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Determinants of tax avoidance disclosure moderated by firm size

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ABSTRACT

Purpose: This study aims to analyze the effect of sales growth, profitability, and inventory turnover on tax avoidance moderated by firm size.

Methodology/approach: This study uses secondary data from firm financial statements in a quantitative research approach. Companies in the real estate and property sectors that are listed on the Indonesia Stock Exchange (IDX) between 2020 and 2023 make up the population. 34 samples in all were chosen using a purposive selection technique, and moderated regression analysis (MRA) was performed using EViews software.

Findings: The study's findings show that while profitability and inventory turnover significantly reduce tax avoidance, sales growth has little influence on the practice. Firm size can minimize the impact of profitability on tax avoidance, but it has no influence on the link between sales growth and inventory turnover and tax avoidance.

Practical and Theoretical contribution/Originality: It is anticipated that the Directorate General of Taxes will use the findings from this study as a guide when evaluating corporate tax evasion. It also explains how business size influences the relationship between tax avoidance and inventory turnover, profitability, and sales growth.

Research Limitation: Because businesses have not been consistent in releasing financial reports over the 2020–2023 timeframe, and because the metrics are restricted to proxies for firm size, sales growth, profitability, and inventory turnover, this study has a narrow focus. Additionally, only publicly available secondary data specifically, financial reports are used in data collecting.

Keywords: Firm Size; Inventory Turnover; Profitability; Sales Growth; Tax Avoidance.

INTRODUCTION

Alluding to the realm of taxes can be interpreted as a representation of an important instrument from the perspective of a country's economy, acting as the main source of income for the government, which indeed involves the financing aspect of a number of programs intended for development purposes, including the provision of infrastructure and public services. Referring to the constitutional rules stipulated in Law No. 7 of 2021 related to the harmonization of tax regulations, it has been stated that tax is an obligation with a compelling nature, then decided personally or involving a certain body and intended for the benefit of the state in order to maximize the sense of well-being of the entire community without exception in practice (Ristanti, 2022). If you re-examine the details that have been arranged in detail through the State Budget in the 2023 period, the range of 82.05% of total state revenue comes from taxes, indicating that the role of taxes in supporting state finances is very significant (Kementerian Keuangan, 2023). However, the phenomenon of tax avoidance is a challenge for the government în maximizing the revenue potential related to the tax itself.

Tax avoidance can be interpreted as a manifestation of the practice of avoiding in the context of taxation but legally from a legal point of view where the authorities optimize a number of loopholes in the tax constitution in order to erode the amount of burden that must be paid (Aulia & Purwasih, 2022). Furthermore, talks about such practices are often carried out by corporations with the aim of maximizing profits that have been categorized as net so that they can then be accepted by the authorities in this context closely related to those who are affiliated as legitimate shareholders. If interpreted and linked by agency theory, it has been stated very straightforwardly that the aspect of differences that lead to the realm of interests involving the management aka agent and the owner of the corporation aka principal can trigger tax avoidance actions, where management tries to maximize profit performance while the owner is more focused on reducing the tax burden (Prabowo & Sahlan, 2022). In Indonesia itself, the realm of property of real estate can be determined as the embodiment of a sector that has a crucial position, where tax avoidance practices often occur.

The tax avoidance case in Indonesia's property sector in 2013, particularly the SIM simulator case, uncovered a luxury house sale in Semarang. The developer sold the property to the perpetrator for IDR 7.1 billion, but the notary deed recorded only IDR 940 million, creating a discrepancy of IDR 6.1 billion. Similarly, the perpetrator purchased a house in Depok for IDR 2.65 billion, but the sale deed listed only IDR 784 million, resulting in a price difference of IDR 1.9 billion.Another notable instance of tax avoidance in the property and real estate sector involved PT Agung Padomo Land Tbk., linked to the Panama Papers, which leaked 11.5 million documents. These included 4.8 million emails, 2.1 million PDF files, 1.1 million photos, 32,000 text documents, and approximately 2,000 other files.The Directorate General of Taxes identified significant potential tax revenue losses due to the underreporting of actual land, building, property, and real estate transactions. This is largely because taxes are calculated based on the official assessed value of the property (NJOP) rather than the actual transaction value.Research Awaliah et al. (2022) revealed that several corporations in this realm, namely PT Bumi Serpong Damai Tbk and PT Metropolitan Land Tbk, were actively involved in tax avoidance practices in the period 2016 to 2020.

