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DETERMINATION OF TAX AVOIDANCE PRACTICES

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Abstract

To enhance tax revenue, the government is continuously working towards strengthening the tax sector's contribution to funding state expenses. However, a major hurdle in achieving the desired tax earnings is the prevalence of tax avoidance practices. This research aims to delve into the influence of company size, leverage, and sales growth on tax avoidance in f&b firms listed on the Indonesia Stock Exchange from 2018 to 2022. The study examines company size, leverage, and sales growth as independent variables, while tax avoidance serves as the dependent variable. The analysis encompasses 84 f&b firms listed on the Indonesia Stock Exchange during the specified period, with a sample size of 26 companies selected through purposive sampling. The data was analyzed using multiple regression tests with the aid of SPSS 18 software. The findings of this study reveal that company size does not significantly impact tax avoidance. However, leverage exhibits a positive effect on tax avoidance, whereas sales growth demonstrates a negative effect on tax avoidance.

Keywords: *Company Size, Leverage, Sales Growth, Tax Avoidance*

1. INTRODUCTION

Tax revenue is of utmost importance in the progress and advancement of emerging nations such as Indonesia (Tarmidi et al., 2020). The General Provisions and Procedures for Taxation, as outlined in the Law of the Republic of Indonesia Number 28 Article 1 Paragraph 1 of 2007 (Undang-Undang Republik Indonesia, 2007), highlight the mandatory nature of taxes as contributions to the state. These contributions are obligatory for individuals and entities, without any direct compensation. The funds collected through taxes are then utilized to enhance the state's well-being and the overall welfare of its citizens.

Tax payments can be a heavy burden for companies, and if not handled properly, they can have a detrimental impact on the company's worth. This often prompts companies to search for ways to avoid meeting their tax responsibilities (Faisal et al., 2023). Moreover, there exists a fundamental disparity in the objectives of the government and the company when it comes to tax collection, which further motivates companies to evade taxes (Ainniyya et al., 2021). From the government's perspective, taxes serve as a vital source of revenue that contributes to the overall financial well-being of the state (Kalbuana et al., 2023). Conversely, companies perceive taxes as a reduction in their net profit, conflicting with their primary aim of maximizing company value by achieving the highest net profit possible (Handoyo et al., 2022).

As per the research conducted by Kalbuana et al. in 2023, tax avoidance is the strategic maneuvering undertaken by companies to reduce their tax liabilities by taking

advantage of the gaps in Indonesia's tax laws. While this practice may not be illegal, it presents a considerable hurdle for developing nations like Indonesia, where poverty rates are high and there is a pressing demand for investments in vital areas such as infrastructure, education, and healthcare (Gunn et al., 2020). It is important to note that the tax mechanism also plays a significant role in contributing to the State Budget.

