

# Impact of Tax Rates and Sales Growth on Tax Avoidance

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## Abstract

This research aims to examine the effect of tax rates and sales growth on tax avoidance. This research is focused on telecommunications companies listed on the Indonesia Stock Exchange (IDX) for the 2017-2022 period. The sampling technique uses the purposive sampling method which amounts to 42 samples. As for the data analysis technique used is multiple regression analysis by testing classical assumptions first. The results of the data analysis that have been carried out show that the tax rate does not affect tax avoidance in telecommunications companies, while sales growth has an influence on tax avoidance of 0.389 which is included in the low category, then the tax rate and sales growth have an influence together on tax avoidance by 13.5%.

**Keywords:** Sales Growth, Tax Avoidance, Tax Rates

## Introduction

Taxes play a major role in the economic development of a country. Taxes are also useful for the growth of development devoted to the welfare of the people. In Indonesia, taxes are used as one of a number of sources of revenue that are larger than state revenues through other sectors (Siahaan et al., 2022). Tax is a mandatory contribution to the state owed by individuals or entities to become taxpayers in a direct, coercive nature, and the collection is carried out in accordance with applicable laws.

Post-COVID-19 tax revenue continues to increase. This certainly proves that the government policy taken was right at that time to overcome Indonesia's economic recovery, including policies in the field of taxation. Tax-related policies to support economic recovery have been launched, such as tax incentives, voluntary disclosure programs, and tax rate reductions. The tax rate is the percentage used as the basis for calculating taxes paid by taxpayers (Rahayu & Yani, 2021). The tax rate is the part of income reported and payable to the state. The lower tax rate will increase the utility of taxpayers in reporting income tax to the state (Lenggono, 2019). This tax rate reduction is stipulated in the Law of the Republic of Indonesia. The following is a recapitulation of the reduction in Corporate Income Tax rates that have occurred in Indonesia since 2008.

**Table 1.** Recapitulation of Corporate Income Tax Rate in Indonesia Since 2008-present

No	Tariff	Validity Period	Legal Basis
1	28%	2008-2009	Undang-Undang No. 36 Tahun 2008 Tentang Pajak Penghasilan
2	25%	2010-2019	Undang-Undang No. 36 Tahun 2008 Tentang Pajak Penghasilan
3	22%	2020-2021	Undang-Undang No. 11 Tahun 2020 Tentang Cipta Kerja
4	22%	2022-Present	Undang-Undang No. 7 Tahun 2021 Tentang Harmonisasi Peraturan Perpajakan

Source: (Undang-Undang Republik Indonesia Nomor 36 Tahun 2008 Tentang Perubahan Keempat Atas Undang-Undang Nomor 7 Tahun 1983 Tentang Pajak Penghasilan, 2008; Undang Undang

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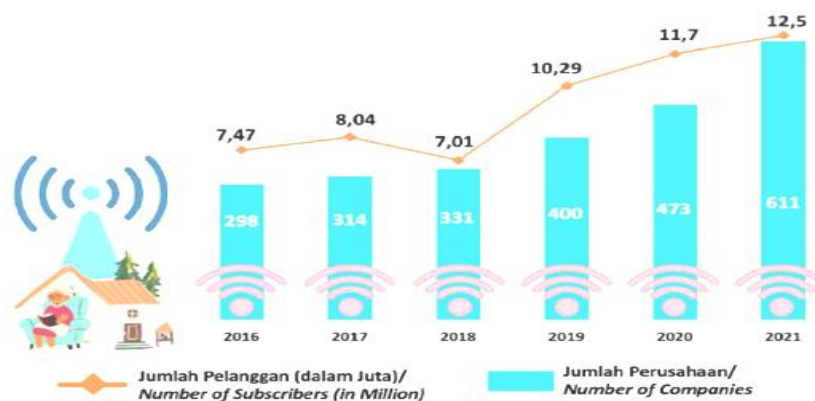
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The reform of reducing tax rates is certainly accompanied by tax system reform or better known as tax system modernization. This tax system makes it easier for taxpayers to carry out tax obligations, such as the presence of e-filing, e-billing, e-invoice, and so on. The modernization of the tax system requires taxpayers to understand the technology used by the Directorate General of Taxes. The impact that arises from the novelty of this tax system is in the form of dependence of taxpayers and tax officers on internet services managed by telecommunications companies.

