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CORPORATE SOCIAL RESPONSIBILITY AND OTHER FACTORS AFFECTING TAX AVOIDANCE

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Abstract: *The primary objective of this research is to obtain empirical evidence for the influence of corporate social responsibility (CSR) and other factors including return on asset, leverage, sales growth, capital intensity ratio, inventory intensity ratio, firm size, financial distress, accounting conservatism on tax avoidance. Population used in this research are consumer non-cyclicals and consumer cyclicals companies listed on the Indonesian Stock Exchange (IDX) from 2020 to 2022. The study employs a purposive sampling technique with the final result meeting the criteria on 62 companies, 186 data over a three-year period from 2020 to 2022. This research used multiple regression method to analyze the data. The results reveal that return on asset, sales growth, and inventory intensity ratio influence tax avoidance. On contrary, leverage, capital intensity ratio, firm size, financial distress, accounting conservatism, and corporate social responsibility show no influence on tax avoidance. Depending on the amount of profitability the business experiences, it will decide what steps to take to maximize its net profit. In other side, companies that incur costs that can be counted as tax deductions feel that the company no longer needs to avoid taxes.*

Keywords: *Tax Avoidance, Corporate Social Responsibility (CSR), Return on Asset, Sales Growth, Inventory Intensity Ratio, Financial Distress*

INTRODUCTION

The tax function is so important that everyone must fulfils their tax obligations. Without the tax function, most state activities are difficult to run. Therefore, it is hoped that the contribution of taxpayers to carry out their tax obligations will advance development in Indonesia so that it can become a better country. However, it is undeniable that there are still many taxpayers who do not comply with their taxes or reduce what they should pay. For the country, tax is an income, however, according to the company, taxes are considered a corporate burden that can reduce net income. This can cause obstacles in the implementation of taxpayer compliance. Companies tend to reduce their tax burden to reduce business and operational costs. One of the strategies that can be utilized is tax avoidance, which could be a legitimate way to reduce the charge burden. Generally, tax avoidance method exploit gaps in tax regulations without breaking them. Even though no law is being broken, tax avoidance can be considered a form of non-compliance with applicable tax regulations, because it shows a business that is not profitable for the country's tax system.

Even though for companies, tax avoidance might have a good impact for their operation income, not all companies agree and tend to do the tax avoidance. Companies need to consider other factors in their actions such to carefully consider the ethical implications of their tax practices and align them with their broader Corporate Social Responsibility (CSR) goals to maintain stakeholder trust and ensure consistency in their commitment to social and environmental responsibility. The idea of corporate social responsibility, or CSR, holds that businesses, in particular, have an obligation to the environment, communities, shareholders, customers, and workers in all facets of their operations, including those that have an influence on the environment. Activities within the company may not always focus only on generating massive income, but also there is also an action to balance it out which can give impact to the minimize activities that are not in line with the environment including the tax payment as it is as a form of indirect contribution to develop the country.

The commitment of doing CSR can be seen from one of the companies in Indonesia which is PT Telkom Indonesia Tbk (Telkom). Citing from the official website of Telkom (2022), the commitment of PT Telkom in carrying out the CSR program has yielded good results and appreciation. The Golden Awards given to Telkom are awards for the implementation of a consistent and sustainable Corporate Social Responsibility (CSR) Strategy program by the company. Other than getting the award for being a CSR performance, PT Telkom also strengthens its dedication to serving the country by becoming the largest tax contributor at the Four Largest Taxpayer Tax Service Office (KPP) in 2020. The case given indicates that there's an interesting relationship pattern between being a good CSR performance and being an obedient taxpayer that can be studied further.

This research is a development of previous research conducted by Sonia and Suparmun (2019) which used the variables of independent commissioner, institutional ownership, managerial ownership, return on asset, firm size, leverage, sales growth, capital intensity ratio, and inventory intensity ratio. The researcher is motivated to develop previous studies that have been carried out and conducted research entitled "Corporate Social Responsibility and Other Factors Affecting Tax Avoidance."