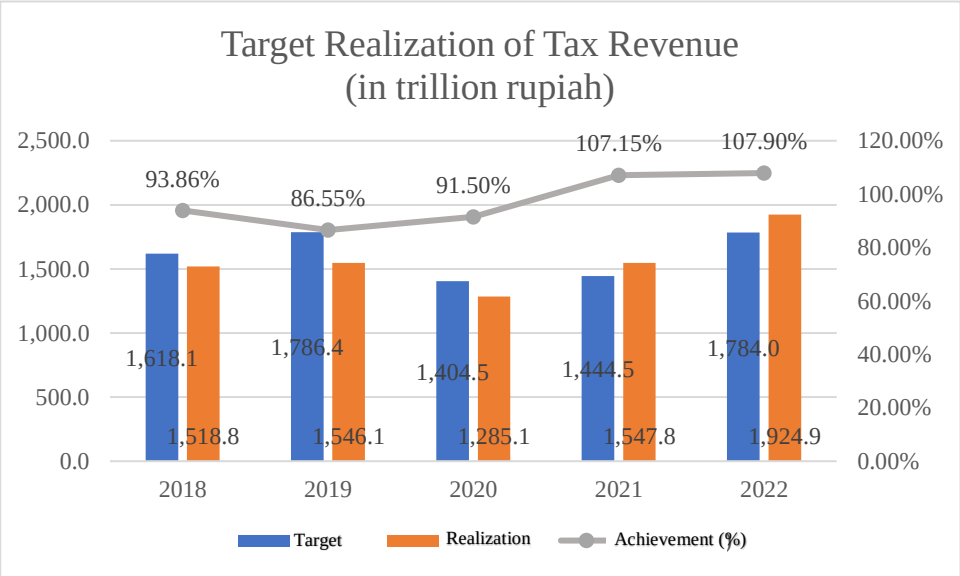

Figure 1. Tax Revenue Realization Target
Source: Indonesian Ministry of Finance

The above figure illustrates the tax revenue target, actual revenue, and achievement over a five-year period from 2018 to 2022. It is evident from the figure that tax revenue generally experiences an annual increase. However, there are instances where the revenue falls short of the target. This discrepancy indicates the prevalence of tax avoidance practices. The Tax Justice Network has conducted a study estimating an annual loss of US$ 4.86 or IDR 68.7 trillion (based on an exchange rate of IDR 14,149 / US dollar) for Indonesia due to the impact of tax avoidance. Additionally, the report "The State of Tax Justice 2020: Tax Justice in the time of COVID-19" reveals that corporate taxpayers have incurred losses amounting to IDR 67.6 trillion, which is equivalent to US$ 4.86 out of the total IDR 68.7 trillion.

This research is motivated by various instances of tax avoidance observed among corporate taxpayers in Indonesia. For instance, PT Indofood Sukses Makmur Tbk engaged in tax avoidance practices amounting to IDR 1.3 billion when it established a new company for business expansion and transferred its assets, liabilities, and operations to PT Indofood CBP Sukses Makmur (Gresnews, 2013). Additionally, in 2019, PT Adaro Energy Tbk was implicated in tax avoidance through transfer pricing schemes, as reported by the International NGO Global Witness. The company strategically sold coal at a lower value through its subsidiary, Coaltrade Service International Pte Ltd in Singapore, thereby diverting its profits abroad. These actions undoubtedly impact Indonesia's tax revenue, with PT Adaro Energy Tbk alone causing an annual loss of 14 million US dollars (Friana, 2019).

This study examines three variables that can potentially impact the implementation of tax obligations: company size, leverage, and sales growth. The first variable, company size, plays a crucial role in determining the taxation process for each company. The amount of tax that a company is required to pay is directly proportional to its size. Larger companies have a greater tax burden and are more actively involved in meeting their tax responsibilities, as taxes are perceived as a financial burden (S. Ernawati et al., 2019). Research conducted by Mulyati et al. (2019) suggests that company size influences tax avoidance. However, a study by (Mahdiana & Amin, 2020) contradicts this finding, stating that company size has no impact on tax avoidance.

The subsequent element to consider is the debt level, which is measured by a commonly known ratio called leverage. Leverage encompasses debt, loans, or external capital support, resulting in a fixed cost known as interest. These interest expenses can either lead to a decrease in taxable income or be a contributing factor to its reduction, thereby impacting the amount of tax that the company is obligated to pay (Mariana et al., 2021). Arnan et al. (2019) discovered in their research that leverage influences tax avoidance. Conversely, Darsani & Sukartha (2021) found in their study that leverage does not have an impact on tax avoidance.

Moreover, the final metric employed in this research is the expansion of sales. Organizations or entities have a tendency to achieve substantial profits when their sales consistently rise. Consequently, the inclination towards tax avoidance arises (Dewinta & Setiawan, 2016). As said by Chairunesia (2023), sales growth exhibits an adverse impact on tax avoidance. Conversely, Nabilla & ZulFikri (2018) discovered that sales growth has a favorable influence on tax avoidance.

Given the background provided, researchers are motivated to conduct a comprehensive review to explore empirical studies and examine the impact of company size, leverage, and sales growth on tax avoidance. This review aims to shed light on various factors influencing tax avoidance and its potential consequences on the reduction of revenue from the tax sector. The findings of this study can potentially assist stakeholders in gaining a deeper understanding of these factors.

2. LITERATURE REVIEW

2.1. Agency Theory

The concept of agency theory delves into the dynamics between company managers (agents) and business owners (principals) (Jensen & Meckling, 1976). While owners desire profit growth, management doesn't always see eye to eye with their objectives. As per agency theory, this clash of interests can result in conflicts as managers often prioritize their own goals (Nugraha & Mulyani, 2019). The significance of agency theory becomes apparent when examining the conflicts between tax collectors and taxpayers in relation to tax avoidance. Tax collectors strive to maximize tax revenue, while taxpayers aim to minimize their tax expenses.

