
| RESEARCH ARTICLE

The Effect of Sales Growth, Responsibility, and Institutional Ownership on Tax Avoidance with Profitability as Moderating Variables

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| ABSTRACT

This research examines the effect of sales growth, corporate social responsibility, and institutional ownership on tax avoidance in manufacturing companies listed on the Indonesia Stock Exchange from 2016 to 2019. This study relies on secondary data obtained from annual reports obtained from the official website of the Indonesia Stock Exchange, namely www.idx.co.id and www.sahamok.com. The total sampling used is 41 companies for this study. The software used is E-Views 11.0. The findings of this study indicate that corporate social responsibility, profitability, and institutional ownership, which are moderated by profitability, have an impact on tax avoidance. Meanwhile, sales growth had no effect on tax avoidance, and profitability proved unable to balance sales growth and corporate social responsibility in terms of tax avoidance. Good governance is needed to fulfil corporate social responsibility obligations in a company and has been proven to help company management to suppress tax avoidance practices.

| KEYWORDS

Sales Growth, Corporate Social Responsibility, Institutional Ownership, Profitability and Tax Avoidance.

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1. Introduction

Tax is a mandatory contribution to the government that is owed and deposited by individual taxpayers or corporate taxpayers that is coercive and follows the applicable laws and regulations. It becomes one of the country's highest incomes to help that country's development and economic development. The government's efforts to maximize state revenues from the tax side have encountered roadblocks, including those from the manufacturing sector; this is because the state sees taxes as a source of funding Businesses, on the other hand, see taxes as a burden that can reduce profits. Companies frequently engage in tax planning and avoid taxes by exploiting loopholes in tax regulations and reducing the company's tax burden.

The tax ratio is a comparison or as a proportion of GDP to tax revenue (GDP), where it is also an indicator to assess tax revenue performance. There are many things that can affect fluctuations in the tax ratio, ranging from government regulations law enforcement to the awareness of individual taxpayers and corporate taxpayers. One of the reasons for the low tax ratio in Indonesia is the aggressive nature of tax avoidance. So the weaker the regulations that support the imposition of corporate taxes in a country, the more aggressive the efforts to reduce taxes will be.

The value of Indonesia's Tax Ratio, arguably, has not had a significant change in the last few years, which is still at 11% in the reported by the OECD, the value of Indonesia's tax ratio was 11.5% in 2017; this value is still far behind the OECD's tax ratio of 34.2%, compared to other countries by 22.7 percentage points, as well as below the LAC and African averages (21), (22.8% and 18.2%, respectively).

Data for 2016 are used for Africa (21) average, Australia and Japan as 2017.

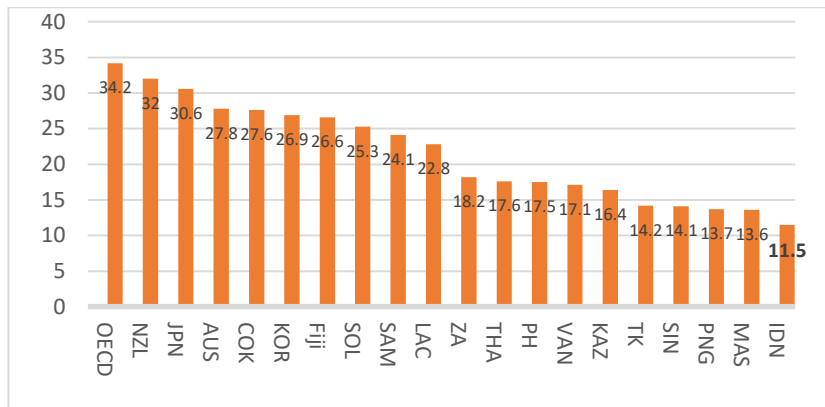


Figure 1.1 Data OECD

The next phenomenon, The Directorate General of Taxes (DGT) of the Indonesian government, is investigating allegations of tax evasion by the coal company PT. Adaro Energy Tbk., which is a large coal mining company in Indonesia, has received the title of the golden taxpayer from the Director-General of Taxes. PT. Adaro utilizes a transfer pricing scheme via a Singapore-based subsidiary to avoid taxes in Indonesia. According to a Global Witness report entitled Taxing Times for Adaro, it is said to have shifted profits from coal mines in Indonesia by diverting more funds through countries with lower tax rates. In addition, manufacturing companies were chosen because, according to Central Statistics Agency data in 2019, the manufacturing industry was the largest contributor to economic growth in Indonesia, although growth in 2019 was not as high as in 2018, until now, manufacturing companies are still the largest source of economic growth in Indonesia.

