

Determinants of Tax Avoidance with Profitability as a Moderating Variable

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ABSTRACT

This research aims to test the influence of sales growth, leverage and transfer pricing on tax avoidance with profitability as a moderating variable. The population in this research is mining sub-sector manufacturing companies listed on the Indonesia Stock Exchange in 2019-2022. The sampling method used purposive sampling which resulted in 165 samples from 63 companies. The results of this research show that sales growth have a positive effect on tax avoidance and transfer pricing have a negative effect on Tax Avoidance. Leverage has no effect on tax avoidance. This study found empirical evidence that Profitability strengthens the influence of the Leverage and Transfer Pricing variables on tax avoidance. Profitability weakens the influence of the sales growth on tax avoidance.

Keywords: Tax Avoidance; Sales Growth; Leverage; Transfer Pricing; Profitability.

ABSTRAK

Penelitian ini bertujuan untuk menguji pengaruh pertumbuhan penjualan, *leverage* dan *transfer pricing* terhadap penghindaran pajak dengan profitabilitas sebagai variabel moderasi. Populasi dalam penelitian ini adalah perusahaan manufaktur sub sektor pertambangan yang terdaftar di Bursa Efek Indonesia pada tahun 2019-2022. Metode pengambilan sampel menggunakan *purposive sampling* yang menghasilkan 165 sampel dari 63 perusahaan. Hasil penelitian ini menunjukkan bahwa pertumbuhan penjualan berpengaruh positif terhadap penghindaran pajak dan *transfer pricing* berpengaruh negatif terhadap Penghindaran Pajak. *Leverage* tidak berpengaruh pada penghindaran pajak. Studi ini menemukan bukti empiris bahwa Profitabilitas memperkuat pengaruh variabel *Leverage* dan *Transfer Pricing* pada penghindaran pajak. Profitabilitas melemahkan pengaruh pertumbuhan penjualan terhadap penghindaran pajak.

Kata kunci: Penghindaran Pajak; pertumbuhan penjualan; *Leverage*; *Transfer Pricing*; Profitabilitas.

INTRODUCTION

Modern, highly developed technological advances have led to intense rivalry in the corporate sector throughout the present globalization age. Because of this, every business makes every effort to sustain and enhance its performance in order to

keep running and grow even more. Corporate tax avoidance has been in the spotlight for the last 29 years, in 1986 in United States history evidence of tax avoidance was discovered and it led to reform. (Dianti, 2017) says that any action that affects tax responsibilities, even particular tax-reducing activities or actions approved by the law, is considered tax avoidance. In reality, tax avoidance is the technique of taking advantage of legal loopholes without breaking the law. Historically, tax avoidance actions taken by businesses have also been seen as a transfer of money from the government to the business, which has the potential to raise the business's valuation. Tax Avoidance conduct is committed by lowering corporate taxes in methods that are permitted by current tax laws in an effort to increase business earnings and influence the company's valuation.

In recent years, the government has taken steps to discourage tax Avoidance practices. These steps include the use of more sophisticated technology to detect non-transparent transactions, improving coordination between tax agencies and financial institutions, and increasing sanctions for those proven to have committed tax Avoidance. Indonesia is one of the developing countries that continuously carries out national development, with funding sources that mostly come from taxes (Marfirah & Syam, 2016). To ensure that the pace of expansion and the execution of national development operate smoothly for the welfare and prosperity of society, every taxpayer must participate. The State collects taxes as a means of funding government spending, as well as a tool for social and economic policy implementation and regulation, all of which are used to promote the welfare of the population (Damayanti & Susanto, 2016). To accelerate national development, the Directorate General of Taxes must maximize its tax income. Businesses don't always respond well to the government's execution of tax collection (Fitriani & Sulistyawati, 2020).

Numerous international corporations failed to fulfill their governmental commitments, according to former Finance Minister Agus Martowardojo. He said that almost 4,000 companies had not paid their taxes for seven years (www.pajak.go.id). According to the former Finance Minister's assessment, businesses in Indonesia also engage in tax avoidance.

