EFFECT OF FINANCIAL PERFORMANCE, SALES GROWTH AND CAPITAL INTENSITY ON TAX AGGRESSIVENESS

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ABSTRACT
This study aims to examine and obtain empirical evidence of the effect of financial performance, sales growth and capital intensity on tax aggressiveness. Sampling using purposive sampling method obtained of 19 companies with 95 sample data. The population in this study are manufacturing companies in the consumer goods industry sector on the IDX for the 2016–2020 financial year. The regression method in this study is multiple linear regression. The regression results show that there is no effect between sales growth and capital intensity on tax aggressiveness. This means that the size of sales growth and capital intensity has no effect on tax aggressiveness in manufacturing companies in the consumer goods industry sector. And the regression results show that there is a significant effect between financial performance and tax aggressiveness. This means that the size of the financial performance of the company affects the level of tax aggressiveness in manufacturing companies in the consumer goods industry sector.

Keywords: Financial Performance, Sales Growth, Capital Intensity, Tax Aggressiveness

1. INTRODUCTION

Earning high profits is the company's goal. While the level of profit owned by the company determines how much the tax burden will be borne by the company. The company does many ways to minimize the payment of the tax burden, one of which is by taking tax aggressiveness actions. Tax aggressiveness is an action taken by companies to reduce the company's income tax burden by manipulating taxes both legally and illegally (Frank, 2009). The tax burden borne by the company requires good planning, therefore tax planning is needed to achieve optimal corporate profits. However, not all companies dare to take a tax aggressiveness strategy.

In 2019, www.globalwitness.org stated that there was a practice of tax avoidance, namely PT Adaro Energy escaping large profits to an offshore network of companies based in Singapore, which has lower tax rates than Indonesia. Another phenomenon of tax avoidance practices has occurred, www.kontan.co.id stated that PT. Bentoel Internasional Ivetama Tbk (RMBA) has avoided tax by taking large amounts of debt from affiliated companies in the Netherlands to refinance bank loans and pay for machinery and equipment. Interest payments paid will reduce taxable income in Indonesia, so that the tax paid becomes less.

Based on the above phenomena, it can be concluded that there are still companies that carry out tax aggressiveness. In this study, tax aggressiveness is influenced by several factors, namely financial performance, sales growth and capital intensity. Financial performance in this research is proxied by liquidity. Companies that have a high level of liquidity, the higher the level of liquidity, the company is more aggressive in handling its tax burden because high liquidity will affect the level of high profits (Bagus et al., 2015).

Sales growth in a company shows that the greater the sales volume, therefore the profit to be generated will also increase which means that the higher the growth rate, the more aggressive the company will make efforts to minimize the company's tax burden (Rosa Dewinta & Ery Setiawan, 2016).

Capital intensity is the amount of fixed assets used as a form of company investment. The larger the company's assets, the greater the depreciation expense and the smaller the tax payable. When the company's capital intensity is high, it shows that the amount of depreciation expense attached to the fixed assets is also high. This proves that the higher the depreciation expense on fixed assets, the higher the level of corporate tax aggressivenes (Atami, 2017).

Like the above phenomenon and several factors supporting the practice of corporate tax aggressiveness in Indonesia. On this basis, researchers are interested in conducting a study entitled The effect of financial performance, sales growth and capital intensity on tax aggressiveness.

2. LITERATURE REVIEW

Agency Teory

Agency theory is a contractual relationship between the owner of the company (principal) and management (agent), where the owner of the company authorizes management to carry out the company's operational activities. According to Jensen and Meckling (1976) the company (principal) is assumed to be only interested in the distribution of finances obtained from investing in a company without knowing information about the performance of management (agent), so that the company (principal) never feels certain about the performance of management (agent), in contribution to the company's actual results. One way for companies to control the actions of management (agents) related to tax management is by evaluating the results of financial statements with tax aggressiveness actions that may be carried out by management (agents). Ratios that can be used Financial performance, sales growth and capital intensity compared to the company's Effective Tax Rate (ETR).

Financial performance and tax aggressiveness.

Financial performance in this study is proxied by liquidity. research conducted by Bagus et al. (2015) liquidity has an influence on tax aggressiveness. The company is considered capable of carrying out its short-term obligations by looking at the Liquidity Ratio. So that companies with high levels of liquidity will be more aggressive towards the taxes received because high liquidity is influenced by high levels of profitability. However, the results of this study are compared with research conducted by Erlina (2021). The increase or decrease in a company's liquidity does not affect the increase or decrease in corporate tax aggressiveness. Based on the description above, the following hypothesis can be formulated:

H1 : It is suspected that financial performance affects tax aggressiveness.