Research Objectives

Based on the research background stated above, the objectives of the research are to find empirical evidence for the effect of return on asset, leverage, sales growth on tax avoidance, capital intensity ratio, inventory intensity ratio, firm size, financial distress, accounting conservatism, corporate social responsibility on tax avoidance.

Agency Theory

The creators of agency theory, Jensen and Meckling (1976), define a corporation as a set of agreements between the principle, or owner, of economic resources, and the agent, or company management, who is responsible for monitoring and controlling those resources. In accordance with the principal's requirements, the agent completes specific tasks, and the principal is obligated to pay the agent. Anthony and Govindarajan (2005) state that agency theory makes the assumption that everyone would behave in their own best interests since people are inherently greedy and encourage to put their needs first.

In this study, the principal is the government which is tax receiver, and the agent is the company which is taxpayer. Due to the fact that taxpayers in Indonesia are required to compute and file their own taxes, there may be attempts made to avoid taxes. Taxes from tax authorities are a source of income that can potentially influence and increase state revenue. This will result in conflicting interests between the government and businesses, with the tax authorities acting as the principal and the corporation acting as the agent and seeking the lowest amount of tax income from the community.

Legitimacy Theory

Legitimacy theory explains the social contract between an organization and society. If the community believes the business has broken this contract, it will pose a threat to the company's continued existence (Handayati 2019). The legitimacy of an organization's company can be seen as something given by the community to the company and something that the company wants or seeks from the community (Rochayatun and Kholifah 2020). According to Hidayanti and Murni (2018), businesses need approval or legitimacy from lenders, investors, customers, the government, and the community at large in order to continue operating. Corporate entities must thus disclose the social context in order to communicate their environmental initiatives and maintain their credibilit (Berthelot and Robert 2011) y.

Tax Avoidance

Tax avoidance is a company's attempt to minimize the tax burden in a way that does not violate existing tax laws. It can be caused by a number of things, but generally, taxes are seen as a burden that can lower business profitability (Sonia and Suparmun 2019). The application of tax avoidance was not carried out unplanned. As a matter of fact, a large number of businesses profit from doing tax avoidance. Due to the fact that tax avoidance is both undesirable and permitted, it presents a difficult challenge. Therefore, tax avoidance can be defined as a legal action taken by the obligator to exploit the legal loopholes in the applicable tax laws in order to reduce the tax burden. The primary goal of tax avoidance action is to lower the tax burden because the company views paying taxes as an expense (Kurniasih and Ratna 2013).

Return on Asset and Tax Avoidance

Agency theory states that when a firm tries to maximize its earnings, there will be a conflict of interest between the business or taxpayer (the agent) and the taxing authority (the principal). The firm is required to generate substantial profits while minimizing its tax liability, and the government wants to collect as much revenue as possible. Depending on the amount of profitability the business experiences, it will decide what steps to take to maximize its net profit (Darsani and Sukartha 2021). The high ROA of the corporation might have been impacted from the tax avoidance practices, such as managing its assets to benefit from amortization and depreciation costs. Consequently, it is presumed that a corporation that generates high profits is engaging in tax avoidance (Sonia and Suparmun 2019).

H_1: Return on asset has an effect on tax avoidance

Leverage and Tax Avoidance

High leverage companies are likely to be engaging in tax avoidance. The bigger the third party's leverage, the higher the interest expenditure will be as a result. The interest expenditure comes from debt owed to a creditor or third party who does not have a specific relationship to the company, so it can be deducted from taxable revenue. Because it lowers taxable income, this high interest charge can be used to lower taxes. Having less profit will result in the corporation paying less tax (Sonia and Suparmun 2019).

H_2: Leverage has an effect on tax avoidance

Sales Growth and Tax Avoidance

Increased sales growth generally results in increased profits for the company. The corporation may incur more tax costs as a result of this big earnings. On the other hand, the business does not want to pay excessive taxes because of the big profit brought on by the rise in sales. As a result, the business will attempt to avoid paying taxes (Sonia and Suparmun 2019).