According to research by the Tax Justice Network on Kompas.com, According to a report published on November 23, 2020, tax avoidance causes Indonesia to lose up to US\$ 4.86 billion yearly. Personal tax Avoidance contributes the remaining US\$ 78.83 million, or approximately Rp. 1.1 trillion. According to the analysis, multinational corporations actually transfer their earnings to tax haven countries. in order for corporations to pay less tax than they ought to. Wealthy individuals with stated foreign assets and income hide them from the tax authorities, keeping them beyond legal jurisdiction. For example, the Ministry of Finance has set a goal of IDR 1,198.82 trillion for tax income this year. This indicates that the predicted tax Avoidance amounts to 5.7% of the ultimate 2020 objective. Comparing the predicted value of tax Avoidance to the actual tax revenue for 2019, which was valued at IDR 1.332 trillion, is similarly similar to 5.16 percent. According to the Tax Justice Network, the amount of tax Avoidance in the present pandemic scenario is the same

as 1.09 million medical personnel wages. Regarding the 2020 National Economic Recovery program's health stimulus, tax Avoidance of IDR 68.7 trillion may fund 70.5% of the IDR 97.26 trillion health limit. The amount of tax Avoidance exceeds both the business financing budget of IDR 62.22 trillion and the sector, ministry, or agency, regional government stimulus cap in the PEN program, which is IDR 65.97 trillion.

Tax avoidance behavior can show the manager's personal interests by manipulating profits resulting in wrong information. This activity definitely has an effect on shareholders, this means that the company's financial reports provide less information, and can cause information asymmetry between the company and its shareholders (Zulaika Matondang, 2019). For company management who generally do not want a reduction in purchasing power, they will try to minimize costs through cost efficiency to optimize company profits, in this case including tax payments. (Baptista et al., 2018). Some people find paying taxes to be a hardship, lowering their income and providing no immediate benefits (Dharma & Suardana, 2014). Taxpayer non-compliance can lead to tax Avoidance efforts (Subagiastra et al., 2017).

Sales growth can increase a company's profits, which in turn can encourage companies to practice tax avoidance to reduce the tax burden payable. Meanwhile, leverage (the use of debt) can also play an important role in tax avoidance because companies with large debts can use interest expense as an excuse to reduce taxable income. Leverage and sales growth have been found to have a significant influence on tax avoidance in certain research. However, the results of the study also show that not all companies that have high sales growth or high leverage will commit tax Avoidance. Other factors such as company size, profitability, and institutional ownership can also influence a company's decision to commit tax avoidance.

Therefore, the goal of this research is to examine the relationship between leverage and sales growth and tax avoidance in Indonesian manufacturing firms. This study will use data from manufacturing companies listed on the Indonesia Stock Exchange to investigate if sales growth and leverage have a significant influence on tax avoidance. It will also examine how these two variables interact with other pertinent factors.

High tax burdens encourage companies to minimize tax payments which are measured using the Effective Tax Rate (ETR). This is the reason why a lot of people and even businesses participate in tax Avoidance. One way businesses might lower the amount of corporate income tax they have to pay is by paying royalties to their parent firms. Furthermore, businesses that operate internationally tend to engage in more tax Avoidance than businesses that operate domestically because they may transfer earnings to businesses in other nations that have lower tax rates than other nations. (Dewi, Ni Nyoman Kristiana; Jati, 2014)

LITERATURE REVIEW

Agency Theory

The link between the principle, the company's owner, and the agent, its management, is explained by agency theory. As specified in their contracts, both sides have obligations. The person who assesses the information is the owner or principal, and the person who manages the business and takes choices is the agent (Jensen & Meckling, 1976). The agency theory view sees the cause of potential conflicts that affect the quality of financial report information because of the separation between the principal and the agent (Dianti, 2017). Government and business entities may have conflicts of interest when it comes to taxes (Maharani & Juliarto, 2019). Separating investor ownership and management control roles is the fundamental component of an agency partnership. However, the principal cannot monitor the agent's activities every day to ensure that the agent works in accordance with the wishes of the shareholders, which causes information asymmetry. The information asymmetry encourages agents to hide some information that is unknown to the principal in order to maximize the agent's profits (Kiswanto *et al.*, 2016). The agency theory perspective states that the drive to maintain or reach the intended level of wealth gives rise to conflicts of interest between agents and principals. This conflict of interest causes tax Avoidance practices within the affected company.