Sales growth and tax aggressiveness.

Research conducted in Januari & Suardikha (2019) which states that sales growth has an effect on tax aggressiveness. increased sales growth, profits will also increase. Companies with high levels of profit tend to avoid tax because large profits will cause a large tax burden as well. However, the results of this study are compared to research conducted by Sugiyanto & Candra (2020) which states that sales growth does not affect tax aggressiveness. Companies that have high sales growth will be able to meet obligations such as paying taxes. Based on the description above, the following hypothesis can be formulated:

H2 : It is suspected that sales growth has an effect on tax aggressiveness.

Capital intensity and tax aggressiveness.

This research is in line with research by Fatkhurrozi & Kurnia (2021) which states that Capital Intensity has a significant effect on Tax Aggressiveness. Depreciation costs are costs that can be deducted from income in calculating taxes, so the greater the number of fixed assets owned by the company, the greater the depreciation, resulting in a smaller amount of taxable income and the effective tax rate. However, the results of this study are compared to research conducted by Wibawa (2019) which states that capital intensity has no effect on tax aggressiveness. . Companies with a large proportion of asset storage are not intended to avoid taxes, but companies use these fixed assets for company operational purposes. Thus, a high level of investment in fixed assets will not affect the level of tax aggressiveness by the company. Based on the description above, the following hypothesis can be formulated:

H3 : It is suspected that capital intensity has an affects on tax aggressiveness.

3. DATA AND RESEARCH TECHNIQUE ANALISYS

The type of research used by researchers in this study is quantitative research. Research methods based on the philosophy of positivism are used to examine certain populations or samples, data collection using research instruments, data analysis is quantitative or statistical, with the aim of testing the established hypothesis (Sugiyono, 2018). The population of this study are companies engaged in the manufacturing sector of the consumer goods industry listed on the IDX. This study uses purposive sampling method to determine the sample data that meet the criteria in the study. The criteria used are:

Tabel 3. 1: Criteria of sample

No.	Information	Acumulated	Amount
1	Company in the consumer goods industry sector listed on the Indonesia Stock Exchange in 2016-2020	63	63
2	Consumer goods industrial sector companies whose financial reports were incomplete or data were not found during 2016-2020	(27)	36
3	Consumer goods industrial sector companies that experienced losses in 2016-2020	(10)	26
	Number of Samples **(26 companies x 5 Years of Research)**		**130**
	Outlier in data		**35**
	Total Data After Outlier		**95**

Source : Self Proceed

Variable Operational

In this study there are two variables involved, namely the dependent variable and the independent variable. Therefore, the operational definition of each variable is as follows:

Dependent Variable

Tax aggressiveness is the company's desire to minimize the tax burden paid by legal, illegal or both (Maulina Simamora & Rahayu, 2020). For the measurement of aggressiveness in this study using the effective tax rate (ETR) proxy. In this study using the following formula:

$$\text{Effective Tax Rate (ETR)} = \frac{\text{Tax Expense}}{\text{Pretax Income}}$$

Independent Variable

An independent variable is a variable that affects or causes a change in a dependent variable. In this study there are 3 independent variables, namely:

Financial performance

Financial performance in this study is proxied by liquidity. Liquidity Ratio is the company's ability to finance its short-term financial capacity on time. Liquidity Ratio is used to measure how liquid a company is. With a good cash turnover, the company is not reluctant to pay all its obligations including paying taxes in accordance with applicable rules or laws (JayantoPurba & Kuncahyo, 2020). In this study using the following formula:

$$\textit{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Debt}}$$

Sales Growth

Sales Growth is a reflection of the success of a company in the past which can be used as a prediction of future sales growth (Susanti & Satyawan, 2020). In this study using the following formula:

$$\text{Sales Growth} = \frac{\text{Sales t - Sales t-I}}{\text{Sales t-I}}$$

Capital Intensity

intensity is how big the proportion of fixed assets of the total fixed assets owned by the company. The company's investment in fixed assets will cause a depreciation expense from the fixed assets invested (Fatkhurrozi & Kurnia, 2021). In this study using the following formula:

$$\text{Capital Intensity} = \frac{\text{Total net fixed assets}}{\text{Total Assets}}$$

Data Analysis Techniques

analysis techniques are methods for processing data into information so that the characteristics of the data become understandable and useful for finding solutions to problems, especially in research problems (Sugiyono, 2018). This study uses secondary data. Data analysis techniques used in this study using quantitative analysis with statistical calculation techniques.

