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Uncovering The Secrets: How Profitability, Firm Size, Earnings Management, And Sales Growth Drive Tax Avoidance In Indonesia's Energy Giants (2018-2022)

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Abstract
This study aims to investigate the dynamics of tax avoidance in energy sector companies listed on the Indonesia Stock Exchange during the 2018 to 2022 period, with a focus on the influence of profitability, company size, earnings management, and sales growth. Using a quantitative method, hypothesis testing was conducted based on secondary data collected from the financial statements of energy companies. Through a purposive sampling approach, the analysis included 20 companies, resulting in a dataset consisting of 73 observations. The analysis revealed several interesting findings: profitability did not show a significant effect on tax avoidance, while company size was found to have a significantly positive impact. Meanwhile, earnings management did not significantly contribute to tax avoidance, and sales growth demonstrated a significantly negative relationship with tax avoidance. These findings enrich the understanding of the factors influencing tax strategies in Indonesia's energy sector and offer valuable insights for policymakers and corporate stakeholders.

Abstrak
Penelitian ini bertujuan untuk menyelidiki dinamika penghindaran pajak di perusahaan sektor energi yang tercatat di Bursa Efek Indonesia selama periode 2018 hingga 2022, dengan penekanan pada pengaruh profitabilitas, ukuran perusahaan, manajemen laba, dan pertumbuhan penjualan. Dengan menggunakan metode kuantitatif, pengujian hipotesis dilakukan berdasarkan data sekunder yang dikumpulkan dari laporan keuangan perusahaan energi. Melalui pendekatan purposive sampling, analisis dilakukan pada 20 perusahaan, menghasilkan dataset yang terdiri dari 73 observasi. Hasil analisis mengungkapkan beberapa temuan menarik: profitabilitas tidak menunjukkan pengaruh signifikan terhadap penghindaran pajak, sementara ukuran perusahaan terbukti memiliki pengaruh positif yang signifikan. Sementara itu, manajemen laba tidak berkontribusi secara signifikan terhadap penghindaran pajak, dan pertumbuhan penjualan menunjukkan hubungan negatif yang signifikan. Temuan ini memperkaya pemahaman tentang faktor-faktor yang mempengaruhi strategi pajak di sektor energi Indonesia, serta memberikan wawasan berharga bagi pembuat kebijakan dan pemangku kepentingan perusahaan.

Kata Kunci : Profitabilitas, Ukuran Perusahaan, Manajemen Laba Pertumbuhan Penjualan, Penghindaran Pajak

INTRODUCTION

Indonesia, as a developing nation, is actively striving to achieve national development across various sectors while enhancing the welfare of its citizens. A crucial effort in financing these development plans comes from tax revenue. Taxes represent a significant source of income, ranking foremost in contributing to the state budget (Anggaran Pendapatan dan Belanja Negara - APBN) compared to other revenue sectors (Prapitasari & Safrida, 2019). According to Law No. 16 of 2009 regarding General Provisions and Tax Procedures, Article 1, Paragraph 1, taxes are mandatory contributions to the state owed by individuals or entities, enforced by law without direct compensation, and utilized for state needs (Wulandari & Dasman, 2023).

The COVID-19 pandemic, which hit Indonesia in early 2020, compelled the government to quickly implement measures to prevent a potential economic crisis. A key step taken was the enactment of Government Regulation in Lieu of Law (Perpu) No. 1 of 2020, which sought to strengthen the National Financial Policy and Financial System Stability in response to the pandemic's effects. (Octavia & Sari, 2022).

In response to the pandemic, the government implemented a range of policies across different sectors, with a particular focus on taxation. This included regulations from the Ministry of Finance that provided tax incentives to taxpayers impacted by COVID-19. Finance Minister Sri Mulyani Indrawati noted that tax relief was extended to 19 manufacturing sectors and 11 non-manufacturing sectors, such as transportation, hospitality, and trade, during the period from April to September 2020.(Safira, 2021).

However, tax collection during the pandemic posed significant challenges. The instability in economic activities affected business processes, and companies often found little leniency from tax authorities (Safira, 2021). (Halim & Yohanes, 2022) noted that tax collection remained ineffective, with obstacles stemming from taxpayers engaging in tax management strategies such as avoidance or evasion. Many companies struggled to meet their tax obligations, prompting them to seek loopholes to reduce their tax burdens.