Tax Avoidance

Tax avoidance, often known as searching for loopholes in relevant legislation, is a strategy used by taxpayers to avoid paying taxes by lowering the amount of tax due without breaking any tax laws (Hutagaol, 2007). (Lionita & Kusbandiyah, 2017) define tax avoidance as a business strategy aimed at avoiding or cutting the amount of legally required taxes. The Cash Effective Tax Ratio, or CETR, can be used to measure the amount of tax avoidance. As per (Baptista *et al.*, 2018), tax aggression may be measured using CETR. The degree of tax avoidance committed by the corporation decreases with increasing CETR.

Sales Growth

According to (Aprianto & Dwimulyani, 2019) Growing sales enables the company to expand its operational capacity since it indicates variations in sales levels from year to year. Profits for the firm will rise in tandem with sales, and they will reflect the level of debt. How much to pay. Businesses are able to project sales growth and profitability. The growth ratio is essentially used to determine the amount of growth the organization has seen over a given time period. An increase in sales growth will result in a corresponding rise in taxes due from the firm. This will undoubtedly motivate a business to engage in tax management initiatives.

Leverage

Leverage indicates how much debt a corporation has taken on to fund its assets. (Dewinta & Setiawan, 2016). A ratio called leverage (or debt structure) indicates how much debt a business has taken on to fund its ongoing operations

(Fitriani & Sulistyawati, 2020). Leverage is an increase in debt that lowers the income tax burden of business taxpayers while also resulting in an increase in expenses such as interest. (Kurniasih & Sari, 2013)

Transfer Pricing

In the energy sector, PT Adaro Energy Tbk is an example of tax avoidance. According to the Global Witness research Taxing Times for Adaro, Adaro Energy has moved its income to a network of offshore tax haven companies, avoiding or lowering the necessary tax payments. This resulted in a US\$125 million tax reduction for Adaro Energy from 2009 to 2017. In this instance, Adaro engaged in tax avoidance by using transfer pricing. (2019, Global Witness).

Profitability

The profitability of a business is a gauge of its capacity to turn a profit at a particular revenue level, assets, and share capital during a given time period (Dharma & Suardana, 2014). Return on assets is one way to measure a business's profitability (ROA), which displays the amount of profit the business made from all of its assets. (Fitriani & Sulistyawati, 2020). According to (Dewinta & Setiawan, 2016) high profitability tends to have a lower tax burden, because high company income can be used to obtain tax incentives and other tax deductions which can cause the effective tax rate to be lower.

METHODS, DATA, AND ANALYSIS

Pre-existing secondary data were the type of data employed in this investigation. Secondary data analysis is used in this type of study to conduct quantitative research. In the article (Alifa, Islah & Normansyah, 2020) The quantitative method is a positivist-based research approach that involves studying a certain sample group, gathering data with the use of research tools, and analyzing data statistically or quantitatively in order to evaluate preconceived notions. Quantitative methods measure one or more research variables, as well as to measure the relationship or correlation or effect between two or more variables.

Purposive sampling was the methodology employed for the sampling process. Researchers need to use purposeful sampling, which is the process of collecting samples based on predetermined criteria. The qualifications for sample selection are as follows:

Table 1. Sample Criteria

NO	Sample Criteria	Total
1	Mining sector manufacturing company listed on the Indonesia Stock Exchange from 2019 – 2022	63
2	Number of mining sector manufacturing companies listed on the Indonesia Stock Exchange from 2019 – 2022	252
3	Mining sector manufacturing companies that do not publish annual reports from 2019-2022	(87)
Total Sample		165