Data analysis techniques in this study include descriptive test, classical assumption test, normality test, multicollinearity test, heteroscedasticity test, autocorrelation test, multiple linear regression analysis, coefficient of determination test, hypothesis test (F), and hypothesis test (t). Data management in this study uses Microsoft Excel and Eviews 10 software.

4. RESULT AND DISCUSSION

Results of descriptive statistical analysis

Tabel 4. 1 Results of descriptive statistical analysis

	Tax aggressiveness	Financial performance	Sales growth	Capital Intensity
Mean	0.240316	2.484842	0.067368	0.358526
Median	0.250000	2.260000	0.050000	0.320000
Maximum	0.360000	6.020000	0.430000	0.760000
Minimum	0.030000	0.590000	-0.190000	0.130000

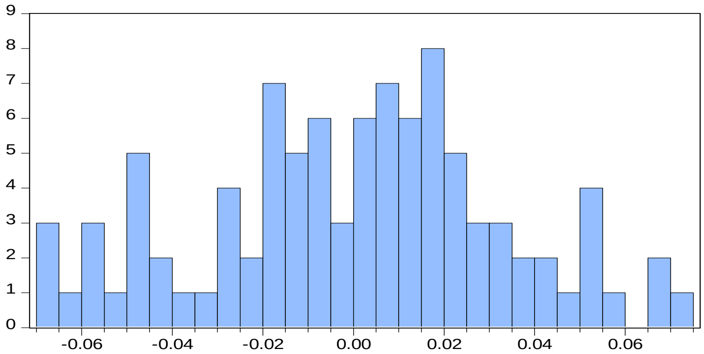
Std. Dev.	0.047768	1.377169	0.116885	0.150799
Observations	95	95	95	95

Source: Data processed Eviews 10.0

Results of the classical hypothesis test

Normality test

Tabel 4. 2 Normality test results



Series: Standardized Residuals	
Sample 2016 2020	
Observations 95	
Mean	-7.30e-19
Median	0.001843
Maximum	0.071093
Minimum	-0.067996
Std. Dev.	0.033332
Skewness	-0.112315
Kurtosis	2.534593
Jarque-Bera	1.057122
Probability	0.589452

Source: Data processed Eviews 10.0

The probability value is 0.589452, which is greater than the 5% alpha significance (0.05). Thus, it can be concluded that the data are normally distributed, which means that the regression model has met the assumption of normality.

Multicollinearity test

Tabel 4. 3 Multicollinearity test results

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	0.000611	26.65798	NA
Financial Performance	2.13E-05	7.482877	1.744189
Sales Growth	0.001749	1.377143	1.031004
Capital Intensity	0.001794	11.81266	1.759751

Source: Data processed Eviews 10.0

The value of VIF Financial Performance (X1) is 1.744189, for Sales Growth (X2) is 1.031004, Capital Intensity (X3) is 1.759751. With this, all of these variables obtain a VIF value that is smaller than 10, so that in the test there is no multicollinearity between the independent variables on the regression model.

Heteroskeasticity test

Tabel 4. 4: Heteroskeasticity test results

Heteroskedasticity Test: White

F-statistic	1.079883	Prob. F(9,85)	0.3861
Obs*R-squared	9.747781	Prob. Chi-Square(9)	0.3713
Scaled explained SS	24.69643	Prob. Chi-Square(9)	0.0033

Source: Data processed Eviews 10.0

The probability value generated is 0.3713 which is greater than the 5% alpha value. Thus it can be concluded that there is no heteroscedasticity in the regression model.

Autocorrelation test

Tabel 4. 5: Autocorrelation test results

R-squared	0.132119	Mean dependent var	-7.24E-17
Adjusted R-squared	0.083362	S.D. dependent var	0.045927
S.E. of regression	0.043971	Akaike info criterion	-3.349493
Sum squared resid	0.172078	Schwarz criterion	-3.188196
Log likelihood	165.1009	Hannan-Quinn criter.	-3.284317
F-statistic	2.709726	Durbin-Watson stat	1.863041
Prob(F-statistic)	0.025125		

Source: Data processed Eviews 10.0

Durbin Waston's statistical value is in the area where there is no autocorrelation because Durbin Waston's value of 1.863041 is located between du and 4-du (1.7315 < 1.863041<2.2684). Thus, it can be concluded that there is no autocorrelation problem in the regression model so that this model is suitable for further analysis.