According to (Wijaya & Hidayat, 2021), Under typical conditions, Indonesia's tax revenue steadily grows each year as outlined in the state budget (APBN). However, data from the Ministry of Finance over the past three years show increasing expenditures for COVID-19 response and National Economic Recovery (PEN), while tax revenues have declined. In the 2020 APBN, expenditures were set at IDR 2,540.4 trillion, while state revenues were projected at IDR 2,223.2 trillion, leading to a deficit of IDR 317.2 trillion. This deficit could increase further if revenue targets are not achieved.

The significance of tax revenue in financing the State Revenue and Expenditure Budget (APBN) is evident from both the nominal amounts and the proportion of tax contributions to government income. Although nominal tax revenues continue to rise, these figures still fall short of the government's targets (Falbo & Firmansyah, 2018). One primary reason for this shortfall is tax avoidance practices among taxpayers (Wijaya & Hidayat, 2021).

This failure to meet tax revenue targets is closely tied to the differing interests of taxpayers and the government. Maximizing tax revenue is not without its challenges. In the push for tax system reform, there often exists a mismatch between governmental objectives and corporate interests (Ariska et al., 2020). For companies, taxes are seen as a cost that reduces net profit, prompting them to seek ways to minimize their tax liabilities. This divergence encourages firms to engage in tax planning. One legal form of tax planning is tax avoidance, while illegal practices are referred to as tax evasion (Safira, 2021).

Tax avoidance often does not explicitly violate laws but can contradict the intent and purpose of regulations (Putri & Putra, 2017). When a company's management seeks to minimize tax obligations through seemingly legal means, it creates a unique dilemma: on one hand, tax avoidance is lawful, yet on the other, it is unwelcome from the government's perspective.

Tax avoidance not only undermines government interests but can also negatively affect shareholders. There exists an information asymmetry between managers and shareholders, as managers can manipulate the information disclosed in financial statements, including the company's tax obligations. (Octavia & Sari, 2022).

Indonesia, a major player in the global coal mining industry, encounters considerable challenges due to inadequate regulation of mining activities, leading to environmental harm and tax avoidance. The mining and energy sectors are vital assets for the country. The 2020 Amendment to Law No. 3, which updates Law No. 4 of 2009, underscores the importance of these sectors in driving economic growth and promoting sustainable development. However, their effective implementation is often hindered by overlapping authority between central and regional governments, licensing problems, and weak regulatory oversight. (Hasibuan & Gultom, 2021).

A notable case of tax avoidance involved PT Adaro Energy, which was found to have used transfer pricing to shift profits to its subsidiary in Singapore. Between 2009 and 2017, PT Adaro paid far less tax than expected, resulting in Indonesia losing nearly USD 14 million in tax revenue annually. (Finance, 2019).

Amid the COVID-19 pandemic, the Tax Justice Network estimated that Indonesia lost around USD 4.86 billion annually due to tax avoidance, with the majority of these losses stemming from corporate entities rather than individual taxpayers. (Kontan, 2020).

As a result of widespread tax avoidance practices among mining companies like PT Adaro Energy, Indonesia incurs significant financial losses. There are various methods companies can use to evade corporate income tax (PPh), including transfer pricing, financial statement manipulation, and mergers with unprofitable subsidiaries (Rahmadani et al., 2020). Several factors influence tax avoidance, including profitability, company size, earnings management, and sales growth.

The first factor is profitability. Return on Assets (ROA) serves as an indicator of a company's success in generating profits; a higher profitability ratio typically reflects a company's enhanced ability to generate income. ROA measures a company's efficiency in producing profit relative to its total assets, after accounting for the costs associated with those assets (Fionasari et al., 2020). While companies naturally aim to minimize tax payments, increased profits often result in higher tax obligations, which can constrain their ability to meet other financial needs (Christy et al., 2022).