Some factors that encourage companies to do tax avoidance are sales growth, profitability, inventory turnover, and firm size. The findings show that sales growth Safitri & Damayanti (2021), profitability Fatimah & Nurdin (2024), inventory turnover Mariani (2024), and firm size as a moderating effect on tax avoidance (Harnik, 2019). On the contrary, previous research also presents alternative evidence showing that sales growth Astuti et al. (2020),

profitability Misral et al. (2020), inventory turnover Puspita & Hermanto (2022), and firm size as a moderator has no effect on tax avoidance (Kartikaningdyah, 2019). What needs to be drawn in the findings of previous studies emphasizes that tax avoidance can be implemented by the entire size of the corporation, not only targeting a massive scale, but also focusing on a smaller or medium scope. Therefore, the findings related to differences in previous research made the researchers to raise firm size as a moderating variable. Where firm size can moderate the influence of other factors related to tax avoidance.

The novelty in this research targets the combined scheme of sales growth variables, then the second focuses on profitability, and the third is inventory turnover using firm size as a moderator. In addition, the determination for the object of this research focuses on specific corporations under the property and real estate label for the latest financial period according to current conditions. By examining the interaction between existing factors, this research will help to understand in depth the three variables previously mentioned for their influence on tax avoidance practices moderated by firm size. The findings of this research are expected to provide a number of crucial insights, especially for the company, then targeting investors, and even certain stakeholders regarding a number of factors that have a direct influence on the company's strategy with the specific target being its direct performance and compliance with applicable tax regulations.

The discussion of agency theory can be reflected as connectivity involving the principal and the agent who is given the responsibility to manage the company (Jensen & Meckling, 1976). Agency theory is assumed by a different element involving the target of interests by the party who owns the corporation with its managers who have a tendency to fulfill more personal goals which straightforwardly targets, the consequences of problems that can arise. (Pucantika & Wulandari, 2022). This research confirms that there are different elements related to the realm of interests involving the principal and the agent that can have an effect or influence on the performance of the corporation which is part of the consequences or uncertainty of the company as a tax representation in the rules. The manager as an agent has his own interest to get a certain amount of compensation as his right to the maximum by linking the procurement of profits for the performance he has put in, while from the side of the company owner as the principal also has a desire to erode the burden in the form of taxes by maximizing profits to be obtained (Prabowo & Sahlan, 2022).

Theory and Hypothesis

Continuing to discuss sales growth or growth in the concept of sales, which maximizes efforts to continue to increase sales in a certain period that can be compared with periods in the past. After all, sales are set as a benchmark for the amount of profit before taxation. When the value of sales increases, the profit before tax will automatically increase as well as the reverse rule. When the value of growth in the sales scheme is increasing, the activities that lead to tax avoidance of a particular corporation also indicate an increasing condition because it will create opportunities to reap the maximum amount of profit (Suyanto & Kurniawati, 2022). This reality is in line with the study initiated by Ainniyya et al. (2021), Chandra & Oktari (2022), and Augustpaosa Nariman (2021) namely sales that are growing increasingly significant have an influence related to tax avoidance. Furthermore, the high value of sales growth indicates an increase in this matter. It needs to be understood together that the aspect of sales in value that changes in a corporate operationalization will certainly have a changing effect on the existence of profits, where this has a direct influence on the amount of tax it is responsible for paying When the company experiences higher growth, it

certainly requires funding which makes its own consequences deciding on the option to pass low tax avoidance actions. From this explanation, the first hypothesis is determined as:

H_1: Sales growth affects tax avoidance

The next discussion is about profitability which reflects a certain ability for the realization of the corporation to reap the maximum amount of profit as a reflection of its performance (Natalina, 2023). The law in the scope of this discussion emphasizes that when profitability experiences a significant increase, there is also a high possibility that the corporation will conduct tax avoidance. When the corporation brings in a maximum amount of profit, the management will usually seek to allocate a certain amount of profit to the corporation concerned. So that the tax liability to be paid will be reduced (Hermawan et al., 2021). This reality is in line with the findings initiated by oleh Fatimah & Nurdin (2024), Noveliza & Crismonica (2021), and Hendayana et al. (2024) which explains that profitability has an influence on its target, namely tax avoidance. When a corporation's profit experiences a high increase, the burden of tax as its responsibility also increases. Management will try to distribute profits within the company so as to minimize expenses, one of which is the tax burden. From the detailed description above, the determination for the second hypothesis proposal is:

H_2: Profitability affects tax avoidance

The third part regarding inventory turnover of associated with inventory that experiences turnover can reflect a manifestation of a ratio that calculates the condition of how fast or slow an inventory in a particular corporation can be sold. The law in this mechanism describes when the inventory that experiences turnover is enlarged in number, it indicates that the inventory often experiences a condition of being sold at a fairly fast pace. In this section, when experiencing an upward position, it is determined as a manifestation of a trading mechanism, aka there are parties who sell and parties who buy it in the context of a corporation's inventory Puspita & Hermanto (2022). When the company makes sales in a fairly high composition, the profit also increases where the tax burden will also increase. This has a probability for a company to pass an action called tax avoidance in order to suppress a number of tax burdens as its dependents. This is in line with research conducted by Misral et al. (2020) and Mariani (2024) which says that inventory turnover affects tac avoidanceTherefore, the hypothesis that can be proposed at this third point is:

H_3: Inventory turnover affects tax avoidance

Firm size or another name for the size of a corporation can be observed through the total assets as the ownership of the corporation which is also closely related to the existence of the value of the stock market, the mean of the level of sales successfully carried out by the party. When sales have been totaled with a large capacity, there is an increasingly large turnover of money successfully promoted within the scope of the market. The condition of large or small total sales can also affect the amount of company productivity (Hidayah, 2024). The reality that needs to be understood is that when the corporation's position is getting bigger, this has a direct impact on the high value of sales, which makes the concept of sales in the growth scheme experience a massive increase, which has consequences in the form of avoidance practices in order to reduce the number of burdens that are dependent on taxation according to the regulations (Suyanto & Kurniawati, 2022). This idea seems to be in line with the findings of previous research that has been initiated by Rizka & Rahayu (2023) and Abdullah et al. (2021) which say that firm size can strengthen the effect of sales growth on tax avoidance. The proposal for this fourth hypothesis is:

H_4: Firm size can moderate the effect of sales growth on tax avoidance

Firm size, is a crucial indication of the company's prowess when carrying out a number of activities labeled in the economic realm. When it experiences enlargement, it is certain that this party has a tendency to obtain large profits. This causes the government to pay more attention to the company (Ramadani & Tanno, 2022). A corporation with a high profitability position, its asset ownership is getting bigger and this condition also leads to higher profits than a corporation with a smaller scale. This field reality will certainly have a number of effects where corporations that are larger in scope are inclined to think about managing a number of burdens for the determination of these taxes. This idea seems to be in line with the findings of previous research that has been initiated by Hutapea & Herawaty (2020) Andini et al. (2021) and Dewi & Merkusiwati (2023) which describe if company size can bring moderation regarding the realm of profitability with its target, namely tax avoidance. Based on agency theory, the larger the company size, the greater the potential for managers to make decisions related to tax avoidance in order to meet shareholder expectations. For the fifth hypothesis, namely:

H_5: Firm size can moderate the effect of profitability on tax avoidance

The discussion that alludes to inventory turnover, aka inventory that experiences such a turnover, is a ratio existence that is deliberately involved to calculate how smoothly the corporation makes purchases or sales of its inventory (Misral et al., 2020). When it experiences an upwardly rotating condition, it is said that the corporation concerned is getting faster in terms of selling the inventory it has stockpiled. Previous research findings conducted by Puspita & Hermanto (2022) and Alpi (2018) describe if company size can bring moderation related to inventory turnover to tax avoidance. When the size of the corporation is identified as large in terms of its existence, the value of inventory turnover also increases, which is specifically involved for the benefit of inventory expenses. The higher the burden brings consequences in the form of decreased profits as this is caused by the shrinking tax burden (Nugraha, 2020). So the proposal for the sixth hypothesis is:

H_6: Firm size can moderate the effect of inventory turnover on tax avoidance

METHOD

This research falls into the categorization of quantitative research involving the use of secondary-based data by targeting corporations in the property and real estate sector that are officially on the IDX for the period 2020 to 2023. While the sample determination involves 34 companies that have been determined involving purposive sampling techniques as the criteria included in the following table.