Telecommunication companies are companies that distribute internet data. This telecommunications company from year to year the growth of subscribers and companies is increasing. This proves that Indonesian people have dependence on internet services. Here is an overview of the number of companies and customers of internet service providers:



**Figure 1.** Number of Companies and Customers of Internet Service Provider (ISP)

Source: Sutarsih et al. (2021)

The growth of the Company and Customers in the telecommunications sector was caused by an increase in sales. This is often a measure of management's success in managing the company. Siahaan et al. (2022) explained that sales growth shows the development of the company's sales level every year. Therefore, the development of the company's sales level can decrease or increase. The implication of increased sales should also be an increase in the tax burden to be paid. However, management is looking for loopholes to include cost elements recognized by law in order to minimize fiscal profits. The action taken by the management to increase the prosperity of company owners is called tax avoidance (Jati & Murwaningsari, 2020).

Tax avoidance is an effort to streamline the tax burden by avoiding tax imposition by directing it to transactions that are not tax objects (Pohan, 2017). There are two tax avoidance schemes, namely acceptable tax avoidance or defensive tax planning and unacceptable tax avoidance. This acceptable tax avoidance takes advantage of loopholes in tax law (Rifan, 2019). So there are often differences in views between companies and the government. One way that can be done in tax avoidance practices is through tunneling incentive (Ramadhan, 2021).

Some previous studies on tax rates, sales growth, and tax avoidance include research conducted by Kiryanto (2022) tax avoidance in proxies with Current and Cash Effective Tax Rate (ETR) showing an increase with changes in tax rates, while measurements using Book Tax Gap (BTG) makes the tax avoidance rate tend to decrease after a change in tax rates. Research (B. H. Ramadhan & Suropto, 2022) shows that there is no influence of sales growth with tax avoidance. The existence of research gaps from previous research on tax rates, sales growth, tax avoidance is the purpose of why this research was conducted.

## Methods

This research uses quantitative methods (Hamzah, 2019). The data used in this study is secondary data in the form of financial statements obtained from the IDX. The population in this research is telecommunications companies listed on the IDX in 2017-2022. The consideration of population

selection is because looking at the current phenomenon in the digital era, all things are done using internet media distributed by Telecommunication Companies.

The sampling technique uses *purposive samples*, namely sampling with certain considerations (Nurhasanah et al., 2022). Considerations in sampling are as follows:

1. Telecommunication Companies listed on the Indonesia Stock Exchange in 2017-2022
2. Telecommunication companies listed on the Indonesia Stock Exchange did not experience losses during 2017-2022
3. Telecommunication companies listed on the Indonesia Stock Exchange using local currency,
4. Telecommunication companies listed on the Indonesia Stock Exchange that have foreign ownership.

From the various considerations in the sampling above, it was obtained that the number of samples was 7 out of 10 telecommunications companies listed on the Indonesia Stock Exchange with a total research period of 6 years so that the total sample of the companies studied was 42 research samples. Variables and indicators of variable measurement in this study are presented in the table below:

**Table 2.** Variable Indicators

Variable	Measurement Indicators	Reference
Tax Rate	Effective Tax Rate(ETR) = $\frac{\text{Income Tax Burden}}{\text{Profit Before Tax}}$	(Kiryanto, 2022)
Sales Growth	Sales Growth = $\frac{\text{Sales } t - \text{Sales } (t-1)}{\text{Sales } (t-1)}$	(Ramadhan & Suropto, 2022)
Tax Avoidance	$\frac{\text{Book Tax Differences (BTD)}_{it}}{\text{Pretax Income}_{it} - \text{Taxable Income}_{it}}$ = $\frac{\text{Total Asset}_{i,t-1}}{\text{Total Asset}_{i,t-1}}$	(Jati & Murwaningsari, 2020)