Conceptual Framework

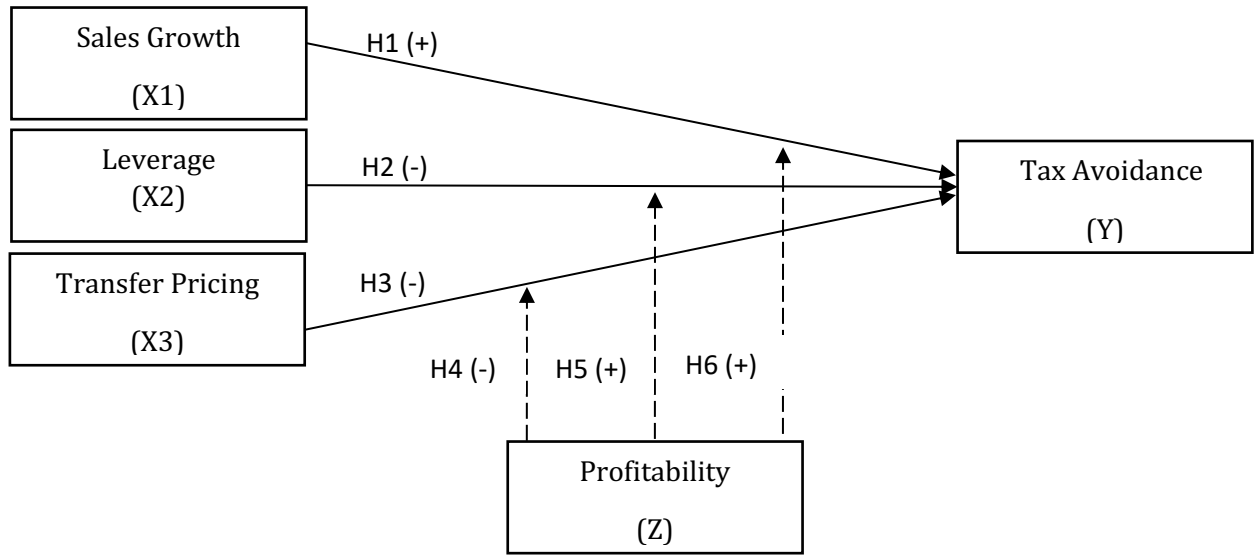


Fig. 1. Conceptual Framework

HYPOTHESIS DEVELOPMENT

The Effect of Sales Growth on Tax Avoidance

Profitability is a measure of a company's ability to generate income at a certain level of revenue, assets, and share capital during a given time period (Dharma & Suardana, 2014). Return on assets (ROA), which shows how much profit a firm produces from all of its assets, is one way to assess its profitability. As a result, extremely profitable companies frequently use tax avoidance strategies in an effort to reduce their tax obligations. Growth in sales has the potential to boost a business's profitability, which in turn may motivate businesses to engage in tax avoidance in an effort to lower their overall tax liability. Therefore, the corporation's actions in committing tax avoidance to increase profits and lower tax burden may be explained

by the agency theory, which holds that management of the company often prioritizes maximizing its own interests over the interests of shareholders. While (Devi, Mahaputra, 2020) Research indicates that there is a significant correlation between tax avoidance and the sales growth variable. Nevertheless, the results also imply that tax Avoidance benefits from increased sales. Something similar is stated (Rahmi et al., 2020), Sales growth has a positive effect on tax Avoidance. From the statement above, the first hypothesis in this research is:

H₁: Sales growth has a positive effect on tax Avoidance

The Effect of Leverage on Tax Avoidance

Leverage is a metric that indicates how much debt a corporation uses to finance its operations. Paying interest on loans is one aspect of debt financing that might lower taxable income (Wijayanti & Merkusiwati, 2017). The study conducted by has revealed that leverage has an adverse impact on the tax avoidance variable (Aprianto & Dwimulyani, 2019; Rahmi et al., 2020). According to agency theory, managers, who have the power to make decisions, think about using debt financing to reduce corporation taxes and increase corporate profits. Thus, the theory may be developed:

H₂: Leverage has a negative effect on tax Avoidance

The Effect of Transfer Pricing on Tax Avoidance

The Tax Commissioner's Regulation PER-32/PJ/2011 defines transfer pricing as the cost of a transaction between parties with a particular connection. The special relationships based on Law Number 36 of 2008 arise on the basis of (1) capital ownership, (2) managerial and technical control, and (3) blood ties or marriage. Article 4 PMK-22/2020 further regulates that special provisions are made if there is a situation of dependency or ties between the parties, for example one party controls another party or the parties are unable to stand independently. Studies that demonstrate the detrimental effects of transfer pricing on taxes avoidance include studies carried by (Ghasani et al., 2021; Widiyantoro & Sitorus, 2019).