Table 1. Sample Criteria

Criteria	Total
Corporations with the property and real estate sector listed on the IDX in 2020-2023	92
Corporations with the property and real estate sector listed on the IDX that do not publish financial reports and incomplete information related to research variables in the 2020-2023 period	(58)
Total companies that meet the criteria	34
Number of years studied	4
Total data	136

Based on the criteria outlined above, a total of 34 companies meet the requirements, resulting in 136 data points. The dependent variable in this research focuses on tax avoidance, which represents deliberate efforts to reduce tax burdens within the framework of taxation rules and regulations. This practice reflects a strategic approach to minimize tax liabilities through specific avoidance measures integrated into transactional schemes (Rosandi, 2022). To measure tax avoidance, the Cash Effective Tax Rate (CETR**)** is utilized. A lower CETR value indicates a higher level of tax aggressiveness. The formula for CETR is as follows:

$$\text{CETR}=\frac{Pembayaran\ Beban\ Pajak}{Laba\ Sebelum\ Pajak}$$

Determination for variables that are independent in this research leads to three main components, namely sales growth, then the second is related to profitability, and the third is about inventory turnover. Sales growth or another name for growth in the context of sales reflects a ratio that is deliberately involved for the purpose of identifying a corporation whether it is experiencing an attractive or declining condition in a certain period compared to the previous period (Ainniyya et al., 2021). To measure sales growth, the following formula is used:

$$\textit{Sales}\ \text{Growth}=\frac{Penjualan\ (t)-Penjualan\ (t-1)}{Penjualan\ (t-1)}$$

Profitability is a ratio that measures overall operational efficiency, expressed as a level of excellence in terms of sales and operating margins. When profitability is increasing, it indicates the proficiency of a corporation in presenting a number of profits that have been categorized as good (Rosandi, 2022). In order to calculate the profitability ratio, you can use the Return on Assets (ROA) indicator (Ariska et al., 2020). With the following formula:

$$\text{ROA}=\frac{Laba\ Setelah\ Pajak}{Total\ Aset}$$

Inventory turnover refers to an inventory mechanism that undergoes extra turnover as a manifestation of the comparative ratio of the quantity of the cost of goods set for the benefit of sales by involving the mean of corporate inventory in a period that has been decided. In essence, when the inventory experiences a turnover that is said to be high, it is automatically faster for the corporation to sell its inventory (Puspita & Hermanto, 2022). To measure inventory turnover, the following formula is used:

$$\textit{Inventory}\ \text{Turnover}=\frac{Beban\ Pokok\ Penjualan}{Rata-rata\ Persediaan}$$

The moderating variable in this research is **firm size**. Firm size reflects a measure used to categorize the scale of a corporation, indicating whether it is large or small based on the total assets it owns (Saputra, Suwandi, 2020). The measurement of firm size is determined using the following formula:

$$\textit{Firm Size}=LN\ (\text{Total assets})$$

This study's data analysis strategy uses panel data and the moderated regression analysis (MRA) method. Model selection, descriptive analysis, partial testing, moderation testing, and coefficient of determination testing are some of its phases. Using the Chow, Hausman, and Lagrange multiplier tests, the Common Effect Model (CEM), Fixed Effect Model (FEM), and Random Effect Model (REM) are evaluated to see which one best fits the data. To verify the validity of the data, traditional assumption tests are performed, such as the autocorrelation, heteroscedasticity, multicollinearity, and normality tests. The features of every research variable over 136 data are then compiled using descriptive analysis. The

coefficient of determination measures how well the independent variables explain the dependent variable, whereas partial testing examines how the independent variables affect the dependent variable. Lastly, the moderating variable's effect on the link between the independent and dependent variables is evaluated by moderation testing. Next, the moderated regression analysis equation that results is created:

$$Y = \alpha + \beta 1X1 + \beta 2\, X2 + \beta 3\, X3 + \beta 4\, X1.Z + \beta 5\, X2.Z + \beta 6X3.Z + + \varepsilon$$

RESULTS AND DISCUSSION

Model Selection

CEM, FEM, and REM are the models that are declared suitable for obtaining governance over panel data. While the testing scheme for the selected model will be described in detail below:

According to the table, the Fixed Effect Model (FEM) is the best model in the Chow test, with a Chi-square probability value of 0.0000 (< 0.05). The Random Effect Model (REM) appears to be the best model in the Hausman test, as indicated by the cross-section random probability value of 0.7042 (> 0.05). The best model in the Lagrange Multiplier test is REM, as indicated by the Breusch-Pagan probability value of 0.0000. Thus, the Random Effect Model (REM) is the best model based on the outcomes of the three tests.