The phenomenon of tax avoidance continues to increase, thus attracting the attention of both academics and policymakers to conduct research on what factors influence taxpayers in carrying out tax avoidance activities. However, many still produce different findings, causing a gap between one study and another. Research gap (different findings) happens in previous research. The researcher is interested in carrying out research based on the background of the problem that has been explained on tax avoidance where the independent variables used are Sales Growth, Corporate Social Responsibility, Institutional Ownership and Profitability as the moderating variables.

As sales growth increases, the income earned is even greater, in line with the company's tax burden. Therefore, agents will attempt to manage the tax burden so that performance compensation is not reduced sales profit. Dhea Desmiranti and Sulhendri's (2019). This finding supports the research hypothesis that sales growth influences tax avoidance in various manufacturing industries. However, in the study conducted by Agustin Fadjaranie & Yulia (2016), The findings revealed that there was a strong negative influence between sales growth and tax avoidance. That is, high sales growth will result in a decrease in tax avoidance.

Furthermore, to achieve its goals obligations and create shared value with its stakeholders, including shareholders, the company engages in Corporate social responsibility-related activities pledge to act ethically, contribute to economic and social development, and improve the quality of life for its employees and others, Zabihollah Rezaee (2019). However, Corporate Social Responsibility can also be used as a disguise by businesses to avoid paying taxes. Then research on Corporate Social Responsibility by Dirk Kiesewetter Johannes Manthey (2017). This finding is in accordance with the research hypothesis, which states that corporate social responsibility positively affects tax avoidance. However, Chih-Wen Mao & Wen-Chieh Wu (2019) research revealed that CSR has a significant negative impact on tax avoidance.

Furthermore, institutional ownership in companies whose shares are institutional investors' ownership, the effectiveness and credibility of the corporate governance system, and company supervision relies a lot on institutional investors who favour many shareholder's rights (IAI, 2015). Research conducted by Khan, Mozaffar N., Suraj Srinivasan, and Liang Tan (2018) discovered a statistically significant positive correlation between institutional ownership and corporate income tax avoidance. However, unlike Waluyo (2017) research, the findings demonstrate institutional ownership can reduce corporate tax avoidance, but the effect is not statistically significant.

Profitability is at the core of why companies are in business. Productivity, profitability, and professionalism are all desirable characteristics that every organization wants. Profitability is a characteristic that enables a company to achieve its goals of being

successful and growing (Phillips Kevin, 2019). According to a recent study by Katrina Valensia and Siti Khairani (2019). Profitability has a significant negative effect on tax avoidance. In contrast to the findings of Astrid Faradisty, Eka Hariyani, and colleagues (2019), profitability has no effect on tax avoidance because it is suspected that companies in Indonesia overpaid taxes, which are compensated for in the following year's tax payments, resulting in low tax payments for that year.

2. Literature Review

2.1 Agency Theory

Describes the agency relationship that exists between individuals (principals) and another individual in a pact between two or more parties (agent), where the agent is asked to make decisions on behalf of the principal. The principal is the shareholder, as represented by the board of commissioners, and the agent is the company's management, as represented by the directors' board (Jensen and Meckling, 1976).

2.2 Signaling Theory

Signal theory (Ross, 1977) emphasizes the importance of the company's information to the investment decisions of parties outside the company. According to Barton et al. (1989), sales growth is the level of demand and competitiveness in a specific business industry situation. High sales growth will provide a positive perception for investors, influencing stock price increases (Charitaou, Club and Andreo, 2001).

2.3 Legitimacy Theory

Legitimacy theory focuses on a company's relationship with its stakeholders; to accomplish survival, businesses must gain investors, creditors, customers, the government, and society's legitimacy or recognition. Companies that practice social responsibility can gain legitimacy in the community.

2.4 Tax Avoidance

According to Danny and Darussalam in Midiastuty and Suranta (2016), there is no clear definition between tax avoidance, tax evasion, and tax aggressiveness. According to Frank et al. (2009), aggressive tax action is an action that aims to manipulate the taxable profit of the company through tax planning, which can be done legally (tax avoidance) or illegally (tax evasion)

2.5 Sales Growth

A company with positive growth (increasing) is an indicator of the company's progress. Sales have a strategic impact on a company because they must be supported by assets, and increasing sales necessitates the addition of assets (Weston and Brigham, 1991). According to Dhea Desmiranti and Sulhendri (2019), sales growth has a positive impact on tax avoidance in various sectors of the manufacturing industry. The following hypothesis is proposed in this study based on previous research:

H1: Sales Growth has a significant positive effect on Tax Avoidance

2.6 Corporate Social Responsibility

A company, to fulfil its obligations, will carry out CSR activities, creating shared value with stakeholders, including shareholders. Chih-Wen Mao & Wen-Chieh Wu (2019) suggests that CSR has a significant negative effect on tax avoidance. The results show that companies with higher social responsibility participation will avoid tax avoidance because company management will protect their reputation from things that can make a bad company image. The following is the hypothesis for this study:

H2: Corporate social responsibility has a significant negative effect on Tax Avoidance.