2.2. Compliance Theory

The concept of compliance theory explains how individuals adhere to established norms or instructions (Tristanti & Aisyaturrahmi, 2023). When a company fails to comply with relevant regulations, it can lead to the adoption of tax avoidance strategies. The

presence of this theory can assist taxpayers and companies in better adhering to applicable regulations. When taxpayers are compliant, the occurrence of tax avoidance practices tends to diminish. Consequently, the government's tax revenue can experience an increase (Yohanes & Sherly, 2022).

2.3. Tax Avoidance

If tax evasion is considered illegal, then tax avoidance can be seen as a legal way to reduce the amount of income tax that an individual or company has to pay. One of the main goals for managers in a non-profit organization is to increase the wealth of shareholders. To achieve this, implementing tax avoidance strategies becomes an important management tactic, as taxes are seen as a burden from the company's perspective (Dang & Nguyen, 2022). The Effective Tax Rate (ETR) is used as a measure to assess tax avoidance practices in research studies (Dwiyanti & Jati, 2019). A high ETR indicates a lower level of tax avoidance within the company, while a low ETR suggests that the company takes a more aggressive approach towards tax avoidance (Tang, 2020).

2.4. Effect of Company Size on Tax Avoidance

The size of a company can be determined by various factors such as its log size, sales, total assets, number of employees, and value or share capital. These indicators help us understand the scale of a company. Generally, larger companies tend to have stable profits and possess significant total assets compared to smaller companies. It has been observed that larger companies are more likely to engage in tax avoidance practices due to their substantial profits, which results in a higher tax burden. Research conducted by Aulia & Mahpudin (2020) and Putri et al. (2018) supports the idea that company size has a positive influence on tax avoidance. Based on this, we can hypothesize that:
H1: “Company size has a positive effect on tax avoidance.”

2.5. Effect of Leverage on Tax Avoidance

Leverage refers to the financial support acquired from external sources to bolster a company's capital. The debt-to-equity ratio (DER) is a widely used metric to gauge leverage (Soedarsa & Arika, 2016). Corporate debt or leverage can lead to fixed expenses, such as interest payments. As per the regulations outlined in the Income Tax Law of the Republic of Indonesia (Undang-Undang Republik Indonesia, 2008), the taxable income for domestic taxpayers and permanent establishments is determined by deducting the costs associated with generating, collecting, and maintaining income, including interest, rent, and royalties. When the taxable profit decreases, the company's tax liability also decreases (Rahmadani et al., 2020). Managers can leverage these circumstances to engage in tax avoidance practices. Research conducted by Kim & Im (2017) and Rahmadani et al. (2020) supports the notion that leverage has a positive impact on tax avoidance. Hence, it can be postulated that:
H2: “Leverage has a positive effect on tax avoidance.”

2.6. Effect of Sales growth on Tax Avoidance

Sales growth refers to the change in sales volume from one year to another, whether it's positive or negative. This information is reflected in the income statement. When a

company consistently experiences an increase in sales over the years, it leads to higher profits. These increased profits serve as a motivation for companies to find ways to avoid paying taxes. Companies with stable sales growth rates tend to rely more on debt compared to those with unstable sales growth rates. Previous research supports the notion that sales growth has a negative impact on tax avoidance. Based on this, we can hypothesize that:
H3: "Sales growth has a negative effect on tax avoidance."

2.7. Research Framework

The following is a framework for research:

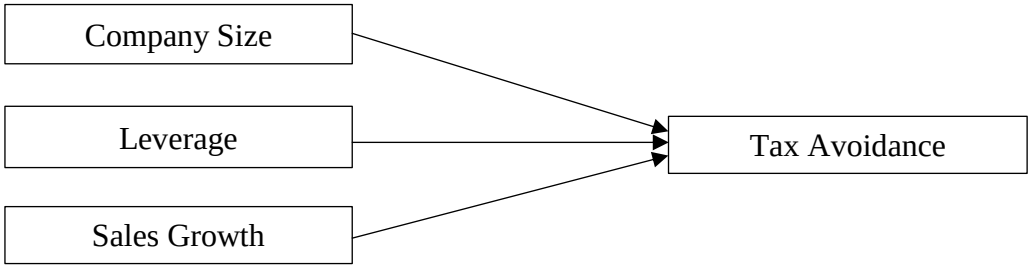

Figure 2. Research Framework

3. RESEARCH METHODS

3.1. Population and Sample

The researchers choose the participants from the food and beverage companies enlisted on the Indonesia Stock Exchange (IDX) during the period of 2018 to 2022. In order to gather the sample data, they utilized a technique known as purposive sampling, which entailed establishing precise criteria. The selection of samples was made in accordance with these criteria.

Table 1. Sample Selection Results

Criteria	Total	Does not meet the criteria
F&B sub-sector companies listed on the IDX for the period 2018-2022	84	
Companies publish complete financial data on the IDX for the period 2018-2022	53	(31)
Companies that earn profits during the 2018-2022 period	28	(25)
Companies publish reports in rupiah during the 2018-2022 period	27	(1)
Companies with ETR values between 0-1 during the 2018-2022 period	26	(1)
Number of Samples		26
Total Samples during the 2018-2022 Research Period (Five Years) (26x5)		130
Outlier data in the sample		(10)
Total Sampel		**120**

Source: Data Processed by Researchers (2023)

3.2. Data Collection Methods

The study was carried out using a quantitative methodology, with the data being sourced from secondary sources. The data was obtained from the website (www.idx.co.id) as well as the official websites of the respective companies. Specifically, the data consisted of annual reports pertaining to the food and beverage industry for the years 2018 to 2022, and it was collected using documentation techniques.

3.3. Variable

This study examines three independent variables: company size, leverage, and sales growth. The dependent variable being analyzed is tax avoidance. The table below presents the formulas or measurements for each variable:

Table 2. Operational Definition and Variable Formulas

Variable	Definition	Formula	Source
Tax Avoidance	Company management's efforts to minimize corporate tax payments beyond what is expected can be referred to as tax avoidance.	$ETR = \frac{tax\ burden}{profit\ before\ tax}$	(Handoyo et al., 2022)
Company Size	Measurement based on how large or small the company can be used to describe the company's revenue and operations is the definition of company size.	$Copany\ size = LN\ (Total\ Asset)$	(Mahdiana & Amin, 2020)
Leverage	Leverage is commonly associated with debt and is typically regarded as a means to enhance a company's performance. In this instance, leverage is employed to assess the extent to which a company utilizes debt for its operations and expansion.	$DER = \frac{Total\ Liabilities}{Total\ Equity}$	(Soedarsa & Arika, 2016)
Sales Growth	Sales growth refers to a company's ability to improve its financial performance or meet its business objectives. It is determined by the increase or decrease in sales volume from one year to another, as stated in the income statement.	$Sales\ Growth = \frac{Sales\ t - Sales\ t-1}{Sales\ t-1}$	(Maryanti, 2016)

3.4. Data Analysis Technique

The data that was obtained is then processed in order to analyze it. The first step in analyzing the data for this study involves conducting descriptive statistics. In addition, several other tests were carried out, including classical assumption tests, multiple linear regression, and hypothesis testing. The classical assumption test includes normality, multicollinearity, heteroscedasticity, and autocorrelation tests. Moreover, the t-test is

used for hypothesis testing, which allows for the examination of variables individually, while the f-test enables the examination of variables collectively, along with the coefficient of determination test. Before the data analysis, the classical assumption test was conducted, and during the data analysis, the multiple linear regression equation model was used in the following way:

$$Y = a + \beta\,1XI + \beta\,2X2 + \beta\,3X3 + et$$

Description:
Y = Tax Avoidance
a = Constanta
β 1, β 2, β 3 = Regression coefficient
X1 = Company Size
X2 = Leverage
X3 = Sales growth
et = error term.

4. RESULTS AND DISCUSSION

4.1. Research Results

In this study, descriptive statistics are used to provide an overall summary of the data processing results for each variable.