Source: Data Processed (2023)

The data analysis used in this research used multiple linear regression analysis. To analyze the data in this research first use classical assumption testing before hypothesis testing using multiple regression analysis. Multiple regression analysis is a test used to determine how much independent variables affect the dependent variable. Classical assumption tests carried out include normality tests which has the purpose of testing whether in the regression model, residual variables are normally distributed, homogeneity tests which has the purpose of testing whether in the regression model there is an inequality of variance from the residual of an observation against other observations and multicollinearity tests which has the aim of testing whether the regression model obtained the existence of correlations between independent (free) variables. Not occurring multicollinearity between variables is an appropriate regression model

## Results and Discussion

### Results

#### Classical Assumption Test

In this research the normality test used the Kolmogorov Smirnov test (K-S) test. The normality test results are as below:

**Table 3.** Normality Test Results

Asymp. Sig. (2-tailed)	Conclusion
0,132	Normal

Source: Data Processed (2023)

In accordance with the table, it is known that the value of Asymp. Sig (2-tailed) of 0.132 is greater than 0.05. So, it can be concluded that the research data is normally distributed.

Multicollinearity tests are performed to see if there is a correlation in independent variables. Pass the multicollinearity test, if the VIF value < 10 and tolerance >0.1. Good data is data that does not occur multicollinearity, can be seen in the following table:

**Table 4.** Multicollinearity Test Results

Variable Independent	Tolerance	VIF	Conclusion
Tax rate	0,999	1,001	No multicollinearity
Sales Growth	0,999	1,001	No multicollinearity

Source: Data Processed (2023)

Based on the table above, it is known that the variables X1, X2, X3 and X4 have no correlation or multicollinearity does not occur.

Heteroscedasticity testing aims to find out whether in the regression model there is an inequality of variance or not. The results of the heteroscedasticity test in this research are presented in the table below:

**Table 5.** Heteroscedasticity Test Results

Variable	Sig	Kesimpulan
Tax Rate	0,125	No heteroscedasticity occurs
Sales Growth	0,995	No heteroscedasticity occurs

Source: Data Processed (2023)

Based on the table above shows that the value of sig. In column ABS\_RES for the variable tax rate and sales growth has a sig value > 0.05 so it can be concluded that there is no heteroskedasticity in these variables.

### Hypothesis Test Results

#### 1. Results of t-test

The results of t testing in this research are presented in the table below:

**Table 6.** Results of t-test

Variable	B	Sig	Conclusion
Constant	-1,560	0,000	-
Tax Rate	0,242	0,279	Ha is rejected
Sales Growth	2,159	0,010	Ha is accepted

Source: Data Processed (2023)

In accordance with the results in table 7, the multiple regression equation can be arranged as follows:

$$Y = -1,560 + 0,242 X_1 + 2,159 X_2$$

Based on the table above, it can be seen the effect between the independent variable, namely tax rates and sales growth, partially on the dependent variable, namely tax avoidance (Y). Based on the results of the data analysis carried out, it can be seen that:

- The effect of the tax rate (X1) on tax avoidance. Based on the calculation results, it can be seen that the calculation is 0.242 and the significant value is 0.279 > 0.05 so that there is no influence between tax rates and tax avoidance.
- The effect of sales growth (X2) on tax avoidance. Based on the calculation results, it can be seen that the calculation is 2.159 and the significant value is 0.010 < 0.05 so that there is an influence between sales growth and tax avoidance.