Hypothesis Test Results
T- t test Results – Statistict Test

Tabel 4. 6 : T-test Results – Statistict Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.145483	0.043619	3.335348	0.0013
Financial Performance	0.014940	0.006094	2.451782	0.0166
Sales Growth	-0.019285	0.037681	-0.511805	0.6103
Capital Intensity	0.164583	0.110948	1.483416	0.1423

Source: Data processed Eviews 10.0

The probability value of the financial performance variable (X1) is 0.0166 which is smaller than the significant value of 0.05 (0.0166 <0.05). Thus, it can be concluded that the financial performance variable (X1) has an effect on tax aggressiveness in the consumption industry sector companies listed on the Indonesia Stock Exchange for the 2016-2020 period. Financial performance is proxied by high liquidity, the tax aggressiveness of the company will increase and vice versa. With a high level of liquidity, the company is more aggressive in handling its tax burden because high liquidity will affect a high level of profit. This statement is in line with research conducted by Bagus et al., (2015) which states that companies with high levels of liquidity will be more aggressive towards taxes received because high liquidity is influenced by high levels of profitability.

The probability value of the sales growth variable (X2) is 0.6103 which is greater than the significant value of 0.05 (0.6103>0.05). Thus, it can be concluded that the sales growth variable (X2) has no effect on tax aggressiveness in the consumption industry sector companies listed on the Indonesia Stock Exchange for the 2016-2020 period. Increased sales growth is accompanied by an increase in company profits so that the company does not experience financial difficulties in paying the tax burden so that it does not take tax aggressiveness actions. This statement is in line with research conducted by Sugiyanto & Candra (2020) which states that companies that experience sales growth will be able to fulfill obligations such as tax payments so that they do not affect the company in carrying out tax aggressiveness.

The probability value of the capital intensity variable (X3) produced is 0.1423 which is greater than the significant value of 0.05 (0.1423> 0.05). Thus, it can be concluded that the capital intensity variable (X3) has no effect on tax aggressiveness in consumption industry companies listed on the Indonesia Stock Exchange for the 2016-2020 period. Capital intensity has no effect on tax aggressiveness. This is because the company makes a policy on depreciation of fixed assets in accordance with applicable tax regulations so that the company no longer needs to make fiscal corrections to fixed assets in calculating the tax payable for the tax year. So that the capital intensity does not affect the effective tax rate to take corporate tax aggressiveness. This statement is in line with research conducted by Windaswari & Merkusiwati (2018) and Wibawa (2019) which states that capital intensity has no effect on tax aggressiveness.

F Results – Statistict Test

Tabel 4. 7: F Results – Statistict Test

F-statistic	3.421988	Durbin-Watson stat	1.772586
Prob(F-statistic)	0.000050		

Source: Data processed Eviews 10.0

The F-count value is 3.421988 and the significant value is 0.000050. Meanwhile, to find the F-table with the number of samples (n) = 95, the number of variables (k) = 3, the significant level = 0.05, df1 = k - 1 or 3 - 1 = 2 and df2 = n - k or 95 - 3 = 92 the F-table value is 3.10. So that F-count 3.421988 > 3.10 and systematically obtained a significant value of 0.000050 < significant level of 0.05 so it can be concluded that the independent variables used in this study consist of financial performance (X1), sales growth (X2) and intensity capital (X3) together have an influence on tax aggressiveness.

Results of the Coefficient of Determination Tests

Tabel 4. 8 : Results of the Coefficient of Determination Tests

R-squared	0.496071	Mean dependent var	0.240316
Adjusted R-squared	0.351105	S.D. dependent var	0.047768

Source: Data processed Eviews 10.0

Adjusted R-Squared value is 0.351105 which means that the variation of changes in the ups and downs of tax aggressiveness can be explained by financial performance (X1), sales growth (X2) and capital intensity (X3) of 35%. While the remaining 65% is explained by other variables not examined in this study.

5. CONCLUSION

Based on the results and discussion of the research that has been carried out, the conclusions of this study are as follows:

1. Financial performance, sales growth and capital intensity affect tax aggressiveness in consumption industry sector companies listed on the Indonesia Stock Exchange for the 2016-2020 period.
2. Financial performance as proxied by liquidity has an effect on tax aggressiveness in consumption industry sector companies listed on the Indonesia Stock Exchange for the 2016-2020 period.
3. Sales growth does not affect tax aggressiveness in consumption industry companies listed on the Indonesia Stock Exchange for the 2016-2020 period.
4. Capital intensity has no effect on tax aggressiveness in consumption industry companies listed on the Indonesia Stock Exchange for the 2016-2020 period.

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