Table 3. Descriptive Statistics Result

	N	Minimum	Maximum	Mean	Std. Deviation
Company Size	120	27. 34	33.34	29.4861	1.48678
Leverage	120	.00	2.46	.7702	.59277
Sales Growth	120	-.47	.59	.0968	.15895
Tax Avoidance	120	.15	.33	.2378	.03755
Valid N (listwise)	120				

Source: SPSS 18 Data Processing, Researcher (2023)

Table 3 provides us with a range of statistical measures for different variables. For example, tax avoidance has a minimum value of 0.15, a maximum value of 0.33, a mean of 0.2378, and a standard deviation of 0.03755. On the other hand, company size ranges from a minimum of 27.34 to a maximum of 33.34, with a mean of 29.4861 and a standard deviation of 1.48678. Another variable, leverage, has a minimum value of 0.00, a maximum value of 2.46, a mean of 0.7702, and a standard deviation of 0.59277. Lastly, sales growth ranges from a minimum of -0.47 to a maximum of 0.59, with a mean of 0.0968 and a standard deviation of 0.15895.

To determine if the data follows a normal distribution, a normality test was conducted using the Kolmogorov-Smirnov test. The research significance level was set at 0.05, meaning that the data would be considered normal if the probability value exceeded 0.05. The results, shown in Table 4, reveal that the Asymp. Sig. value is 0.506. Therefore, we can conclude that the data follows a normal distribution since the probability value obtained from the normality test is higher than the threshold of 0.05.

Table 4. Normality Test Result

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		120
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	.03587490
Most Extreme Differences	Absolute	.075
	Positive	.075
	Negative	-.042
Test Statistic		.824
Asymp. Sig (2-tailed)		.506

Source: SPSS 18 Data Processing, Researcher (2023)

The subsequent examination conducted is the assessment for multicollinearity. The criterion for this particular multicollinearity test involves assessing the levels of tolerance and VIF values. In order to determine the absence of multicollinearity within the data, it is necessary to observe a tolerance value greater than 0.10 and a VIF value less than 10.00.

Table 5. Multicollinearity Test Result

Coefficients[a]

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Company Size	.875	1.143
	Leverage	.875	1.143
	Sales Growth	.977	1.024

a. Dependent Variable: Tax Avoidance

Source: SPSS 18 Data Processing, Researcher (2023)

Table 5 illustrates the tolerance value exceeding 0.10 for each variable. Additionally, the VIF value presented in the table demonstrates that each variable is below 10.00. Consequently, it can be inferred that the absence of multicollinearity is evident in the three variables: company size, leverage, and sales growth.

Table. 6 Heteroscedasticity Test Result

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.002	.002		-1.095	.276
	Company Size	4.050E-6	.000	.179	1.900	.060
	Leverage	-9.902E-5	.000	-.065	-.689	.492
	Sales Growth	-.004	.004	-.111	-1.221	.225

a. Dependent Variable: RESID2

Source: SPSS 18 Data Processing, Researcher (2023)

The subsequent step involves conducting the White test to examine heteroscedasticity. The obtained results indicate that there is no significant evidence of heteroscedasticity, as the significance level exceeds 0.05. Hence, it can be inferred that the data does not exhibit any signs of heteroscedasticity.

Table 7. Autocorrelation Test Result

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.296[a]	.087	.064	.03634	1.767

a. Predictors: (Constant), Company Size, Leverage, Sales Growth
b. Dependent Variable: Tax Avoidance

Source: SPSS 18 Data Processing, Researcher (2023)

The subsequent examination conducted involves the conventional assumption test utilizing the Durbin Watson test. In order to avoid autocorrelation, both negative and positive, the data must satisfy the condition where the value of dU is less than d and d is less than 4-du. According to Table 7, the Durbin Watson value obtained is 1.7670. Considering a significance value of 0.05, the Durbin Watson table indicates that the dU value is 1.7536, while the result of 4-dU is 2.2464. Consequently, it can be inferred that the data fulfills the criteria for the absence of autocorrelation, both in negative and positive forms, as the value of d falls within the range of $1.7536 < d < 2.2464$ ($1.7536 < 1.7670 < 2.2464$).

Moreover, the impact of every independent variable on tax avoidance is demonstrated through the utilization of multiple linear regression analysis. This analytical approach is employed to forecast alterations in the coefficient of variable values, encompassing both independent and dependent variables, signifying either an increase or decrease.

