahubessy et. al. (2022), and Wulansari & Nugroho (2023), which stated that profitability has a negative impact on tax avoidance.

The Return on Asset (ROA) method is used in this study to measure profitability. It analyses the efficiency with which a company utilizes its assets to generate profits for the business. Return on asset (ROA) refers to the result obtained from utilized resources over an extended period of time. Therefore, taxpayers utilized the resources, specifically on the record of depreciation expenses. The difference of depreciation records for commercial and fiscal purpose is to increase the value of the result.

The example that shows the higher profitability will result in the lower effective tax rate (ETR) is from the increase in return on asset (ROA) value of PT Salim Ivomas Pratama Tbk (SIMP) from 0.010 to 0.037 for the period 2020 to 2021, which subsequently has a decline in the effective tax rate (ETR) from 0.666 to 0.413. Another result is taken from PT Astra Agro Lestari Tbk (AALI), in which the return on asset (ROA) from 2020 to 2021 is increasing from 0.032 to 0.068. While the effective tax rate (ETR) value decreases from 0.389 to 0.290. Therefore, based on the circumstances above, a higher level of profitability in companies can lead to an increased likelihood of engaging in tax avoidance practices.

The Impact of Firm Size toward Tax Avoidance

Based on the coefficient of regression model for firm size, firm size has a negative impact on tax avoidance. This conclusion is supported by a coefficient value of 0.024. The positive coefficient demonstrates that the firm size has a direct relationship toward the effective tax rate. If the company's firm size increases, the level of tax avoidance performed by the company will be considered lower due to the higher effective tax rate. The additional point is that according to the partial hypothesis test, the tax avoidance of agriculture sector companies listed on the Indonesia Stock Exchange from 2020 to 2022 is not significantly impacted by firm size as the significance level is equal to 0.107, which exceeds the limit of 0.05.

This statement shows that the second hypothesis (H2), namely "Firm Size has a positive impact on Tax Avoidance in agriculture sector companies listed on the Indonesia Stock Exchange partially" is rejected. This result is supported by the research conducted by Kim & Im (2017) and Wulansari & Nugroho (2023). Prior research indicates that the size of a firm has a negative impact on tax avoidance. In the other hand, the research conducted by Delgado et. al. (2018), Kalbuana et. al. (2023), Chytis et. al. (2019) and Hitijahubessy et. al. (2022) is having a contrary result with the research, in which the firm size shows a positive impact on tax avoidance.

Firm size is measured by the company using the total asset in this research. The government must have kept more attention in larger companies, specifically in agriculture sectors, which are having many assets. The larger companies must have more capability in fulfilling obligations to pay for their tax payments accordingly to the regulations. From the data collected, the example that shows the larger firm size will result in the higher effective tax rate (ETR) is from the increase in firm size value of PT PP London Sumatra Indonesia Tbk (LSIP) from 30.022 to 30.103 for the period 2020 to 2021, which indicates the increase in effective tax rate (ETR) from 0.192 to 0.206. Another result is taken from PT Triputra Agro Persada (TAPG) in which the firm size from 2021 to 2022 is

increasing from 30.152 to 30.307. Followed by the increase of the effective tax rate (ETR) value from 0.157 to 0.163. Therefore, from the circumstances above, there is a lower possibility for a larger company to conduct tax avoidance.

The Impact of Sales Growth toward Tax Avoidance

Based on the coefficient of regression model for firm size, firm size has a negative impact on tax avoidance. This conclusion is supported by a coefficient value of 0.024. The positive coefficient demonstrates that the firm size has a direct relationship toward the effective tax rate. If the company's firm size increases, the level of tax avoidance performed by the company will be considered lower due to the higher effective tax rate. The additional point is that according to the partial hypothesis test, the tax avoidance of agriculture sector companies listed on the Indonesia Stock Exchange from 2020 to 2022 is not significantly impacted by firm size as the significance level is equal to 0.107, which exceeds the limit of 0.05.

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Firm size is measured by the company using the total asset in this research. The government must have kept more attention in larger companies, specifically in agriculture sectors, which are having many assets. The larger companies must have more capability in fulfilling obligations to pay for their tax payments accordingly to the regulations.

From the data collected, the example that shows the larger firm size will result in the higher effective tax rate (ETR) is from the increase in firm size value of PT PP London Sumatra Indonesia Tbk (LSIP) from 30.022 to 30.103 for the period 2020 to 2021, which indicates the increase in effective tax rate (ETR) from 0.192 to 0.206. Another result is taken from PT Triputra Agro Persada (TAPG) in which the firm size from 2021 to 2022 is increasing from 30.152 to 30.307. Followed by the increase of the effective tax rate (ETR) value from 0.157 to 0.163. Therefore, from the circumstances above, there is a lower possibility for a larger company to conduct tax avoidance.

The Impact of Profitability, Firm Size, and Sales Growth Simultaneously toward Tax Avoidance

The three independent variables are all related with the performance of a company. From the result of this research, capital expenditure in form of assets acquired by the company does not only increase the firm size, but also such acquisition effectively supports the business, by accelerating the sales growth and pushing up the profitability. Thus, the three independent variables simultaneously have significant impact on the Effective Tax Rate (ETR).

CONCLUSIONS AND RECOMMENDATIONS

The profitability, as measured by Return on Assets (ROA), exerts a positive influence on tax avoidance among agricultural sector firms listed on the Indonesia Stock Exchange, albeit partially. This finding aligns with the objective of companies to enhance their profitability. Such enhancement can be achieved by leveraging company expenses to reduce tax liabilities owed to the government. Consequently, the initial hypothesis (H1) of this study is validated.

The size of a firm exerts a negative influence on tax avoidance among agricultural sector companies listed on the Indonesia Stock Exchange, albeit partially. This finding is corroborated by the ability of larger firms to meet their tax payment obligations. Consequently, the second hypothesis (H2) of this study is rejected. The growth in sales exerts a favorable influence on tax avoidance among agricultural sector firms listed on the Indonesia Stock Exchange, albeit partially. This finding is corroborated by the capacity of companies experiencing sales growth to effectively manage their expenses, thereby minimizing tax liabilities. Consequently, the third hypothesis (H3) of this study is validated.

Profitability (ROA), firm size, and sales growth have a significant impact on the effective tax rate (ETR) in agriculture sector companies listed on the Indonesia Stock Exchange simultaneously. Therefore, the fourth hypothesis (H4) of this research is accepted.

The coefficient of determination test (R2) has the outcome of the adjusted R2 which is equal to 0.196. It shows that the profitability, firm size, and sales growth can only explain the changes in effective tax rate by 19.6%, while the remaining 80.4% is impacted by the other unaddressed variables in this research.

ADVANCED RESEARCH

It is recommended that the next researcher extent the range of research period in the agriculture sectors. The main reason is because the agriculture sector companies that are listed in the Indonesia Stock Exchange is lack of samples as there are not many agriculture companies. In the other hand, future researchers may also conduct the research for another company sector in Indonesia Stock Exchange to provide better insight and results.

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