Based on agency theory, institutions with personal interests pursue maximum profits (Lelang Aya et al., 2022). According to (Irawan *et al.*, 2020) companies that carry out transfer pricing activities may be able to avoid taxes by increasing their tax burden. In transfer pricing, the company (agent) has different interests from the government (principal) because the government wants to maximize the amount of money it receives from taxes (Nurhidayah et al., 2021). By raising the purchase price or decreasing the selling price, businesses can influence transfer prices. The company can then transfer its profits to a company located in a tax-free country (Sitanggang & Firmansyah, 2021). Companies have considerable latitude in determining transfer prices, which provides them with the opportunity to employ transfer pricing to lower their tax obligations (O'Connor, 2017). In this study, the third hypothesis that will be investigated is;

H₃: Transfer Pricing has a negative effect on tax Avoidance

Profitability Moderation on the Effect of Sales Growth on Tax Avoidance

When sales increase, profits also increase. When profits increase, tax payments also increase, so tax Avoidance continues to occur. The increase in profits is also evidence that the company's revenue growth rate has increased. Therefore, when companies increase profits and increase sales, they may take actions that minimize the amount of taxes collected. Because tax Avoidance has two distinct characteristics, it is a complicated and unique problem. While tax Avoidance is permissible in some circumstances, it is not recommended in others. Research by Rahmi et al. (2020) demonstrates that higher sales have a detrimental impact on tax Avoidance. (Devi, Mahaputra, 2020) assert moreover that the sales growth variable has a major impact on tax avoidance. The same thing was also expressed by (Oktapiani & Wiksuana, 2018) It demonstrates how profitability is significantly impacted by sales growth. In light of this assertion, the study's sixth hypothesis is:

H₄: Profitability strengthens the negative influence between Sales Growth and tax Avoidance

Profitability Moderation of the Effect of Leverage on Tax Avoidance

Large companies certainly receive greater attention from the government regarding the profits they generate, so that the tax authorities are aware of them and can make sure they are taxed in compliance with the relevant laws. (Dewi, Ni Nyoman Kristiana; Jati, 2014). Large companies have relatively large sources of funds, such as debt and loans. The interest expense incurred on the debt is deducted from the company's net profit, thereby reducing payments and ensuring maximum profits are achieved (Dharma dan Ardiana, 2016). The fifth hypothesis will be tested in this research is;

H₅: Profitability strengthens the negative influence between Leverage and tax Avoidance

Profitability Moderation of the Effect of Transfer Pricing on Tax Avoidance

According to (Datar and Rajan: 2018, 882), a decentralized company carries out most of its decision makings in subunits (divisions). These subunits often provide goods and services to each other. In this case, top management in this case uses transfer pricing to coordinate actions carried out by subunits and evaluate the performance of each manager. Transfer pricing itself is the price charged by a division within a company for a product or service provided to another subunit within the same company. According to (Schuster: 015, 10) transfer pricing pursues several objectives, such as internal profit allocation, support for group strategy, optimization of corporate taxation and resource allocation control systems. According to (Irawan et al., 2020) companies that carry out transfer pricing activities may be able to avoid taxes by increasing their tax burden. Based on the aforementioned statement, the sixth hypothesis of this study is:

H₆: Profitability strengthens the positive influence between Transfer Pricing and tax Avoidance

RESULTS AND DISCUSSION

Table 2. Descriptive Statistical Test Results

	N	Minimum	Maximum	Mean	Std. Deviation
tax Avoidance	165	0.001	30.021	0.79367	2.910169
Sales Growth	165	-8.759	1.000	-.00356	0.916655
Leverage	165	0.097	24.849	1.75747	3.179738
Transfer Pricing	165	0.001	69.441	1.54979	7.627053
Profitability	165	0.001	2.299	0.12763	0.226126
Valid N (listwise)	165				

As of 2020, PT Ratu Prabu Energi Tbk held the least value of 0.001 in the tax Avoidance variable, while PT. Dharma Henwa Tbk owned the largest value of 30,021. 2020's tax avoidance value averaged 0.793 throughout the observation period, with a standard deviation of 2.910.