H_3: Sales growth has an effect on tax avoidance

Capital Intensity Ratio and Tax Avoidance

According to Darsani and Sukartha (2021), capital intensity is the amount of total capital embedded in investment in the form of company fixed assets. Because fixed assets have depreciation expenses associated with them, owning fixed assets can lower the taxes that the business must pay.

H_4: Capital intensity ratio has an effect on tax avoidance

Inventory Intensity Ratio and Tax Avoidance

Inventory intensity ratio may be a sign that a business is avoiding taxes. When a corporation has a significant volume of inventory, additional costs, such as storage costs, may rise. The company's profit will decline as a result, and the possibility of tax avoidance exists (Sonia and Suparmun 2019).

H_5: Inventory intensity ratio has an effect on tax avoidance

Firm Size and Tax Avoidance

The more a firm grows, the more likely it is that stronger management and better financing will be required to run it. With greater resources, the large firm can engage in efficient tax planning to avoid taxes. The larger a corporation is, the more likely it is to do tax avoidance (Sonia and Suparmun 2019).

H_6: Firm size has an effect on tax avoidance

Financial Distress and Tax Avoidance

The tendency of company management to be self-interested explained by agency theory. The agent (management) continues to work to maintain a positive reputation in good standing, even though the business is experiencing financial difficulties. This can be done to ensure that the business can operate in every situation. In addition, management makes various efforts to bringing in business through tax avoidance. Increasing financial distress in a company will encourage tax avoidance on the part of the organization (Azzahra 2022).

H_7: Financial distress has an effect on tax avoidance

Accounting Conservatism and Tax Avoidance

In accounting conservatism principle, companies are asked not to rush in recognizing income, but for losses or debts owned by the company, the company is asked to immediately recognize it. This principle of accounting conservatism will certainly affect the profits obtained by the company. This principle is related to the grand theory of accounting, namely agency theory and this profit will also influence the taxes paid by the company. When dealing with two or more options when creating financial statements, accountants use a conservative approach. When presented with multiple options, the conservative management of the company should choose the one that won't yield excessive assets and revenue. The amount of accounting conservatism in financial reporting is determined by a number of factors, including management's commitment to presenting clear, accurate, and non-misleading financial statements (Ardillah and Halim 2022).

H_8: Accounting conservatism has an effect on tax avoidance

Corporate Social Responsibility and Tax Avoidance

Corporate social responsibility attempts to win the community's approval as legitimate. According to legitimacy theory, a company's management strategy is focused on aligning with community groups, governments, and society at large. Legitimacy is a notion that demonstrates that businesses have a social obligation to act morally and in line with the norms and value systems of the communities in which they operate.

Companies typically engage in CSR, which includes components of profit, humanity (people), and the environment (planet), as well as tax compliance, while engaging in social responsibility initiatives. Since taxes are primarily intended to support national development and enhance people's welfare, paying taxes can be considered a sort of indirect CSR activity. The company would lose its reputation in the eyes of its stakeholders and will destroy the benefits connected to the CSR operations that have been carried out if it engages in CSR activities while acting to avoid taxes. Companies that practice CSR have a tendency not to engage in tax avoidance because it is not a morally right or acceptable thing to do (Lestari and Solikhah 2019).