Table 8. Multiple Linear Regression Analysis

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.183	.069		2.654	.009
	Company Size	.002	.002	.065	.683	.496
	Leverage	.014	.006	.219	2.306	.023
	Sales Growth	-.047	.021	-.199	-2.221	.028

a. Dependent Variable: Tax Avoidance

Source: SPSS 18 Data Processing, Researcher (2023)

Based on the analysis, the equation model is obtained:

Tax Avoidance = 0,183+0,002 company size + 0,014 leverage + (-0,047) sales growth + et

The equation model reveals that the constant value is 0.183. This implies that if the company size (X1), leverage (X2), and sales growth (X3) are all zero, the ETR (Effective Tax Rate) as a measure of tax avoidance will be 0.183.

1. The coefficient of X1 is 0.002, indicating that for every 1 unit increase in X1, with X2 and X3 held constant, the Y coefficient will increase by 0.002.
2. Similarly, the coefficient of X2 is 0.014, meaning that for every 1 unit increase in X2, with X1 and X3 held constant, the Y coefficient will increase by 0.014.
3. On the other hand, the coefficient of X3 is -0.047, indicating that for every 1 unit increase in X3, with X1 and X2 held constant, the Y coefficient will decrease by 0.047.

Moving forward, we proceed to the t test, which is a useful tool for determining the influence of the independent variable on the dependent variable. The significance level for this test is set at 0.05. Therefore, if the significance value is equal to or less than 0.05, we can conclude that the independent variable has a significant effect on the dependent variable, and vice versa. In Table 8, we can observe the results of the t test for hypothesis testing. It indicates that the size of the company does not have a significant impact on tax avoidance. However, both leverage and sales growth do have a significant effect on tax avoidance. The value of company size has a positive impact on ETR, with a significance level of 0.496. Additionally, the value of DER has a positive impact on ETR, with a significance level of 0.023. Conversely, sales growth has a negative impact on ETR, with a significance level of 0.028.

The next test performed is the F-test, which is used to determine if both the independent and dependent variables have a simultaneous influence. The significance level for this test is set at 0.05. If the obtained significance value is equal to or less than 0.05, it means that the independent variable has a significant effect on the dependent variable at the same time. Conversely, the opposite condition is also true.

Table 9. F test result

ANOVA[b]

Model		Sum Of Squares	df	Mean Square	F	Sig.
1	Regression	.015	3	.005	3.700	.014[a]
	Residual	.153	116	.001		
	Total	.168	119			

a. Dependent Variable : Tax Avoidance
b. Predictors: (Constant), Company Size, Leverage, Sales Growth

Source: SPSS 18 Data Processing, Researcher (2023)

Table 9 reveals some interesting findings about how company size, leverage, and sales growth impact tax avoidance. All three factors have a positive influence on the effective tax rate (ETR), with a significant value of 0.014.

Moving our attention to Table 7, which focuses on the adjusted R2 or coefficient of determination test. The results show that the adjusted R2 value is 0.064, indicating that

the combined effect of the independent variables on the dependent variable is 6.4%. This suggests that these variables collectively account for 6.4% of the variation in the dependent variable.

4.2. Discussion

4.2.1. Effect of Company Size on Tax Avoidance

Hypothesis 1 (H1) suggests that the size of a company has a positive impact on tax avoidance. However, the findings of this study indicate that company size does not have a significant effect on tax avoidance. Therefore, H1 is rejected. The size of a company, whether large or small, does not justify engaging in tax avoidance. The reason behind this is the belief that taxes reduce net profit and are perceived as a burden. Additionally, larger companies tend to have higher profits, resulting in a heavier tax burden. Consequently, these companies try to exploit loopholes to minimize their tax obligations. According to agency theory, company agents can utilize company resources to maximize their own performance, often by focusing on reducing the tax burden to optimize company performance. On the other hand, small-scale companies earn smaller profits, leading to a lower tax burden. Nevertheless, even small companies seek ways to maximize their profits through loopholes. Regardless of their size, every company is still obligated to fulfill its tax responsibilities as a taxpayer. Compliance theory explains how individuals adhere to specific rules or orders. In this case, regardless of company size, all companies must comply with the relevant regulations, such as the Law of the Republic of Indonesia Number 28 of 2007 concerning taxes, which mandates tax contributions. These study findings align with previous research (Cahyono et al., 2016; Khairunisa et al., 2017), which also concluded that company size does not impact tax avoidance.