2.7 Institutional Ownership

Jahera and Auburn (1996) in Saidi (2004), the ownership structure is the share, namely the comparison between the number of shares owned by insiders and the number of shares owned by investors. The effectiveness and credibility of the company's corporate governance and supervision systems depend a lot on institutional investors who favour shareholder rights (IAI, 2015). According to Khan, Mozaffar N., Suraj Srinivasan, and Liang Tan (2018), the results state that institutional ownership has a positive effect on tax avoidance. This research is formulated as follows:

H3: Institutional Ownership has a significant positive effect on Tax Avoidance.

2.8 Profitability moderates the impact of sales growth, corporate social responsibility, and institutional ownership on tax avoidance.

Profitability ratios are used to assess a company's ability to maximize profits. This ratio can also be used to assess a company's management effectiveness (Kasmir, 2018). The profitability ratio demonstrates a company's ability to generate profits in relation to its sales, total assets, and own capital—the greater the company's profitability, the greater the company's efficiency in utilizing company facilities.

H4: Profitability moderates the relationship of Sales Growth to Tax Avoidance.

H5: Profitability moderates the relationship of Corporate Social Responsibility to Tax Avoidance.

H6: Profitability moderates the relationship of Institutional Ownership to Tax Avoidance.

2.9 Profitability

Profitability is at the core of why companies are in business. Productivity, profitability and professionalism are attributes that every organization wants. Profitability is a characteristic that enables a company to achieve its goals of being successful and growing (Phillips Kevin, 2019). According to Bambang Setyobudi Irianto, Yudha Aryo Sudiby et al., 2017, Profitability influences tax avoidance.

H7: Profitability has a significant positive effect on Tax Avoidance.

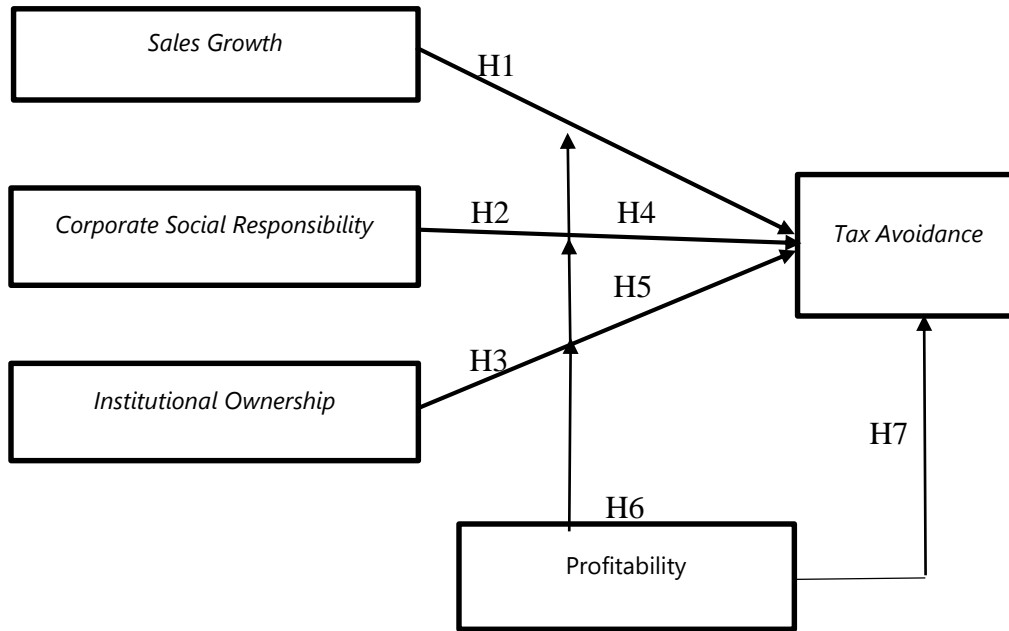


Figure 2.1 Framework of Thinking

3. Methodology

3.1 Research methodology

This research design employs causal research. The purpose of this research is to put the hypothesis to the test about the influence among the variables, namely testing the variables Sales Growth (X1) and Corporate Social Responsibility (X2) and Institutional Ownership (X3) on Tax Avoidance (Y) and Profitability (Z) as moderating variables in manufacturing companies on the Indonesia Stock Exchange for the 2016–2019 periods. This research was conducted in Indonesia using secondary data, so the documentation technique in question is the annual reports of manufacturing companies by the website (www.idx.co.id) & (www.globalreporting.id), start The criteria used are as follows:

1. All manufacturing firms were listed on the Indonesia Stock Exchange between 2016 and 2019.
2. Manufacturing firms that publish financial reports on the Indonesia Stock Exchange website (www.idx.co.id) sequentially during the research period, namely 2016-2019 (www.globalreporting.id).
3. Manufacturing firms that do not incur losses in the study periods because it will result in a negative ETR.