Propertied by PT Apexindo Pratama Duta Tbk, the sales growth variable has a minimum value of -8,759. For the year 2020, PT Mitra Investindo Tbk owns 1,000, which is the maximum figure for sales growth. Over the course of the observation period, a standard deviation of 0.916 and an average sales growth value of -0.003 were noted.

PT. Harum Energy Tbk owns the least value of Leverage, which is 0.097, while PT. Bumi Resources Tbk owns the largest value, which is 24,849. For the sample firms in 2020, the standard deviation value was 3.179 and the average leverage value was 1.757 for the observation period.

The PT Super Energy Tbk, owns the Transfer Pricing variable, which has a minimum value of 0.001 in 2020. The biggest value in 2019 was 69.441, which belongs to PT. Central Omega Resources Tbk. 2019 had an average of 1.549 and 7,627 standard deviations.

The minimum value for the profitability variable is 0.001. PT Bumi Resources Minerals Tbk is the owner of the business with the lowest profitability in 2019. 2,299 is the greatest profitability value. The company with the highest profitability value is PT. SMR Utama Tbk. In 2021, the average value of profitability for the sample companies during the observation period was 0.127 and the standard deviation value was 0.226.

A normal distribution is found in 165 of the data points, according to the Kolmogorov-Smirnov normalcy test. Each of the moderating and independent factors does not show any signs of multicollinearity, according to the multicollinearity test findings. The tolerance values for sales growth, leverage, transfer pricing, and profitability are 0.896, 0.912, 0.949, and 0.847, respectively. Furthermore, 1.117, 1.097, 1.054, and 1.181 are the VIF values for the variables sales growth, leverage, transfer pricing, and profitability, respectively. Every variable possesses a significance level beyond 0.05, according to the heteroscedasticity test. Given that the significant values for the variables related to sales growth, leverage, transfer pricing, and profitability are 0.235, 0.434, 0.240, and 0.064, respectively, Thus, it may be said that heteroscedasticity is not present. The Durbin-Watson value, which ranges from dU to 4-dU, was obtained via the autocorrelation test and is 1.439. Based on this result, it may be inferred that there is no presence of autocorrelation.

The corrected R Square value for the coefficient of determination test was 0.413. Therefore, between 2019 and 2022, there is a notable 41.3% variation in listed tax Avoidance among businesses in the mining industry on the IDX. This fluctuation is primarily driven by factors such as sales growth, leverage, transfer pricing, as well as the moderating variables of leverage and transfer pricing. The remaining 58.7% of the variation in tax Avoidance is attributed to other variables.

An F value of 12.682, with 159 degrees of freedom (df), was obtained from the F test over the crucial F value of 2.43, based on a significance threshold of 0.000. Tax Avoidance is a dependent variable that is influenced by the independent components of sales growth at the same time, leverage, and transfer pricing.

Table 3. Multiple Linear Regression Test Results

Model	Unstandardized Coefficients		Standardized	t	Sig.	
	B	Std. Error	Beta			
1	(Constant)	30.559	3.752	8.145	0.000	
	Sales Growth	-14.456	3.812	-0.313	-3.792	0.000
	Leverage	0.011	0.065	0.013	0.162	0.871
	Transfer Pricing	0.113	0.041	0.229	2.753	0.007

If you refer to the Coefficients table above, you can see that the coefficients for the sales growth, leverage and transfer pricing variables are -14,456; 0.011 and 0.113, with a constant of 30.559. The regression model equation formed is $Y = 30.559 - 14.456X_1 + 0.011X_2 + 0.113X_3 + \epsilon$

Table 4. MRA Test Results

Model		Unstandardized Coefficients		Standardized	t	Sig.
		B	Std. Error	Coefficients Beta		
1	(Constant)	35.778	3.238		11.050	0.000
	Sales Growth	-16.060	4.756	-0.348	-3.377	0.001
	Leverage	0.031	0.058	0.039	0.531	0.596
	Transfer Pricing	0.210	0.047	0.426	4.473	0.000
	Sales Growth*Profitability	0.971	0.398	0.316	2.438	0.016
	Leverage*Profitability	-0.017	0.004	-0.439	-4.268	0.000
	Transfer Pricing*Profitability	-0.016	0.004	-0.394	-3.671	0.000