4.2.2. Effect of Leverage on Tax Avoidance

In this study, Hypothesis 2 (H2) suggests that leverage has a positive impact on tax avoidance. The hypothesis testing conducted in this study confirms that leverage indeed has a significant positive effect on tax avoidance, leading to the acceptance of Hypothesis 2 (H2). The test results reveal that there is a positive relationship between the coefficient value of DER and ETR. This means that as the DER value increases, the ETR value also increases. A higher DER value indicates a greater level of leverage within the company, while a higher ETR value suggests a lower level of tax avoidance. Managers take advantage of the information gap between shareholders and management to utilize debt as a source of funding. However, the heavy reliance on debt comes with consequences, such as a higher burden of interest payments. This, in turn, leads to a decrease in tax payment obligations. Therefore, it can be inferred that the company indirectly implements tax avoidance through these means (Nugraha & Mulyani, 2019). These findings align with previous research conducted by (Wahyuni et al., 2017; Widyastuti et al., 2022), which also found a positive relationship between leverage and tax avoidance.

4.2.3. Effect of Sales growth on Tax Avoidance

In this study, Hypothesis 3 (H3) suggests that sales growth has a negative impact on tax avoidance. The study conducted hypothesis testing and found that sales growth indeed has a significant negative effect on tax avoidance, confirming H3. The test results indicate that there is a negative relationship between the coefficient value of sales growth

and ETR (Effective Tax Rate). This means that as the sales growth value increases, the ETR value decreases. A higher ETR value indicates a lower level of tax avoidance in the company. On the other hand, companies with a lower ETR value indicate a higher level of tax avoidance (Putra & Aziz, 2020).

Increased sales growth leads to higher profits for the company. Managers take into consideration the level of sales growth when making decisions that impact tax costs. They try to factor this in when formulating policies to maximize profits because high sales growth also increases the tax burden (Juliana et al., 2020). These findings align with previous research (Hidayat, 2018; Irawati et al., 2020) that also found a negative relationship between sales growth and tax avoidance.

5. CONCLUSION

This research suggests that the size of a company does not have a significant influence on its tax avoidance practices. Regardless of whether a company is large or small, it is equally likely to engage in tax avoidance activities. This finding challenges the common assumption that larger companies are more likely to engage in aggressive tax planning. On the other hand, the study highlights the importance of leverage in determining a company's tax avoidance behavior. Companies with a higher Debt-to-Equity Ratio (DER) are more likely to have a higher Effective Tax Rate (ETR), indicating a lower level of tax avoidance. This suggests that companies with higher levels of debt are less inclined to engage in tax avoidance practices, possibly due to the increased scrutiny and reporting requirements associated with higher leverage.

Additionally, the research reveals a negative relationship between sales growth and tax avoidance. As sales growth increases, the Effective Tax Rate (ETR) decreases, indicating a higher level of tax avoidance. This finding suggests that companies experiencing rapid sales growth may be more motivated to engage in tax planning strategies to minimize their tax liabilities.

Consider looking into why companies with higher debt levels tend to engage in less tax avoidance. This could provide valuable insights into whether their financial strategies or external pressures are driving their decisions. Additionally, it would be beneficial to expand the research to analyze specific industries and determine if different sectors exhibit varying patterns of tax planning. Another area to explore is the long-term effects of the negative relationship between sales growth and tax avoidance. Understanding how sustained growth influences a company's tax behavior over time could provide valuable insights. To complement the quantitative findings, conducting qualitative research by interviewing tax professionals or executives could unveil nuanced motivations behind tax strategies. To enhance the generalizability of the research, a global comparative analysis across different jurisdictions should be conducted to assess if the observed relationships hold true globally. It would also be important to explore the policy implications that arise from the impact of debt on tax avoidance. This could involve considering regulatory measures or incentives to encourage responsible tax planning. Additionally, conducting a dynamic analysis of changes in reporting requirements over time and their correlation with tax avoidance behaviors would provide valuable insights. Lastly, delving into the influence of corporate culture on tax avoidance and examining how internal values and

ethical considerations impact a company's approach to tax planning would be an important aspect to consider.

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