Because this study uses panel data, it uses regression analysis supported by Eviews version 11.0 in the five steps outlined below: a). Descriptive Statistical Analysis, b). Model Estimation, c). Model Selection, d). Classical Assumption Test, and e). Hypothesis Testing includes the tests R2, Statistical F Test, t-test, and Multiple Linear Regression Analysis. The following regression model is used in this study:

$$TA = \alpha + \beta1SG + \beta2CSR + \beta3IO + \beta4SG * PROF1 + \beta5CSR * PROF1 + \beta6IO * PROF1 + \epsilon$$

Description:

- TA : Tax Avoidance
- SG : Sales Growth
- CSR : Corporate Social Responsibility

IO : Institutional Ownership
 PROFIT : Profitability

The following operational variables used in this study:

Table 3.1 Variable Measurement Scale

Source: Data processed by researchers

Variable	Indicator	Measurement Scale
Tax Avoidance (TA) (Y1) (Watson, 2015)	$ETR = \frac{\text{Tax expense}}{\text{Profit before tax}}$	Ratio
Sales Growth: (X1) (Budiman dan Setiyobo, 2012).	Growth of Sales = $\frac{S_t - S_{t-1}}{S_{t-1}}$	Ratio
Corporate Social Responsibility (X2) www.globalreporting.org	GRI CSR = $\frac{\sum xi}{\sum x}$ GRI G4 and GRI Standards	Ratio
Institutional Ownership: (X3) Annisa dan Kurniasih (2012).	INST = $\frac{\text{Institution-owned shares}}{\text{Total outstanding shares}} \times 100\%$	Ratio
Profitability (KL) (M1) (Kasmir, 2015)	$ROA = \frac{\text{Net Profit After Tax}}{\text{Total Asset}} \times 100\%$	Ratio

4. Results and

4.1 Descriptive Statistic

Table 4.1 presents descriptive statistics; the table is presented below:

Discussion

Table 4.1 Descriptive Statistic

	SG	CSR	IO	PROF	TA
Mean	0.543715	0.640492	0.236419	0.105703	0.203108
Median	0.068892	0.634118	0.204900	0.070348	0.257124
Maximum	67.42921	1.000000	0.773300	0.716023	2.476052
Minimum	-0.521380	0.351648	0.002378	-0.051598	-13.81493
Std. Dev.	5.300115	0.174791	0.149376	0.108042	1.154752
Skewness	12.38815	0.530393	1.097431	2.497016	-10.91096
Kurtosis	156.5838	2.548503	4.542390	10.86290	134.2865
Jarque-Bera Probability	165379.4 0.000000	9.082285 0.010661	49.17534 0.000000	592.8978 0.000000	121034.3 0.000000
Sum	89.16918	105.0407	38.77274	17.33534	33.30966
Sum Sq. Dev.	4578.869	4.979942	3.637046	1.902703	217.3528
Observations	164	164	164	164	164

Source: Output E-Views 11.0

The minimum score for sales growth (SG) of -52.13% was found in PTSN companies in 2018, and then the highest value of 67.42% was found in BUMI companies in 2018. The minimum score for corporate social responsibility (CSR) of 35.16% is found in BOLT companies in 2016-2019, then the highest value of 100% is found in JPFA (2016-2017), PTRO (2016-2017), BUMI (2016-2017), INCO (2017) and ITMG in 2018-2019. The minimum score for institutional ownership (IO) of 23% was found in the GGRM Company in 2017, and then the highest score of 77.33% was found in the BUMI Company in 2018-2019. The minimum score for profitability (PROF) of -5.15% was found in INCO companies in 2017, and then the highest score of 71.60% was found in INDO companies in 2017. The minimum score for tax avoidance (TA) of -13.81% was found in BUMI companies in 2016, and then the highest value of 2.47% was found in MYOR companies in 2016.

4.2 Panel Data Model Regression Estimation

The research data was processed using the E-Views version 11.0 program. The panel data regression model was transformed into three-panel data regression estimation models: Common Effect Model, Fixed Effect Model and Random Effect Model.

The common effect model is depicted in Table 4.2, which follows the common effect model.