Classical Assumption Test

Data that satisfies the criteria is used for the classical assumption test, whereas data that does not are excluded. This test comprises the autocorrelation, heteroscedasticity, multicollinearity, and normalcy tests. If the Jarque-Bera probability value is higher than 0.05, the data is deemed to pass the normalcy test. In the event that the data passes the normalcy test, the Variance Inflation Factor (VIF) is used in the multicollinearity test. The data passes the multicollinearity test and moves on to the heteroscedasticity test if the total VIF value is less than 10. The Obs * R-Squared probability value is verified in this test utilizing the White test method. The data passes the heteroscedasticity test if the probability value is greater than 0.05, and can move on to the autocorrelation test, the last phase. The Lagrange Multiplier test is used for this test, and for the data to pass, the Obs * R-Squared probability value needs to be higher than 0.05.

Table 2. Model Selection Test

Spesifikasi Model	Statistik	P-Value	Model
Uji Chow	Ch-square Prob	0.0000	Fix Effect
Uji Hausman	Prob Random cross-section	0.7042	Random Effect
Uji Lagrage Multiplier	Prob Cross-section	0.0000	Random Effect

Testing	Normality *Jarque-Bera*	Multicollinearity *Variance Inflation Factor (VIF)*	Heteroscedasticity *White Test*	Autocorrelation *Lagrange Multiplier*
Sales Growth	0.063257	1.155457	0.5447	0.0540
Profitabilitas	0.063257	1.084005	0.5447	0.0540
Inventory Turnover	0.063257	1.221199	0.5447	0.0540
Firm Size	0.063257	1.093002	0.5447	0.0540
Sales Growth*Firm Size	0.063257	1.100946	0.5447	0.0540
Profitability*Firm Size	0.063257	1.198205	0.5447	0.0540
Inventory Turnover*Firm Size	0.063257	1.14791	0.5447	0.0540

Table 3. Classical Assumption Test Results

	Sales Growth	Profitability	Inventory Turnover	Tax Avoidance	Firm Size
Mean	0.046479	0.200588	0.301431	-0.849348	3.358348
Median	0.020079	0.302714	0.263432	-0.852743	3.375762
Maximum	0.999899	0.999999	0.991273	0.448669	3.460508
Minimum	-0.989217	-0.999199	0.020394	-2.340502	3.168783
Std. Dev.	0.434400	0.618240	0.232968	0.555712	0.072285
Skewness	0.400394	-0.328472	1.187553	-0.123856	-0.902634
Kurtosis	2.776206	1.893595	4.016969	3.018904	3.265744
Jarque-Bera	3.917630	9.382333	37.82701	0.349737	18.86782
Probability	0.141025	0.009176	0.000000	0.839567	0.000080
Sum	6.321165	27.27993	40.99468	-115.5113	456.7353
Sum Sq. Dev.	25.47491	51.59972	7.327007	41.69010	0.705383
Observations	136	136	136	136	136

Table 4. Descriptive Statistics Test Results

The outcomes of the classical assumption test are displayed in the table. Since the value is more than 0.05, as indicated by the Jarque-Bera probability value of 0.063257, it may be said that the data is regularly distributed. The data passes the multicollinearity test since the VIF value for each variable in the multicollinearity test is less than 10. The white test method's heteroscedasticity test yields a value of 0.5447, or greater than 0.05, indicating that the data passes the heteroscedasticity test. The test then moves on to the final test, the autocorrelation test, and yields a value of 0.0540, indicating that the data passes the autocorrelation test. After

the classical assumption test is carried out and the data is said to pass the test, a descriptive statistical test is carried out.

Descriptive Statistics

In the descriptive statistical scheme and also associated with the findings of the linear regression test related to panel data for the purposes of this study, it has been described in detail in the results and discussion chart and the explanation is straightforward in the following table presentation.

Table 4 presents the distribution of data for the variables of tax avoidance, sales growth, profitability, inventory turnover, and firm size. For the tax avoidance variable, the minimum value is -2.340502 and the maximum value is 0.448669. The average value is -0.849348, indicating a relatively high level of tax avoidance in the sample, as the average is closer to the maximum value. The standard deviation is 0.555712, suggesting a relatively high data variance, as it is close to the average value. For the sales growth variable, the minimum value is -0.989217 and the maximum value is 0.999899. The average value of sales growth is 0.046479, with a standard deviation of 0.434400, indicating that the sales growth of the companies in the sample is relatively low, given the proximity of the average to the standard deviation.