Previous research indicates mixed findings regarding the relationship between profitability and tax avoidance. For example, (Hidayat, 2018) and (Djatnicka et al., 2022) found a significant negative correlation, suggesting that higher profitability reduces tax avoidance. Conversely, (Prapitasari & Safrida, 2019) and (Rahmadani et al., 2020) a positive significant relationship was reported, indicating that increased profitability can lead to greater tax avoidance. In contrast, (Alfarizi et al., 2021) concluded that profitability does not significantly impact tax avoidance, positing that companies with strong financial management are better equipped to meet tax obligations without resorting to tax avoidance strategies.

The second factor impacting tax avoidance is the size of the company. Company size can be evaluated using metrics such as total assets, market capitalization, and other indicators that demonstrate a firm's capacity and stability in its operations. Larger firms generally attract more government scrutiny, which can lead corporate leaders to either adhere to regulations or pursue aggressive tax avoidance tactics. (Djatnicka et al., 2022).

Research findings on company size and tax avoidance are varied. For instance, studies by (Tebiono & Sukadana, 2019) and (Suteja et al., 2022) suggest that company size does not significantly influence tax avoidance. However, (Praditasari & Setiawan, 2017) found a significant negative relationship, while (Putri & Putra, 2017) and (Sadeva et al., 2020) we identified a positive significant correlation.

The third factor is earnings management, which involves management's efforts to alter financial reporting by adjusting accounting profits, either in compliance with or in violation of accounting principles (Falbo & Firmansyah, 2021). Management may manipulate financial statements to influence reported earnings, driven by tax motivations, as tax represents a major expense in a company's cash flow (Rahmadani et al., 2020). Thus, tax avoidance can be viewed as a component of earnings management (Febriyanti, 2023).

Previous studies present conflicting results regarding the influence of earnings management on tax avoidance. Octavia & Sari (2022) found a significant negative correlation, while (Hariseno & Pujiono, 2021) and (Pajriyansyah & Firmansyah, 2017) reported a positive significant relationship. In contrast, (Alam, 2019) and (Alfarizi et al., 2021) it is concluded that earnings management does not significantly affect tax avoidance.

The final factor is sales growth. According to (Suteja et al., 2022), Increased sales growth signifies robust operational performance and demonstrates the profit generated over a specific period. This scenario can motivate managers to participate in tax avoidance, especially if their compensation is linked to the company's profit performance over time.

Again, research findings on the impact of sales growth on tax avoidance are inconsistent. (Dewinta & Setiawan, 2016) and (Honggo & Marlinah, 2019) reported a significant positive relationship, suggesting that greater sales growth correlates with increased tax avoidance activity. Conversely, studies by (Widiyantoro & Sitorus, 2019) and (Mahdiana & Amin, 2020) found no significant relationship.

This study focuses on energy sector companies, particularly mining firms, due to their potential to generate substantial tax revenues. Mining companies represent a vital segment of the Indonesia Stock Exchange (BEI) and have demonstrated resilience in Indonesia's economic landscape. The increasing number of mining sector initial public offerings (IPOs) up to 2023 further underscores this sector's significance (Rahmadani et al., 2020). Mining companies possess considerable assets, as their core activities—exploration, extraction, processing, and selling minerals—require substantial investment.

Hypothesis of Research

Profitability and Tax Avoidance

Profitability is a key ratio that indicates a company's ability to generate profits. A high profit ratio reflects a company's effective capacity to produce earnings (Yustrianthe & Fatniasih, 2021). The greater the profitability ratio, the better the company's performance in managing its capital to achieve optimal profits. For investors, high profits serve as a standard for evaluating a company's potential, while creditors view profits as a measure of operational cash flow, which is essential for interest payments (Handayani, 2018).

Return on Assets (ROA) is a key indicator of profitability and is often emphasized in financial analyses due to its ability to reflect a company's effectiveness in generating profits. ROA evaluates how efficiently a company uses its assets to generate earnings, with a higher ROA signifying greater profitability. However, as profits rise, so does the corporate income tax obligation, leading companies to adopt tax avoidance strategies to alleviate the growing tax burden. (Dewinta & Setiawan, 2016).

Based on this discussion, the following hypothesis emerges:

H1: Profitability has a significant positive effect on tax avoidance.