Table 4.2 Common Effect Model

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.924686	0.552397	3.484242	0.0006
SG	-0.069582	0.118211	-0.588630	0.5570
CSR	-1.536753	0.756443	-2.031550	0.0439
IO	-3.114675	0.879330	-3.542099	0.0005
PROFI	-9.442303	5.150532	-1.833267	0.0687
SG* PROF	2.159116	2.997258	0.720364	0.4724
CSR* PROF	8.945711	5.473683	1.634313	0.1042
IO*PROFI	14.78177	7.421597	1.991724	0.0481
R-squared	0.110608	Mean dependent var		0.203108
Adjusted R-squared	0.070700	S.D. dependent var		1.154752
S.E. of regression	1.113184	Akaike info criterion		3.099876
Sum squared resid	193.3118	Schwarz criterion		3.251089
Log-likelihood	-246.1898	Hannan-Quinn criter.		3.161263
F-statistic	2.771541	Durbin-Watson stat		1.471263
Prob(F-statistic)	0.009629	Root MSE		1.085693

Source: Output E-Views version 11,0

The fixed effect model is shown in Table 4.3, and it is as follows:

Table 4.3 Fixed Effect Model

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.704031	1.116326	0.630668	0.5295
SG	0.047613	0.142590	0.333914	0.7390
CSR	-2.019738	1.119064	-1.804846	0.0737
IO	2.883676	2.616130	1.102268	0.2726
PROFI	-6.420488	8.424942	-0.762081	0.4476
SG* PROF	0.402109	3.576512	0.112430	0.9107
CSR* PROF	9.566221	9.634376	0.992926	0.3228
IO*PROFI	3.525818	11.26061	0.313111	0.7548
Effects Specification				

Cross-section fixed (dummy variables)

R-squared	0.440809	Mean dependent var	0.203108
Adjusted R-squared	0.214240	S.D. dependent var	1.154752
S.E. of regression	1.023608	Akaike info criterion	3.123634
Sum squared resid	121.5418	Schwarz criterion	4.030912
Log likelihood	-208.1380	Hannan-Quinn criter.	3.491955
F-statistic	1.945584	Durbin-Watson stat	2.651270
Prob(F-statistic)	0.002141	Root MSE	0.860877

Source: Output E-Views version 11,0

Table 4.4 shows a random effect model; the following is a random effect model:

Table 4.4 Random Effect Model

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.924686	0.507947	3.789146	0.0002
SG	-0.069582	0.108699	-0.640140	0.5230
CSR	-1.536753	0.695574	-2.209330	0.0286
IO	-3.114675	0,808572	-3.852066	0.0002
PROFI	-9.442303	4.736080	-1.993696	0.0479
SG* PROF1	2.159116	2.756075	0.783402	0.4346
CSR* PROF1	8.945711	5.033228	1.777331	0.0775
IO*PROFI	14.78177	6.824397	2.166019	0.0318
C	0.704031	1.116326	0.630668	0.5295

Effects Specification		S.D.	Rho
Cross-section random		0.000000	0.0000
Idiosyncratic random		1.023608	1.0000

Weighted Statistics			
R-squared	0.110608	Mean dependent var	0.203108
Adjusted R-squared	0.070700	S.D. dependent var	1.154752
S.E. of regression	1.113184	Sum squared resid	193.3118
F-statistic	2.771541	Durbin-Watson stat	1.471263
Prob(F-statistic)	0.009629	Root MSE	1.085693

Unweighted Statistics			
R-squared	0.110608	Mean dependent var	0.203108
Sum squared resid	193.3118	Durbin-Watson stat	1.471263

Source: Output E-Views version 11, 0.

4.3 Model Selection Test

4.3.1 Chow Test

The prob value of the chi-square for the Chow test results in table 4.5 is $0.0005 < 0.05$, so the Fixed Effect is better than the Common Effect.

Table 4.5 Chow Test

Redundant Fixed Effects Tests
Equation: Untitled
Test cross-section fixed effects

Effects Test	Statistic	d.f.	Prob.
Cross-section F	1.712440	(40,116)	0.0142
Cross-section Chi-square	76.103585	40	0.0005

Source: Output E-Views version 11.0

Prob value of the chi-square for the Hausman test results in table 4.6 is $0.0000 < 0.05$, so the Fixed Effect is better than the Random Effect.

4.3.2 Hausman Test

Table 4.6 Hausman Test

Correlated Random Effects - Hausman Test
Equation: Untitled
Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	63.156168	7	0.0000

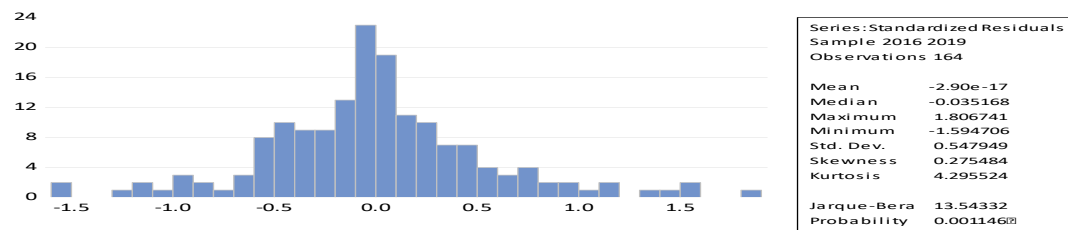
Source: Output E-Views version 11,0

Based on the Chow test and Hausman test results, the most suitable model is the Fixed Effect Model (FEM). These results indicate that FEM provides a significant added value compared to CEM and REM.