H_9: Corporate social responsibility has an effect on tax avoidance

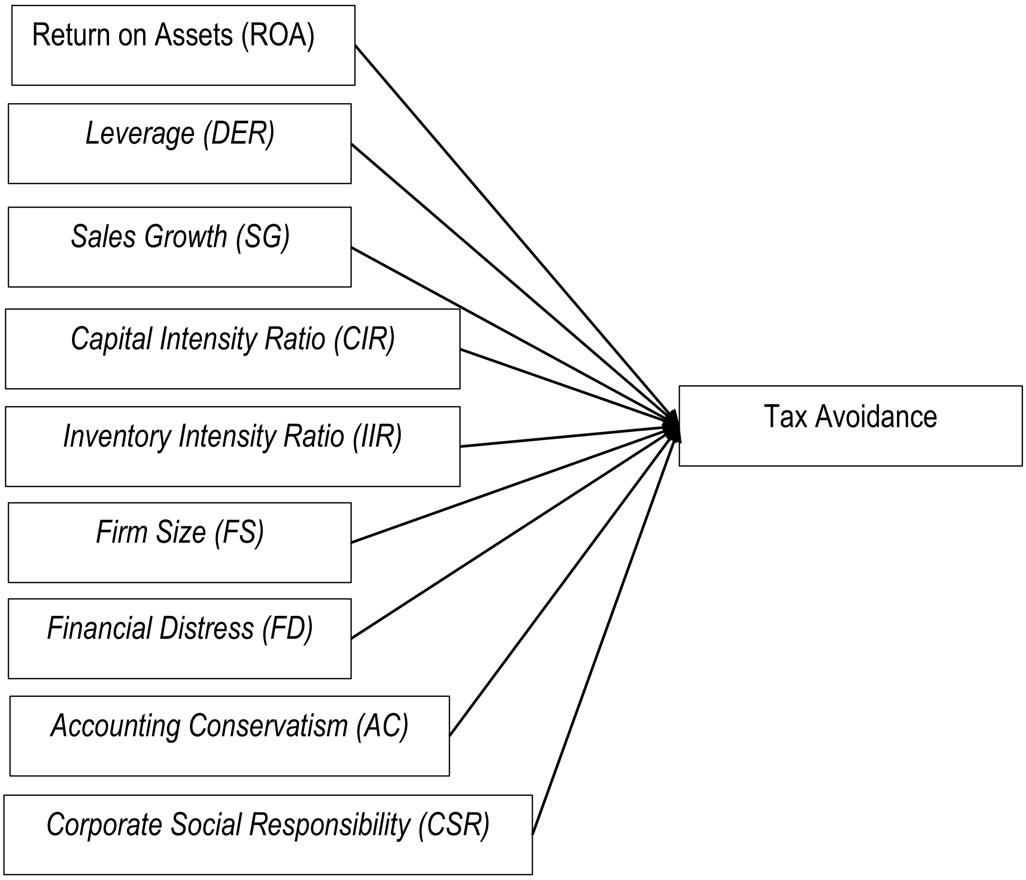

Figure 1 Research Model

RESEARCH METHOD

Sample Selection and Data Collection

The research objects used in this study were all consumer non-cyclicals and consumer cyclicals companies listed on the IDX (Indonesian Stock Exchange). The sampling period is 3 years, from 2020 to 2022. In this research, the sampling technique that will be used is purposive sampling, which is a technique where the data to be studied comes from specific target groups and conform to the determined criteria. The criteria of this research showed in table 1. Based on the predetermined sample selection criteria, this research obtained 62 companies as samples, so the total data used in this research was 186.

The research uses secondary data that comes from available sources that are collected by other people. The information gathered includes annual financial reports, factbooks, and reports from companies listed on the Indonesia Stock Exchange following an audit for the 2020–2022 fiscal year, which ended on December 31. This shows that all data is ready and available for the researchers and can be used directly for the research. The data taken is sourced from the official website of the Indonesia Stock Exchange (IDX) www.idx.co.id.

Tax avoidance is a company's attempt to minimize the tax burden in a way that does not violate existing tax laws. There are several reasons why companies avoid paying taxes, but generally speaking, it's because they view taxes as a burden that could lower their company's profits (Sonia and Suparmun 2019). Where companies carry out tax avoidance can be seen from the Cash Effective Tax Rate (CETR) values above 0 below 1 (Tebiono et al. 2019). Tax avoidance in this study is measured using the CETR ratio that describes the ratio between the cash tax payments paid by the company to the company's profit before tax (Monika and Noviari 2021). The formula of CETR is:

Table 1 Sample Selection Procedure

No	Criteria Description	Total Companies	Total Data
1.	Consumer non-cyclicals and consumer cyclicals companies that are consistently listed and the financial report or annual report are publicly available on the Indonesia Stock Exchange (IDX) from 2020-2022 period.	196	588
2.	Consumer non-cyclicals and consumer cyclicals companies that have published financial reports ending December 31 for the 2020-2022 period.	(2)	(6)
3.	Consumer non-cyclicals and consumer cyclicals companies that consistently used IDR (Rp) currency in their financial statements from 2020-2022 period.	(14)	(42)
4.	Consumer non-cyclicals and consumer cyclicals companies that reported net income from 2020-2022 period.	(107)	(321)
5.	Consumer non-cyclicals and consumer cyclicals companies that accommodate CSR disclosures that incline with research variable for the 2020-2022 period.	(1)	(3)
6.	Consumer non-cyclicals and consumer cyclicals companies that Cash Effective Tax Rate (CETR) values above 0 below 1 for the 2020-2022 period.	(10)	(30)
	Number of Samples Firms Used	**62**	**186**

Source: Data is obtained from IDX's Website

$$\text{CETR} = \frac{\text{Tax Payment in Cash}}{\text{Profit Before Tax}}$$

A corporation must be profitable in order to maintain a level of revenue, assets, and capital for a given period of time (Lestari and Solikhah 2019). Return on Asset (ROA) measures a company's ability to produce a profit by dividing net income over a given period by total assets at the end of the period. The higher the ROA value, the greater the profit the company earns (Dewinta and Setiawan 2016). Return on assets displays the portion of a company's profit (net profit) that is attributable to all resources or the average number of assets. ROA uses a ratio scale and the formula for calculating ROA according to Sonia and Suparmun (2019) is:

$$\text{ROA} = \frac{\text{Net Income}}{\text{Total Assets}}$$

Sonia and Suparmun (2019) describes leverage as the extent to which the owner's capital can cover debts to parties outside the company. Leverage is a ratio used to assess how well short- and long-term debt can fund a company's assets (Kurniasih and Ratna 2013). According to Sonia and Suparmun (2019) leverage uses a ratio scale and is formulated by:

$$\text{DER} = \frac{\text{Total Liability}}{\text{Total Equity}}$$

Sonia and Suparmun (2019) describe sales growth as the development of sales levels from year to year. Therefore, this development can increase or decrease. Sales growth is calculated using a ratio scale, which divides sales at the beginning of the period by sales at the end of the period less sales at the beginning of the period. The formula of sales growth can be formulated as:

$$\text{Sales Growth} = \frac{\text{Sales}_t}{\text{Sales}_{t-1}} - 1$$

According to Sonia and Suparmun (2019) capital intensity is the amount of total capital embedded in investment in the form of company fixed assets. This capital intensity uses a ratio scale and can be measured using the capital intensity ratio formula which is formulated as follows:

$$\text{Capital Intensity Ratio} = \frac{\text{Total Fixed Assets}}{\text{Total Assets}}$$

Inventory intensity refers to the ratio of a company's total assets to its inventory holdings. The scale of this variable is ratio scale and can be formulated as follows (Sonia and Suparmun 2019):

$$\text{Inventory Intensity Ratio} = \frac{\text{Total Inventory}}{\text{Total Assets}}$$

Firm size is a picture of the size of a company. Company size is determined by the quantity or size of the company's assets (Sonia and Suparmun 2019). According to Yohan and Pradipta (2019) company size is one way to find out how big the company is compared to other companies. Since the business size can be approximated by Ln total assets, the calculation starts with the total assets. Natural log is used to lessen data fluctuations without changing the origin's value proposition. Therefore, firm size in this study uses a ratio scale which can be formulated as follows (Sonia and Suparmun 2019):

$$\text{Size} = \text{Ln (Total Asset)}$$

A corporation is said to be in financial difficulty when it undergoes a fall in its financial standing before going out of business or declaring bankruptcy. The Altman Z-Score algorithm, which is given in more detail below, is used in this study to gauge financial distress (Monika and Noviari 2021).