The Impact of Company Size on Tax Avoidance

Company size is a measure that indicates the scale of a business and is evaluated based on factors such as equity value, revenue, number of employees, and total assets. It reflects the level of resources available to a company. Therefore, company size is seen as an important factor affecting a company's tax responsibilities and the likelihood of tax avoidance. Furthermore, multinational corporations are typically more prone to engage in tax avoidance practices than companies that operate exclusively within one country. (Rahmadani et al., 2020).

Tax avoidance is heavily influenced by company size; larger companies tend to adopt more tax avoidance strategies due to their higher turnover rates and potential for greater profits. Moreover, larger firms possess advanced resources that enable them to implement various strategies, including those aimed at minimizing tax liabilities (Suteja et al., 2022). Company size is thus utilized as an independent variable in this context, as it likely has a significant effect on the relationship with tax avoidance—larger companies are more inclined to engage in such practices compared to smaller firms.

Based on this analysis, the following hypothesis is proposed:

H2: Company size has a significant positive effect on tax avoidance.

The Influence of Earnings Management on Tax Avoidance

Earnings management involves strategic actions taken by management to meet profit targets and prevent financial losses. Companies often strive to minimize their tax liabilities through tax avoidance practices. This is achieved by intentionally manipulating reported earnings, typically by increasing expenses through specific accounting methods and policies (Rahmadani et al., 2020). The primary goal of earnings management is to enhance the appearance of financial performance in reports. One common strategy employed is to reduce tax burdens via tax avoidance (Alfarizi et al., 2021).

A key motivation behind earnings management is tax motivation. Taxes serve as a primary reason for companies to lower their reported profits using accruals. By managing earnings for tax reasons, firms aim to minimize their tax payments, exploiting discrepancies between accounting regulations and tax laws (Pajriyansyah & Firmansyah, 2017). These gaps in tax regulations and accounting standards allow companies with high profits to manage their earnings effectively, reducing tax liabilities while maintaining strong profit figures (Hariseno & Pujiono, 2021).

Based on this analysis, the following hypothesis is proposed:

H3: Earnings management has a significant positive effect on tax avoidance.

The Influence of Sales Growth on Tax Avoidance

Sales growth measures the increase in a company's sales over time. When a company experiences rising sales, it often leads to higher profits and, consequently, increased tax liabilities

(Arinda & Dwimulyani, 2019). A notable increase in sales signifies robust operational performance, demonstrating the company's capacity to generate considerable earnings over a specific timeframe. This situation can encourage managers to adopt tax avoidance strategies, as they may aim to optimize their compensation linked to the reported profits. (Suteja et al., 2022).

According to (Yustrianthe & Fatniasih, 2021), high sales growth enables a company to achieve elevated profits, which in turn results in larger tax obligations. To mitigate these expenses, firms may actively seek ways to reduce their tax payments, leading to increased tax avoidance activities.

Based on this analysis, the following hypothesis is proposed:
H4: Sales growth has a significant positive effect on tax avoidance.

The Influence of Profitability, Company Size, Earnings Management, and Sales Growth on Tax Avoidance

As a company's profits increase, so does its income tax liability, leading to a greater likelihood of tax avoidance as firms seek to minimize their tax burdens (Ahmad, 2020). Companies often aim to reduce their tax obligations, which can inadvertently hinder national revenue. Tax avoidance is influenced by a variety of factors, and previous studies have yielded mixed results regarding the impact of each variable.

Besides the four individual hypotheses, this study explores the simultaneous relationship among profitability, company size, earnings management, and sales growth in relation to tax avoidance. The analysis starts with descriptive statistics to gain insights into the data, then progresses to selecting the most suitable regression model, conducting classical assumption tests, and ultimately performing hypothesis testing.
H5: Profitability, Company Size, Earnings Management, and Sales Growth have a significant simultaneous effect on Tax Avoidance.

METHOD

This study investigates the dynamics of tax avoidance among energy sector companies listed on the Indonesia Stock Exchange (IDX) over the period from 2018 to 2022. The primary focus is on examining the impact of four key variables: profitability, firm size, earnings management, and sales growth. To achieve this objective, a quantitative research design was employed, enabling us to conduct robust hypothesis testing.