4.4 Classic Assumption Test

4.4.1 Normality test

Figure 4.1 shows the results of the normality test:



Source: Output E-Views version 11.0

The data are not normally distributed based on the results of the normality test at the output above, which show a Jarque-Bera Prob value of $0.0011 < 0.05$. However, according to the central limit theorem theory, samples greater than 30 will follow a normal distribution pattern, which is supported by (Ekananda 2016).

4.4.2 Test for Multicollinearity

The Multicollinearity Test results are shown in Table 4.7:

Table 4.7 Multicollinearity Test

	SG	CSR	IO	PROF
SG	1	-0.0793	0.26865	-0.05956
CSR	-0.0793	1	0.05289	0.01156
IO	0.26865	0.05289	1	-0.04415
PROF	-0.05956	0.01156	-0.04415	1

Source: Output E-Views version 11.0

According to the output table above, the correlation coefficient value between the independent variables is < 0.8 , indicating that there is no multicollinearity among the independent variables.

4.4.3 Autocorrelation Analysis

The Autocorrelation Test results are shown in Table 4.8:

Table 4.8 Autocorrelation Test

Source: Breusch-Godfrey Serial Correlation LM Test:
Null hypothesis: There is no serial correlation at up to two lags.

F-statistic	1.134437	Prob.F(2,154)	0.3243
Obs*R-squared	2.381122	Prob. Chi-Square (2)	0.3041

Output E-Views version 11.0

Based on the E-Views output table above, Prob Obs*R-squared of 0.3041 is greater than 0.05. As a result, there is no autocorrelation in the regression model.

4.4.4 Heteroscedasticity Test

The Heteroscedasticity Test results are shown in Table 4.9:

Table 4.9 Heteroscedasticity Test

Parameter	Unweighted Fixed Effect Model	Weighted Fixed Effect Model
Statistic t probability	0 variable $< 0,05$	3 variable $< 0,05$
R-Squared	0,440809/0,214248	0,725837/0,614753
F-Statistic Probability	0,002141	0,00000

Source: Output E-Views version 11.0

Based on the output table above, the acquisition of prob. Obs*R Squared is $0.0000 < 0.05$; then, the regression model violates heteroscedasticity. So to overcome this phenomenon, the selected model, namely the fixed effect, will be given weight with the option of cross-section weight.

Table 4.10 Weighted Fixed Effect Model

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.646737	0.162965	3.968572	0.0001
SG	0.012791	0.017348	0.737302	0.4624

CSR	-0.465722	0.169740	-2.743744	0.0070
IO	-0.599292	0.488270	-1.227377	0.2222
PROFI	-1.542560	0.600939	-2.566916	0.0115
SG* PROFI	0.285338	0.223843	1.274726	0.2050
CSR* PROFI	1.520921	0.833556	1.824619	0.0706
IO*PROFI	1.623022	0.693860	2.339120	0.0210
Weighted Statistics				
R-squared	0.725837	Mean dependent var	3.458839	
Adjusted R-squared	0.614753	S.D. dependent var	4.145977	
S.E. of regression	0.651219	Sum squared resid	49.19406	
F-statistic	6.534160	Durbin-Watson stat	2.069375	
Prob(F-statistic)	0.000000	Root MSE	0.547689	

Source: Output E-views version 11,0

4.5 Testing of hypotheses

4.5.1 Coefficient of Determination Test (R^2)

Based on these output results, tax avoidance can be explained by 0.614753 or 61.48 percent by sales growth, corporate social responsibility, and institutional ownership variables, with profitability acting as a moderator, while the remaining 38.52 percent is influenced by other variables that are not investigated.

4.5.2 F Statistic Test (Goodness of Fit)

According to the output results, the Prob value (F-statistic) obtained is 0.000000, which is less than 0.05, implying that the model in this study is declared fit.