The profitability variable has a minimum value of -0.999199 and a maximum of 0.999999. The average profitability value is 0.200588, indicating a relatively high level of profitability in the sample, as the average is close to the maximum value. The standard deviation is 0.618240, suggesting that the data variance is relatively high, given the proximity of the average to the standard deviation. For the inventory turnover variable, the minimum value is 0.020394 and the maximum is 0.991273. The average value is 0.301431, with a standard deviation of 0.232968, indicating that the company's inventory turnover level is relatively low, as it is close to the standard deviation value. The firm size variable shows a minimum value of 3.168783 and a maximum value of 3.460508. The average value is 3.358348, indicating that the firm size in the sample is relatively large, as the average is close to the maximum value. The standard deviation is 0.072285, suggesting that the data variance is relatively low, given the proximity of the average to the standard deviation.

Hypothesis Testing

The discussion of Table 5 reveals that the probability value for sales growth is 0.4380, which indicates that sales growth does not have a significant impact on tax avoidance, leading to the rejection of the first hypothesis. Moving on to profitability (ROA), the probability value is 0.0000, which shows a significant positive effect on tax avoidance, thus confirming the acceptance of the second hypothesis. Finally, for inventory turnover, the probability value is 0.0474, indicating a significant positive effect on tax avoidance, supporting the third hypothesis.

Variables	Coefficient	Std. Error	t-Statistic	Prob.
C	-1.078420	0.102835	-10.48694	0.0000
Sales Growth	0.072296	0.092942	0.777863	0.4380
Profitability	0.327050	0.070797	4.619519	0.0000
Inventory Turnover	0.531166	0.265356	2.001709	0.0474
Sales Growth*Firm Size	0.024844	0.052446	0.473696	0.6365
Profitability*Firm Size	-1.661282	0.279309	-5.947819	0.0000
Inventory Turnover*Firm Size	-0.018020	0.058962	-0.305625	0.7604
R-squared	0.171837	0.360060		
Adjusted R-squared	0.153015	0.330295		
F-statistic	9.129639	12.09691		
Prob (F-statistic)	0.000016	0.000000		

Table 5. Regression Test result and R-squared

The moderating variable of sales growth and firm size has a probability value of 0.6365, confirming that this variable does not have an effect on tax avoidance, meaning the fourth hypothesis is rejected. In contrast, the moderating variable of profitability and firm size has a probability value of 0.0000, indicating a significant negative effect on tax avoidance, so the fifth hypothesis is accepted. Finally, the moderating variable of inventory turnover and firm size shows a probability value of 0.7604, suggesting that this variable does not influence tax avoidance.

Table 5 also presents the coefficient of determination (Adjusted R-Squared), which is 0.153015 (or 15.30%) for the unmoderated regression and 0.330395 (or 33.03%) for the moderated regression. These results indicate that sales growth, profitability, and inventory turnover contribute to influencing tax avoidance by 15.30% in the partial tests and 33.03% in the moderation tests.

Effect of Sales Growth on Tax Avoidance

The results showed that the probability value of sales growth of 0.4380 is above the significance level of 0.05, so sales growth has no significant effect on tax avoidance. This confirms that the level of sales growth, whether high or low, does not directly encourage or inhibit tax avoidance practices. One of the main reasons is that companies with high sales growth usually have a larger size and significant total assets. This condition causes the company to have stricter supervision from the tax authorities, so that tax avoidance efforts become more difficult to do. Support from research data shows that companies with a high level of sales growth also tend to have a tax burden that can be managed better without having to do tax avoidance. This finding is in line with the research of Astuti et al. (2020), Ayustina & Safi'i (2023), Wahyuni et al. (2023), and Noveliza & Crismonica (2021) which reveal that sales growth does not affect tax avoidance due to supervision factors and the capacity of large companies to comply with tax regulations.

Effect of Profitability on Tax Avoidance

Profitability is proven to have a significant positive effect on tax avoidance with a probability value of 0.000, which is far below the significance level of 0.05. These results indicate that companies with a high level of profitability face a greater tax burden, thus encouraging management to look for ways to reduce tax liabilities. One mechanism is to distribute profits through strategies that can legally reduce the tax burden. The research data shows a

significant correlation between the increase in profitability and the intensity of tax avoidance. This finding is in line with the ideas of Fatimah & Nurdin (2024), Muliana & Supryadi (2023), Mariadi & Dewi (2022), Ulinuha & Nurdin (2024), and Hermawan et al. (2021) which explains that companies with large profits tend to have a greater incentive to manage their tax burden. This is supported by the fact that more profitable companies have the financial flexibility to execute more complex tax planning strategies.