Altman Z-Score Formula

$$Z = 1.2A + 1.4B + 3.3C + 0.6D + 1E$$

Where:
A = “Working capital / Total assets”
B = “Retained earnings / Total assets”
C = “Earning before interest and taxes / Total assets”

D = "Market value of equity to book value / Total debt
E = "Sales / Total assets"
Z = "Overall index"
The Z value on the Altman Z-Score will indicate the probability of bankruptcy. A corporation is considered to be in a safe zone or not experiencing distress if its Z score is higher than 2.99. Meanwhile if the company has the Z score is less than1.81, it implies that the company will very likely experiencing financial distress in the nearly future. Additionally, the business is in a gray area if the Z number falls between 1.81 and 2.99.

According to Ardillah and Halim (2022), accounting conservatism can be explained as a practice when losses and debt are recognized right away, and profits and net assets are decreased in response to negative news while remaining constant in response to positive news. Companies having negative total accruals utilize optimistic accounting, and those with positive total accruals use conservative accounting. Accounting conservatism can be applied or not by using the conservatism index, which is based on total accruals. It adds net income and depreciation expense, then subtracts cash flow from operating activities, then divides the result by total assets. Hereby, accounting conservatism in this study uses a ratio scale with the formula as follows:

$$\text{Total Accrual} = \frac{(\text{Net Income}+\text{Depreciation Expense}) - \text{Cash Flow from Operating Activities}}{\text{Total Assets}}$$

Corporate Social Responsibility is proxied into CSR disclosure. The system for assessing CSR disclosure studied is by using a checklist that refers to the disclosure indicators used by Sembiring (2005). According to Luke Zulaikha (2016) the checklist has been adapted to the characteristics of companies in Indonesia but still refers to the six main GRI components so that the list is considered to be more representative of CSR activities in Indonesia.

The mechanism for filling out the checklist is as follows:

1. The indicators in this checklist consist of seven categories, namely environment, energy, health and safety of workers, other workers, products, community involvement, and the general public.
2. The number of items that the company is expected to disclose is 78 items 64 consisting of categories:
   - environment with a total of 13 items
   - energy with a total of 7 items
   - health and safety of workers with a total of 8 items
   - other labor with a total of 29 items
   - product with a total of 10 items
   - community involvement with a total of 9 items
   - general with a total of 2 items
3. Measurement is done by matching the items on the checklist with the items disclosed by the company.
4. If there are items in the checklist that are disclosed, they are given a value of one (1), if there are items that are not disclosed, they are given a value of zero (0).
5. After the matching process between the items in the financial statements and those in the checklist is completed to obtain a value, it is necessary to calculate the index using the CSRI proxy with the formula (Islam 2019):

$$\text{CSRI} = \frac{\sum \text{Xyi}}{\text{Ni}}$$

Where:
CSRI: corporate social responsibility disclosure index company
∑Xyi: 1 = if item y disclosed; 0 = if item y not disclosed
y: item expected to be disclosured
Ni: total items for company j, ni ≤ 78

RESULT AND DISCUSSION

Table 2 Descriptive Statistics Result

Variable	N	Minimum	Maximum	Mean	Std. Deviation
CETR	186	0.00726	0.85362	0.25396	0.15033
ROA	186	0.00270	0.34885	0.08557	0.06357
DER	186	0.05759	7.73219	0.88054	0.87428
SG	186	-0.46516	0.89817	0.12765	0.21926
CIR	186	0.01326	0.94607	0.31430	0.18826
IIR	186	0.00197	0.60786	0.18570	0.12588
FS	186	25.70336	32.82638	29.23489	1.53400
FD	186	-0.20804	35.40728	6.00655	4.87529
AC	186	-0.21245	0.34598	0.01014	0.07676
CSR	186	0.25641	0.76923	0.50820	0.12601

Source: Statistics Output Data

Information regarding descriptive statistics in this research is presented in table 2. It shows that the total data being observed is 186. The minimum value represents the lowest value among all the samples in the research, meanwhile the maximum value represents the highest value among all the samples used in the research. The mean value signifies the calculated average value of all the sample data used in the research, and the standard deviation value indicates the extent of the deviation of observations from the average value (mean).