#### 2. F Test Results

The results of test F in this research are presented in table 8 as follows:

**Table 7.** F test results

F <sub>count</sub>	Significant	Conclusion
4,194	0,022	H <sub>a</sub> accepted and H <sub>o</sub> rejected

Source: Data Processed (2023)

Based on the table above, it shows that the F<sub>count</sub> value is 4.194 with the value of sig. by 0.022 < 0.05. This shows that tax rates and sales growth together affect tax avoidance.

- Results of Coefficient of Determination Analysis ( $R^2$ )  
The results of the correlation coefficient of determination analysis in this research are presented in table 9 as below:

**Table 8.** Results of Coefficient of Determination Analysis ( $R^2$ )

R Square	Adjusted R Square
0,177	0,135

Source: Data Processed (2023)

Based on the table 8, it can be seen that the value of the coefficient of determination  $R^2$  is 0.135. This shows that the variables of tax rate and sales growth affect the variable of tax avoidance by 13.5% and the remaining 86.5% is influenced by other factors outside the variables studied.

- Correlation Test Results  
The results of the correlation test in the research are as shown in the table below:

**Table 9.** Correlation Test Results

Variable	Sig. 2 tailed	Pearson Correlation
Sales Growth	0,011	0,389

Source: Data Processed (2023)

The results in table 9 show that the value of sig. 2 tailed at 0.011 which is greater than 0.05 which states there is a relationship between sales growth and tax avoidance. While the Pearson correlation value of 0.389 indicates that the level of relationship between the two variables falls into the low category.

## Discussion

### 1. The effect of tax rates on tax avoidance

The tax rate of telecommunications companies has no influence on the Company's tax avoidance practices. Telecommunications companies that have high tax rates do not always engage in tax avoidance. This can be seen in the sample of Telecommunication Companies that have high tax rates but do not do tax avoidance. Based on the results of this research, changes in tax rates do not affect tax avoidance practices, which means that the Company is able to make tax payments in accordance with applicable tax regulations. The results of this research are inversely proportional to research from Kiryanto (2022) which explains that changes in tax rates have an impact on the aggressiveness of tax avoidance of a company.

### 2. The effect of sales growth on tax avoidance

Sales Growth has an influence on tax avoidance. This is in line with research conducted by Irawati et al. (2020) and Siahaan et al. (2022) which states that the higher the sales growth of a company, the higher the tax avoidance activity of a company. This is because companies with a relatively large level of sales will provide opportunities to obtain large profits and be able to make tax payments. Sales growth has a positive effect on tax avoidance. This means that taxpayers who have a large sales growth value, will tend to do tax avoidance.

### 3. The effect of tax rates and sales growth on tax avoidance

Some of the Company's efforts to maximize profits are by tax avoidance. Tax avoidance is carried out by considering several factors such as corporate tax rates and sales growth (Irawati et al., 2020). The calculation of the tax rate uses the effective tax rate (ETR) or commonly referred to as the effective tax rate. The effective tax rate is a comparison of income tax expense with profit before tax. The lower the effective tax rate, the lower the tax burden paid by the Company which will have an impact on saving tax payments for a Company. Sales growth shows the development of sales levels every year. Therefore, development can decrease or increase (Siahaan et al., 2022). Increasing the sales growth of a company tends to generate increased profits, so the Company will tend to practice tax avoidance. Telecommunication companies that have high sales growth and high tax rates will avoid taxes so that the company can maximize profits. One



example of tax avoidance practices is to take advantage of loopholes in applicable tax regulations (Irawati et al., 2020).

## Conclusion

From the results of the research analysis that has been conducted, it can be concluded that tax wisdom has no influence on tax avoidance in telecommunications companies listed on the Indonesia Stock Exchange for the 2017-2022 period. Sales growth has an influence on tax avoidance in telecommunications companies listed on the Indonesia Stock Exchange for the 2017-2022 period. Tax rates and sales growth simultaneously or together have an influence on tax avoidance in telecommunications companies listed on the Indonesia Stock Exchange for the 2017-2022 period. The government should give appreciation to companies that do not do tax avoidance, so that it can be used as an example for other companies.

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