Effect of Inventory Turnover on Tax Avoidance

The results showed that inventory turnover has a significant positive effect on tax avoidance, with a probability value of 0.0474 below the 0.05 significance level. High inventory turnover reflects fast and efficient sales activities, which contribute to an increase in company profits. This condition triggers an increase in tax burden which encourages companies to conduct tax avoidance as a tax efficiency effort. The research data shows a direct relationship between high inventory turnover and tax avoidance strategies, which supports the ideas of Misral et al. (2020), Nugraha (2020), and Alpi (2018). The study explains that high inventory turnover is often followed by increased financial management complexity, including strategies to minimize the tax burden.

The Moderating Effect of Firm Size on the Relationship between Sales Growth and Tax Avoidance

Firm size does not moderate the relationship between sales growth and tax avoidance, with a probability value of 0.6365, greater than the 0.05 significance level. This indicates that despite the increase in firm size, the effect of sales growth on tax avoidance remains insignificant. One of the reasons is that large companies generally have better internal and external control systems, so the opportunities for tax avoidance are smaller. This finding is in line with the findings of Hermawan et al. (2021), Nanningsih & Dewi (2022), and Winarta et al. (2024) which explain that company size is not always a determining factor in the relationship between sales growth and tax avoidance. Research data shows that large companies with high sales growth are more likely to comply with regulations due to high attention from tax authorities.

The Moderating Effect of Firm Size on the Relationship between Profitability and Tax Avoidance

Firm size is proven to moderate the relationship between profitability and tax avoidance, with a probability value of 0.0000, which is far below the 0.05 significance level. This suggests that larger and more profitable firms have more assets and higher operational complexity, which may encourage more sophisticated tax avoidance strategies. The research data shows that large companies with high profitability have the resources to implement more effective tax planning. This finding is in line with research by Hutapea & Herawaty (2020), Andini et al. (2021), and Dewi & Merkusiwati (2023) which reveal that company size strengthens the relationship between profitability and tax avoidance. These studies show that the larger the size of the company, the greater its ability to utilize more complex tax planning schemes, which allows them to significantly reduce tax liabilities.

The Moderating Effect of Firm Size on the Relationship between Inventory Turnover and Tax Avoidance

According to the findings of the research analysis in this study, it is understood that the probability value related to firm size and inventory turnover on tax avoidance is 0.7604 greater than 0.05. This reality confirms that it cannot bring moderation related to the effect of inventory turnover on tax avoidance. Then the sixth part of the hypothesis is rejected,

which indicates that the size of a corporation is getting bigger, it also indicates an increase in the value of its inventory turnover. When this has experienced an elevated condition, it indicates that the company has accelerated in its trading scheme for the inventory that has been obtained. The high value of inventory turnover indicates that the faster the company sells its inventory, thereby obtaining high sales and profits. Thus, the company will be able to pay its tax burden (Lestiowati, 2018). The findings of this research are in line with the findings by Hermanto & Puspita (2022) and Hamdani & Prastiyanti (2022) that company size cannot have a moderating effect on inventory turnover with its target on tax avoidance.

CONCLUSION

The findings of this research indicate that sales growth does not significantly affect tax avoidance, whereas profitability and inventory turnover have a significant positive impact. Firm size does not moderate the relationship between sales growth or inventory turnover and tax avoidance but does moderate the effect of profitability on tax avoidance. This suggests that larger firms are more likely to use profitability in tax planning strategies. The study highlights that internal factors, such as profitability and inventory turnover, play a more critical role in tax avoidance compared to sales growth. High profitability and efficient inventory turnover can motivate companies to engage in tax avoidance to preserve profits. The research also underscores the influence of firm size in enhancing the relationship between profitability and tax avoidance, signifying that larger firms might leverage their resources for more aggressive tax planning. However, the study has limitations, including inconsistencies in financial report publication during 2020–2023, reliance on secondary data, and the use of limited variables such as sales growth, profitability, inventory turnover, and firm size. Future research should consider extending the analysis period, incorporating qualitative methods like interviews, and exploring additional variables such as Country by Country Reporting (CBCR), financial distress, or corporate social responsibility (CSR) to provide deeper and more comprehensive insights into tax avoidance.

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