The Cash Effective Tax Rate (CETR) ranges from a minimum of 0.00726, attributed to SMART Tbk. (SMAR) in 2020, to a maximum of 0.85362, associated with Sekar Bumi Tbk. [S] (SKBM) in 2020. The mean value of CETR is 0.25396, with a standard deviation of 0.15033.

The Return on Asset (ROA) ranges from a minimum of 0.00270, attributed to Multi Indocitra Tbk. [S] (MICE) in 2020, to a maximum of 0.34885, associated with Unilever Indonesia Tbk. [S] (UNVR) in 2020. The mean value of ROA is 0.08557, with a standard deviation of 0.06357.

The leverage (DER) ranges from a minimum of 0.05759, attributed to Eastparc Hotel Tbk. [S] (EAST) in 2021, to a maximum of 7.73219, associated Central Proteina Prima Tbk. [S] (CPRO) in 2020. The mean value of DER is 0.88054, with a standard deviation of 0.87428.

The Sales Growth (SG) ranges from a minimum of -0.46516, attributed to Multi Bintang Indonesia Tbk. (MLBI) in 2020, to a maximum of 0.89817, associated with Palma Serasih Tbk. (PSGO) in 2021. The mean value of SG is 0.12765, with a standard deviation of 0.21926.

The Capital Intensity Ratio (CIR) ranges from a minimum of 0.01326, attributed to Multi Prima Sejahtera Tbk. [S] (LPIN) in 2020, to a maximum of 0.94607, associated with Eastparc Hotel Tbk. [S] (EAST) in 2021. The mean value of CIR is 0.31430, with a standard deviation of 0.18826.

Table 3 t-Test Result

Variable	Coefficient	Significance
ROA	-0.384	0.047
DER	-0.008	0.555
SG	-0.165	0.001
CIR	-0.069	0.246
IIR	0.245	0.008
FS	0.003	0.660
FD	0.000	0.880
AC	-0.086	0.574
CSR	0.031	0.721

Source: Statistics Output Data

The Inventory Intensity Ratio (IIR) ranges from a minimum of 0.00197, attributed to Eastparc Hotel Tbk. [S] (EAST) in 2020, to a maximum of 0.60786, associated with Hartadinata Abadi Tbk. (HRTA) in 2022. The mean value of IIR is 0.18570, with a standard deviation of 0.12588.

The Firm Size (FS) ranges from a minimum of 25.70336, attributed to Kurniamitra Duta Sentosa Tbk. [S] (KMDS) in 2020, to a maximum of 32.82638, associated with Indofood Sukses Makmur Tbk. [S] (INDF) in 2022. The mean value of FS is 29.23489, with a standard deviation of 1.53400.

The Financial Distress (FD) ranges from a minimum of -0.20804, attributed to Central Proteina Prima Tbk. [S] (CPRO) in 2020, to a maximum of 35.40728, associated with Akasha Wira International Tbk. [S] (ADES) in 2022. The mean value of FD is 6.00655, with a standard deviation of 4.87529.

The Accounting Conservatism (AC) ranges from a minimum of -0.21245, attributed to Putra Mandiri Jembar Tbk. [S] (PMJS) in 2020, to a maximum of 0.34598, associated with Central Proteina Prima Tbk. [S] (CPRO) in 2021. The mean value of AC is 0.01014, with a standard deviation of 0.07676.

The Corporate Social Responsibility (CSR) ranges from a minimum of 0.25641, attributed to Wismilak Inti Makmur Tbk. (WIIM) in 2020 and 2022, to a maximum of 0.76923, associated with Campina Ice Cream Industry Tbk. [S] (CAMP) in 2022. The mean value of CSR is 0.50820, with a standard deviation of 0.12601.