Data for this analysis were obtained from the financial reports of selected energy companies. We utilized secondary data, ensuring that the information was relevant and reliable for our research objectives. The purposive sampling method was applied to identify a specific set of companies that met our criteria for inclusion in the study. This approach allowed us to concentrate on firms that operate within the energy sector and are actively listed on the IDX.

The final dataset comprises 20 companies, yielding a total of 73 observations. This sample size is adequate for performing statistical analyses and drawing meaningful conclusions regarding the relationships between the studied variables. The data collected will undergo various statistical tests, including descriptive statistics and regression analysis, to evaluate the influence of profitability, firm size, earnings management, and sales growth on tax avoidance in the selected companies.

RESULT AND DISSCUSION

RESULTS

Multiple Linear Regression Analysis

Table 1. Multiple Linear Regression Analysis Results

Model	Unstandarized Coeficient		Standardized Coeficients	t	Sig
	B	Std.Error	Beta		

(Constant)	0.044	0.112		0.398	0.692
ROA	-0.286	0.301	-0.110	-0.949	0.346
SIZE	0.013	0.005	0.305	2.715	0.008
EM	0.312	0.298	0.118	1.046	0.299
SG	-0.181	0.084	-0.249	-2.155	0.035

Based on the table above, the results of the multiple linear regression analysis are represented by the following equation:

$Y \quad = 0{,}044 - 0{,}286\ X_1 + 0{,}013\ X_2 + 0{,}312\ X_3 - 0{,}181\ X_4 + e$

Description of Variables:

- Y = Tax Avoidance
- α = Constant
- β = Regression Coefficients
- X1= Profitability
- X2= Firm Size
- X3= Earnings Management
- X4= Sales Growth

The interpretation of the multiple linear regression equation is as follows:

1. **Constant Value**: The constant value of 0.044 indicates that if all independent variables (profitability, firm size, earnings management, and sales growth) are set to zero, the expected value of the dependent variable (tax avoidance) would be 0.044.
2. **Profitability Coefficient**: The regression coefficient for profitability is -0.286. This suggests that if profitability increases by 1% while keeping all other variables constant, tax avoidance is expected to decrease by 0.286.
3. **Firm Size Coefficient**: The regression coefficient for firm size is 0.013. This implies that a 1% increase in firm size, with all other variables held constant, would result in an increase in tax avoidance of 0.013.
4. **Earnings Management Coefficient**: The regression coefficient for earnings management is 0.312. This indicates that if earnings management increases by 1%, while all other factors remain unchanged, tax avoidance is anticipated to increase by 0.312.
5. **Sales Growth Coefficient**: The regression coefficient for sales growth is -0.181. This means that a 1% increase in sales growth while holding other variables constant, is expected to reduce tax avoidance by 0.181.

These results underscore the differing impacts of each independent variable on tax avoidance, highlighting the complexities involved in the tax strategies utilized by firms in the energy sector.

Hypothesis Test

Hypothesis testing is conducted by analyzing regression through the coefficient of determination test, the simultaneous effect test (F test), and the partial test (t-test).

Coefficient of Determination (R^2)

The coefficient of determination (R^2) test assesses the relationship between the dependent variable and the independent variables. This can be observed from the adjusted R square in the following table:

Table 2: Test Results of the Coefficient of Determination

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.426[a]	0.181	0.133	0.17191

According to the table above, the coefficient of determination (R^2) shows that the adjusted R^2 value is 0.133. This indicates that the independent variables—profitability, firm size, earnings management, and sales growth—account for only 13.3% of the variation in tax avoidance among energy sector companies from 2018 to 2022. Therefore, 86.7% of the variation is due to other factors not considered in this study. This emphasizes the necessity for further research to identify additional variables that could impact tax avoidance in this sector.

Partial Test Results (t statistical test)

Table 3: Partial Test (t test)

Model	Unstandarized Coeficient		Standardized Coeficients	t	Sig
	B	Std.Error	Beta		
(Constant)	0.044	0.112		0.398	0.692
ROA	-0.286	0.301	-0.110	-0.949	0.346
SIZE	0.013	0.005	0.305	2.715	0.008
EM	0.312	0.298	0.118	1.046	0.299
SG	-0.181	0.084	-0.249	-2.155	0.035

X1 (Profitability)

The t-test results indicate that the profitability variable (X1) has a t-value of -0.949. Since this value is lower than the critical T-value of 1.99547 (-0.949 < 1.99547) and the significance level of 0.346 exceeds the alpha threshold of 0.05, we conclude that profitability does not significantly affect tax avoidance, leading to the rejection of H1.