4.5.3 Partial Test (t-Test)

Table 4.11

Partial Test Recapitulation Results (t-Test)

Partial Hypothesis	Hypothesis Direction	Variable	Coefficient	Std. Error	t-Statistic	Prob.	Conclusion
1	+	SG	0.0127	0.0173	0.7373	0.4624	Rejected
2	-	CSR	-0.4657	0.1697	-2.7437	0.0070	Accepted
3	+	IO	-0.5992	0.4882	-1.2273	0.2222	Rejected
4		SG_PROF	0.2853	0.2238	1.2747	0.2050	Rejected
5		CSR_PROF	1.5209	0.8335	1.8246	0.0706	Rejected
6		IO_PROF	1.6230	0.6938	2.3391	0.0210	Accepted
7	+	PROF	-1.5425	0.6009	-2.5669	0.0115	Accepted

Regression Result Interpretation

- H1 is rejected because the variable sales growth (SG) has a probability of 0.4624 > 0.05. This means that increased sales have no effect on tax avoidance.
- H2 is accepted because the corporate social responsibility (CSR) variable has a prob value of 0.0070 < 0.05, and the regression coefficient is negative. In other words, corporate social responsibility has a significant negative impact on tax avoidance.
- H3 is rejected because the institutional ownership (IO) variable has a probability value of 0.2222 > 0.05. As a result, institutional ownership has no effect on tax avoidance.
- Profitability has been moderated. H4 is rejected because the probability value for the sales growth variable (SG*PROF) is 0.2050 > 0.05. Profitability, as a result, cannot moderate the relationship between sales growth and tax avoidance.
- The variable Corporate social responsibility moderated by profitability (CSR*PROF) has a value of 0.0706 > 0.05, so H5 is rejected. This means that profitability cannot moderate the relationship between corporate social responsibility and tax avoidance.

6. The institutional ownership variable moderated by profitability (IO*PROF) has a probability value of 0.0210 at a significance level lower than 0.05, so H6 is accepted. That is, profitability can moderate the relationship between institutional ownership and tax avoidance.
7. H7 is accepted because the profitability variable has a probability value of 0.0115 at a significance level less than 0.05, and the regression coefficient is negative. Profitability, in other words, has a significant negative impact on tax avoidance.

4.5.4 Panel Data Regression Analysis

$$\text{TA} = 0.646737 + 0.012791 \text{ SG} - 0.465722 \text{ CSR} - 0.599292 \text{ IO} - 1.542560 \text{ PROF} + 0.285338 \text{ SG} * \text{ PROF} + 1.520921 \text{ CSR} * \text{ PROF} + 1.623022 \text{ IO} * \text{ PROF}$$

From the regression equation above, the TA constant value is 0.646737.

1. The regression coefficient of the SG variable is 0.012791
2. CSR variable regression coefficient is -0.465722
3. The IO variable regression coefficient is - 0.599292
4. The regression coefficient of the SG*PROF variable is 0.285338
5. CSR*PROF variable regression coefficient is 1.520921
6. The regression coefficient of the IO*PROF variable is 1.623022
7. PROF regression coefficient 1.542560

4.6 Discussion

4.6.1 The effect of Sales growth on tax avoidance

Sales growth does not affect tax avoidance; an increase or decrease in sales growth does not affect tax avoidance behaviour; this is because the higher or lower the company's profit will be in line with the level of the tax burden to be borne by the company. In addition, sales growth in the sample of this study is increasing every year, which means that companies with relatively large Sales levels will allow for large profits and the ability to pay taxes. This study's findings are consistent with agency theory; the agent maintains the trust of the principal in managing company resources. In this study, the company's sales increased profit also increases so that the company pay its tax obligations and does not need to do tax evasion. Then the results of this study are in line with risk aversion theory or risk aversion theory because the company will avoid the slightest risk to maintain the reputation of the company. The findings of this study are consistent with the findings of Sonia Sonia and Haryo Suparmun (2018), who discovered that sales growth has no effect on tax avoidance.

4.6.2 The effect of corporate social responsibility on tax avoidance

Corporate social responsibility has a substantial negative impact on tax avoidance. The greater a company's social responsibility, the less tax avoidance it engages in. This means that businesses that meet their social responsibility obligations will not engage in tax evasion. This is supported by the legitimacy theory, which explains the company's social responsibility is a way for a company to gain legitimacy from its stakeholders; the greater the level of social responsibility exposure, the more favourable the company's image of the public. A taxation is a form of corporate social responsibility to its stakeholders that is administered by the government. In addition, generally, every company wants to get a good image so that investors and the public can put their trust in the company. Therefore, it will maintain its good reputation so that the company tends to be more careful about actions that can make the company's image bad. This observation is consistent with the findings of research reviewed by Chih-Wen Mao & Wen-Chieh Wu (2019). This implies that CSR has a significant negative impact on tax avoidance. Based on findings, companies with higher CSR commitments will avoid tax avoidance because management companies will protect their reputation from things that can make the company's image bad.

4.6.3 The effect of institutional ownership on tax avoidance

According to this research study, tax avoidance is not affected by institutional ownership, which is supported by a sample of data that proves that the average percentage of institutional ownership is above 20% and investors who invest in the long term. Companies with large levels of institutional ownership will be more concerned with the long-term tax consequences and keep companies away from poor management that causes companies to get into trouble. Institutional ownership also functions as a supervisor who monitors the company's performance by agents. This is in accordance with agency theory; they tend to guard the company and supervise agents, so they don't get into trouble. This research study is in accordance with the findings of Waluyo (2017)'s research, which suggests that institutional ownership can reduce corporate tax avoidance.