Information regarding the results of the t-test in this study is presented in table 3, where the table shows the multiple regression equation model used in this study as follows:

$$CETR = 0.180 - 0.384ROA - 0.008DER - 0.165SG - 0.069CIR + 0.245IIR + 0.003FS + 0.000FD - 0.086AC + 0.031CSR + \varepsilon$$

The results of the hypothesis testing show that the Return on Asset (ROA) variable has a significance value of 0.047. This value is < 0.05, so it can be concluded that there is influence of the ROA variable on tax avoidance, so Ha_1 is accepted. The coefficient of the ROA variable is -0.384, which means that if ROA increases, CETR as a proxy for tax avoidance decreases. The lower the CETR value reflects the higher level of tax avoidance and vice versa. This indicates that tax avoidance is positively correlated with ROA, meaning that higher ROA levels, the higher rates of tax avoidance occur. A high return on assets reflects the possibility for implementing tax avoidance. Profitable companies frequently have more chances to legally reduce their tax burdens by taking advantage of different tax incentives, deductions, and loopholes (Sonia and Suparmun 2019).

The Sales Growth (SG) variable has a significance value of 0.001. This value is <

0.05, so it can be concluded that there is influence of the SG variable on tax avoidance, so Ha_3 is accepted. The coefficient of the sales growth variable is -0.165, which means that if sales growth increases, CETR as a proxy for tax avoidance decreases. The lower the CETR value reflects the higher level of tax avoidance and vice versa. This indicates that tax avoidance is positively correlated with sales growth, meaning that higher ROA levels, the higher rates of tax avoidance occur. The higher the company's sales growth, the greater the probability that the company's profits will be generated. If the profit generated by the company is large, then the company will carry out better tax planning so that it can minimize the tax burden paid (Tebiono et al. 2019).

The Inventory Intensity Ratio (IIR) variable has a significance value of 0.008. This value is < 0.05, so it can be concluded that there is influence of the IIR variable on tax avoidance, so Ha_5 is accepted. The coefficient of the IIR variable is 0.245, which means that if IIR increases, CETR as a proxy for tax avoidance will also increase. The higher the CETR value reflects the lower level of tax avoidance and vice versa. This indicates that tax avoidance is negatively correlated with IIR, meaning that the higher IIR levels, the lower rates of tax avoidance occur. High inventory intensity indicates that the company has a large amount of inventory. The company also has to incur costs for the expenses that must be borne due to the existence of these inventories. These costs can be tax deductible and the company does not need to avoid tax (Niandari and Novelia 2022).

Closing

Based on the hypothesis test conducted on 62 consumer non-cyclicals and consumer cyclicals companies listed on the Indonesia Stock Exchange from 2020 to 2022, the conclusions of this research are return on asset, sales growth, and inventory intensity ratio have effect on tax avoidance. On the contrary, leverage, capital intensity ratio, firm size, financial distress, accounting conservatism and corporate social responsibility have no effect on tax avoidance.

This research can provide guidance for the development of tax policies that consider the factors identified in the study. For instance, if certain factors positively influence tax avoidance, policymakers may need to design regulations that address these specific issues. Tax authorities can concentrate their efforts on areas where non-compliance is more likely by having a better understanding of the elements that influence tax avoidance. The implementation of a focused strategy may result in a more efficient allocation of resources towards the detection and resolution of tax avoidance activities. The government may recognize the importance of continuous monitoring and research on factors affecting tax avoidance. Because of this awareness, continual research and changes to tax laws may be necessary to meet new issues and challenges in the business sector.

There are also several limitations in this research. First, the research population is limited, it's only consumer non-cyclicals and consumer cyclicals companies listed on the on the Indonesia Stock Exchange (IDX) for the period of 2020 to 2022. At the end, only 62 company samples can be used as research data, and it can be concluded that the data does not fully represent the population of companies within the research period. Second, the data used in this study is not normally distributed. Lastly, there is heteroscedasticity problem in one of the independent variables in this research which is leverage. Based on the limitations of the research, there are suggestions for further research. First, further research is suggested to apply another research population other than consumer non-cyclicals and consumer cyclicals companies, also to extend the observation period for the research, for example, by adding 5 years. Second, further research is suggested to include additional data to ensure the normal distribution of research data. And for the last, further research is suggested to solve heteroscedasticity problem by performing transformation procedures.

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