If you refer to the Coefficients table above, it can be seen that the coefficients for the sales growth, leverage and transfer pricing variables are -16,060 each; 0.031 and 0.210, with a constant of 35.778. The regression model equation formed is $Y = 35.778 - 16.060X_1 + 0.031X_2 + 0.210X_3 + 0.971X_1Z - 0.017X_2Z - 0.016X_3Z + \epsilon$

Table 5. T Test Results

Model		Unstandardized Coefficients		Standardized	t	Sig.
		B	Std. Error	Coefficients Beta		
1	(Constant)	35.778	3.238		11.050	0.000
	Sales Growth	-16.060	4.756	-0.348	-3.377	0.001
	Leverage	0.031	0.058	0.039	0.531	0.596
	Transfer Pricing	0.210	0.047	0.426	4.473	0.000
	Sales Growth*Profitability	0.971	0.398	0.316	2.438	0.016
	Leverage*Profitability	-0.017	0.004	-0.439	-4.268	0.000
	Transfer Pricing*Profitability	-0.016	0.004	-0.394	-3.671	0.000

For the T test criteria at the constant level $\alpha = 5\%$ or 0.05 with a t table value for $N = 165, K = 5, df = (N - 5 - 1; 165 - 5 - 1) = 159, t \text{ table} = 1.974$

The Effect of Sales Growth on Tax Avoidance

A significant difference is shown by the predicted t value for the sales growth variable, which is -3.377 and smaller than the crucial t value of 1.974 at a significance level of 0.001. Sales growth does not always translate into profits for the tax avoidance industry. The results of the t test show that the sales growth variable has a detrimental impact on ETR. When sales growth accelerates, the ETR falls. Low ETR indicates a high level of tax avoidance as well as low tax payments. Therefore, a rise in sales has a positive effect on tax Avoidance. The first hypothesis (H1) has been accepted since a correlation between tax Avoidance and sales growth has been demonstrated. As a result, the rate at which a business's sales increase might influence the likelihood that it will participate in tax Avoidance. The investigation's results are in line with the research (Devi, Mahaputra, 2020; Rahmi et al., 2020) This claims that tax Avoidance is positively impacted by the sales growth variable. The

results of this study are different from the testing of (Muhammad Ikhlasul et al., 2022; Oktamawati, 2017; Syahzuni & Florencia, 2023; Widiyantoro & Sitorus, 2019) This implies that there is a negative correlation between tax avoidance and the sales growth variable.

The Effect of Leverage on Tax Avoidance

At a significance level of 0.05, the calculated t value for the leverage variable is 0.531, which is less than the critical t value of 1.974. The t test findings show that there does not appear to be a relationship between the Leverage and tax Avoidance variables. Therefore, it may be concluded that leverage has no discernible effect on tax Avoidance, proving the second hypothesis (H2) to be false. The corporation's use of leverage has minimal effect on the ways it avoids paying taxes. The research is corroborated by this study (Fitriani & Sulistyawati, 2020; Putri et al., 2022; Yazar Soyadi, 2019; Yohan & Pradipta, 2019) It claims that the tax Avoidance variable is unaffected by leverage.

The Effect of Transfer Pricing on tax Avoidance

A significance criterion of $0.000 < 0.05$ is reached when the Transfer Pricing variable's t value of 4.473 exceeds the crucial t value of 1.974. This suggests that tax avoidance is negatively impacted by transfer pricing in a statistically meaningful way. This implies that the likelihood of firms engaging in tax Avoidance is negatively correlated with the volume of transfer pricing operations. Ultimately, the presence of receivables from linked parties significantly impacts the company's tax Avoidance strategy. This is due to the fact that international mining corporations in Indonesia transfer their assets or income to subsidiaries in countries with tax rates that are lower than Indonesia's in order to exploit gaps in the current tax legislation in the nation. Thus, it may be concluded that transfer pricing has a beneficial impact on tax avoidance, supporting the acceptance of the third hypothesis (H3). The study's findings are consistent with other research that showed transfer pricing negatively affects tax Avoidance (Ghasani et al., 2021; Widiyantoro & Sitorus, 2019). However, transfer pricing has been found to have a beneficial impact on tax Avoidance (Alfarizi et al., 2021; Alifatul Akmal Al Hasyim et al., 2022; Lutfia & Pratomo, 2018; N. Putri & Mulyani, 2020).