4.6.4 The effect of profitability moderated sales growth on tax avoidance

Profitability failed to moderate the relationship between sales growth and tax avoidance; profitability only shows a measurement of a company's performance in earning a profit. The higher the level of profitability reflects good company management. A good company runs its tax system according to tax regulations and does not practice tax avoidance because it can damage the company's reputation. The findings revealed that the maximum value of the company's profitability was 71%, in accordance with the theory of high profitability signals capable of giving a positive signal to outside investors investing their money in the company.

In addition, this can be because the higher sales growth in a company will increase the company's profit so that it will be in line with the level that will be borne in terms of taxation. The greater the profit, the greater the amount of tax payable that the company must pay. This is consistent with the findings of Cahya Sukma and Riris Rotua's (2019) study, which found that increasing profitability does not mitigate the impact of sales growth on tax avoidance.

4.6.5 The effect of corporate social responsibility moderated by profitability on tax avoidance

Profitability has no correlation between corporate social responsibility and tax avoidance. The sole purpose of the relationship between profitability and CSR is to build a company with a good reputation. This means that when a company's profitability rises or falls, it has nothing to do with tax evasion because profitable and performing companies will not engage in tax evasion. The findings are consistent with signal theory; high profitability can serve as a positive signal to potential new investors. Frandy Karundeng et al research (2019). According to the findings of this study, company profitability has no effect on the relationship between corporate social responsibility and avoidance.

4.6.6 The effect of institutional ownership moderated by profitability on tax avoidance

Profitability can moderate institutional ownership of tax avoidance. High profitability shows the company gets a large profit along with the increased tax burden. According to agency theory, management and each investor have different motivations, one of which is for personal interests. When the company earns large profits, both investors and company management will maximize their wealth. And to maximize their profits, they will do various ways such as tax avoidance practices. These results are researched by Rusna Oktaviyani & Agus Munandar (2017). Corporate profitability moderates the relationship between institutional ownership and tax avoidance.

4.6.7 The effect of profitability on tax avoidance

Profitability has a significant negative effect on tax avoidance. This means that companies that have high profitability tend to be obedient in reporting and paying taxes. The more the company's profit each year in the sample of this study, it tends to direct its tax policy to a compliant status, and this is because the company pay taxes well. The findings of this study are consistent with the agency theory that the agent makes the company profit and can fulfil its obligations to shareholders. High profitability indicates that the company has good performance to generate large profits, which can provide a positive signal to outside investors to invest their funds in the company and avoid tax avoidance behaviour, which causes negative signals that can harm the company's reputation so that investors will not invest their funds in companies with a bad reputation. This is consistent with the findings of Katrina Valensia and Siti Khairani's research (2019). Profitability has a substantial negative impact on tax avoidance.

5. Conclusion, Implication and Limitation

5.1 Conclusion

Based on the regression equation and significance test results, as well as the discussion of this research's analysis, it is possible to conclude:

1. Sales growth has no effect on tax avoidance.
2. Corporate social responsibility has a significant negative effect on tax avoidance.
3. Institutional ownership has no effects on tax avoidance.
4. Profitability cannot moderate the relationship between Sales growth and tax avoidance.
5. Profitability cannot mitigate the relationship between corporate social responsibility and tax avoidance.
6. Profitability has the potential to moderate the relationship between institutional ownership and tax avoidance.
7. Profitability has a significant negative impact on tax avoidance.

5.2 Implication and Limitation

According to the study's findings, there are several suggestions and limitations in this study, including:

For Further Researchers:

1. Profitability is not appropriate to be used as a moderating variable, more appropriate as an independent variable.
2. Sales profit has no effect on tax avoidance behaviour because a large income is proportional to the level of the tax burden.

3. Institutional ownership functions as a supervisor who monitors the company's performance carried out by agents so that institutional ownership tends to avoid problems that will make the company's reputation bad and harm the company.
4. For further researchers to add years of observation, not only four years and add a large number of samples so that they can provide an overview of research results that are maximal and can be generalized.

For Entities

1. Companies that implement good corporate social responsibility in a company can help company management suppress tax avoidance.
2. High profitability indicates that the company is performing well and send a positive signal to potential new investors.
3. For the company to choose an agent with high dignity and integrity so that the agent can keep the company away from tax avoidance behaviour.
4. For businesses to gain a better understanding of tax avoidance so that management can carry out good tax planning and avoid illegal tax planning that can harm the state and harm the company's name and reputation in the eyes of the public.

For the Government:

The government is expected to make stricter policies related to policy regulations for taxation on manufacturing companies and others so that they will not harm the country. They will benefit the business development in Indonesia and create shareholder satisfaction.

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