X2 (Firm Size)

The t-test results for the firm size variable (X2) show a t-value of 2.715. This t-value surpasses the critical value (2.715 > 1.99547), and the significance level of 0.008 is below the 0.05 threshold. Therefore, we conclude that firm size has a significant positive effect on tax avoidance, indicating that H2 is accepted.

X3 (Earnings Management)

For the earnings management variable (X3), the t-test yields a t-value of 1.046, which is less than the critical value (1.046 < 1.99547). Moreover, the significance level of 0.299 is greater than 0.05. Thus, we find that earnings management does not have a significant impact on tax avoidance, resulting in the rejection of H3.

X4 (Sales Growth)

The t-test results for the sales growth variable (X4) show a t-value of -2.155, which exceeds the critical value (-2.155 > 1.99547), with a significance level of 0.035, which is below 0.05. Therefore, we conclude that sales growth has a significant impact on tax avoidance, indicating that H4 is accepted.

Simultaneous Test Results (F Test):

Table 4: Simultaneous Test Results (F)

	Model	Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	0.445	4	0.111	3.764	.008[b]
	Residual	2.010	68	0.030		
	Total	2.455	72			

Based on the results shown in the table above and the calculations for Ftabel, it can be concluded that the significance value of 0.008 is less than the significance level of 0.05 (0.008 < 0.05), and the calculated F value of 3.764 exceeds the Ftabel value of 2.50 (3.764 > 2.50). Thus, we conclude that there is a significant simultaneous effect of the variables profitability, firm size, earnings management, and sales growth on tax avoidance, indicating that H5 is accepted.

DISCUSSIONS

The Impact of Profitability on Tax Avoidance

Profitability does not have a significant effect on tax avoidance. In this context, the level of profitability, as assessed by Return on Assets (ROA), does not significantly influence tax avoidance among energy sector companies in Indonesia. A high profitability ratio generally indicates management efficiency. The average profitability of the sampled companies is 9.23%, suggesting that these companies do not engage in tax avoidance due to their relatively low profitability. From an investor's standpoint, this lower average implies that the efficiency measures employed by management are also limited, which helps explain why profitability does not affect tax avoidance.

Profitability is an essential ratio in financial reporting, aimed at maximizing earnings. Typically, as a company's profitability rises, so does its net income. Consequently, increased income results in a higher income tax obligation proportional to the profits for that period. Companies that achieve substantial profits are generally not viewed as engaging in tax avoidance, as they are considered capable of managing both their revenue generation and tax payments effectively.

These findings align with previous studies conducted by (Alfarizi et al., 2021) and (Aulia & Mahpudin, 2020), which also indicates that profitability does not influence tax avoidance. This is attributed to the notion that higher profitability reflects better financial management and the ability to cover all expenses, including tax liabilities, thereby reducing the need for tax avoidance strategies.

The Impact of Firm Size on Tax Avoidance

Firm size has a significant positive effect on tax avoidance. With an average firm size of 2.245%, our findings indicate that the companies in the sample show signs of tax avoidance, as they operate on a relatively large scale. Larger firms usually have considerable assets, which allow them to achieve higher and more stable profits, thereby increasing the likelihood that they will employ tax avoidance strategies to minimize their tax liabilities. Moreover, larger companies often have a more advanced understanding of tax regulations, improving their ability to effectively implement tax avoidance practices.

This research aligns with previous studies, such as that of (Haryanti, 2021), which indicates that firm size influences tax avoidance. Larger firms tend to have greater total assets and more complex transactions than smaller firms. The substantial assets often enable these companies to achieve relatively high profits, leading to increased tax obligations. The complexity of their transactions provides opportunities to employ tax avoidance strategies aimed at minimizing tax liabilities. However, this finding contrasts with (Mahdiana & Amin, 2020), who concluded that firm size does not significantly affect tax avoidance.