The Effect of Sales Growth on tax Avoidance with Profitability as a moderating variable

The test results show that the Sales Growth*Profitability moderating variable has a significant value of 0.016, which is below the 0.05 criterion. Furthermore, the fundamental t table value of 1.974 is less than the t count amount of 2.438%. If profitability rises, the impact of sales growth on tax avoidance may diminish. This study supports the idea that a company's profitability lessens the effect of sales increase on tax avoidance. The fourth hypothesis (H4) is therefore verified. The mining industry has a significant impact on sales. The industrial sales figures continue

to rise, which is evidence of this. Tax officials were aware of the surge in sales. more sales result in more profits for the company as well as increased tax liabilities.

The results of this investigation align with those of the study conducted by (Devi, Mahaputra, 2020; Rahmi et al., 2020). The findings of this investigation do not support (Januari & Suardikha, 2019; Lestari et al., 2018; Oktapiani & Wiksuana, 2018) This demonstrates how tax Avoidance and research are impacted by sales growth (Oktapiani & Wiksuana, 2018) demonstrates how profitability is affected by growth in sales.

The Effect of Leverage on tax Avoidance with Profitability as a moderating variable

The study's findings indicate that the moderating variable Leverage*Profitability has a significance value of 0.000, which is below the 0.05 threshold. Furthermore, the required t table value of 1.974 is not met by the t count number of -4.268. The fifth hypothesis (H5) is supported by the study's findings, which show that profitability may increase leverage's positive effects on tax avoidance. One may assume that as profitability rises, leverage's impact on tax Avoidance diminishes. These results support agency theory, which clarifies the relationship between management and their ability to make decisions within the company. It also highlights the consideration of debt financing as a strategic measure in managing the company, namely through loan interest. Highly profitable companies have the capacity to employ leverage through the acquisition of debt. Using debt can result in interest expenses that can be deducted from income for tax purposes. Leverage may increase incentives to seek more aggressive tax Avoidance strategies to optimize tax deductions obtained from interest expenses. This research supports the research (Kumalasari & Wahyudin, 2020; Rianto & Muhamad Alfian, 2022; Sumantri et al., 2022) It demonstrates how profitability may reduce the use of leverage to avoid taxes. Steer clear of.

The Effect of Transfer Pricing on tax Avoidance with Profitability as a moderating variable

The test findings show that the moderating variable, Transfer Pricing*Profitability, has a significance value of 0.000, which is less than 0.05. In addition, the t count of -3.671 is less than the t table value of 1.974. The detrimental consequences of transfer pricing on tax avoidance may get greater if a business is profitable. As a result, it is verified that the sixth hypothesis (H6) is accepted. Profitability directly correlates with the level of transfer pricing, indicating a larger inclination towards tax Avoidance. It provides evidence that a company's success increases the influence of transfer pricing on the taxation process. Steer clear of. Companies with high profitability tend to have more profits that can be transferred through transfer pricing practices. The greater the profits that can be transferred are, the greater the potential tax reduction that can be achieved by manipulating transfer prices between business units within the company. This research supports the

research (Ghasani et al., 2021; Roslita, 2020) who discovered empirical evidence that transfer pricing and profitability positively influence tax avoidance.

CONCLUSIONS AND RECOMMENDATIONS

Drawing from the study findings, it can be inferred that, in comparison to leverage, the variables of sales growth and transfer pricing exert a noteworthy impact on the tax avoidance variable. The association between leverage, transfer pricing, and tax avoidance is strengthened when profitability is included as a moderating element, hence amplifying the total impact. Meanwhile, profitability weakens the relationship between sales growth and tax avoidance. The importance of taking into account external factors, an example in this case is profitability.

The limitation of this research is that not all companies published financial reports in the year of research, thereby reducing the sample. The author recommends further analysis to understand other factors that influence tax avoidance. The importance of a holistic understanding of the factors that influence tax avoidance. Suggestions for further research are to expand the scope of relevant variables and use a longer research period for more detailed company conditions. It is hoped that the government will be able to use the findings of this study to create safeguards against tax avoidance.

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