The Impact of Earnings Management on Tax Avoidance

Earnings management does not significantly affect tax avoidance. It was initially hypothesized that the purpose of earnings management is to display favorable profit figures in financial reports, enabling management to reduce tax burdens. However, our findings indicate that earnings management does not have a substantial impact on tax avoidance. The average earnings management figure of -1.13% suggests that the companies in the sample do not engage in tax avoidance practices, as their level of earnings management is relatively low.

One reason for the insignificant impact of earnings management on tax avoidance is the varying motivations behind these practices. Many companies employ earnings management mainly through income-decreasing strategies, which focus on reducing reported income. This is accomplished by altering revenue recognition and increasing depreciation expenses on fixed assets, effectively reducing their economic lifespan. Consequently, even though companies engage in income-decreasing practices, they may not effectively lower their tax liabilities due to inconsistencies between operational and tax income recognition.

These findings corroborate earlier research by (Henny, 2019) and (Rahmadani et al., 2020), which also found that earnings management does not significantly influence tax avoidance. In contrast, studies by (Hariseno & Pujiono, 2021) and (Silvia, 2017) suggest that earnings management does affect tax avoidance.

The Impact of Sales Growth on Tax Avoidance

Sales growth has a significant negative effect on tax avoidance. The negative correlation suggests that with an average sales growth of 9.87%, the companies in the sample are not participating in tax avoidance, as they show a relatively low average. Strong sales growth indicates robust operational performance, which usually results in higher profits and, therefore, increased tax obligations. This ability to fulfill tax liabilities diminishes the motivation for management to engage in tax avoidance strategies.

These results are consistent with previous studies, such as (Hidayat, 2018), which found a significant negative relationship between sales growth and tax avoidance. As sales growth increases, the likelihood of tax avoidance diminishes, as firms with substantial sales activity are more likely to generate significant profits and fulfill their tax obligations. However, this finding contrasts with the conclusions of (Yustrianthe & Fatniasih, 2021), (Primasari, 2019), and (Mahdiana & Amin, 2020), who stated that sales growth does not significantly impact tax avoidance.

The Simultaneous Impact of Profitability, Firm Size, Earnings Management, and Sales Growth on Tax Avoidance

The analysis investigates the combined impact of profitability, firm size, earnings management, and sales growth on tax avoidance, demonstrating that these factors collectively have a significant effect. The F-test results show a statistically significant relationship, with an F value of 3.764 exceeding the critical threshold of 2.50, and a significance level of 0.008, indicating a low probability that these results are due to chance. However, the adjusted R-square value of 0.133 reveals that only 13.3% of the variance in tax avoidance can be accounted for by these variables, leaving 86.7% attributable to other factors not considered in the study, such as industry dynamics or specific tax strategies.

This finding underscores the complexity of tax avoidance behavior, indicating that while profitability, firm size, earnings management, and sales growth are relevant, they do not fully account for variations in tax practices. Understanding the interplay of these factors can provide valuable insights for stakeholders, including policymakers and corporate managers, about how operational strategies influence tax behavior. Future research should explore additional variables and contextual influences to gain a more comprehensive understanding of tax avoidance in the corporate sector.

CONCLUSION

In conclusion, this study investigates the dynamics of tax avoidance in energy sector companies listed on the Indonesia Stock Exchange from 2018 to 2022, focusing on the effects of profitability, firm size, earnings management, and sales growth. The findings reveal that while the firm size and sales growth significantly influence tax avoidance, profitability, and earnings management do not show a substantial impact. Specifically, larger firms with greater resources are more likely to engage in tax avoidance practices, while strong sales growth correlates with reduced tax avoidance, suggesting robust operational performance.

Moreover, the simultaneous analysis highlights that these four factors collectively account for only a small portion of the variance in tax avoidance behaviors, indicating the presence of other influencing elements. The study's results align with previous research, reinforcing the notion that tax strategies are multifaceted and influenced by a range of variables. Future research should consider additional factors and contextual elements to deepen the understanding of tax avoidance within the corporate landscape, ultimately aiding in the development of more effective tax policies and management strategies.

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