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SALES GROWTH, FIRM SIZE, AND LEVERAGE IN TAX AVOIDANCE PRACTICES

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Abstract: This research examines the effect of Sales Growth, Firm Size, and Leverage on Tax Avoidance in secondary manufacturing companies listed on the Indonesia Stock Exchange during the 2021–2023 period. This research uses a quantitative approach with multiple linear regression analysis methods to examine the relationship between variables in a structured and measurable way. The results showed that Sales Growth has a significant negative effect on Tax Avoidance, which means that increasing sales will reduce tax avoidance practices and encourage better tax compliance. Firm Size does not show a significant effect on Tax Avoidance, indicating that whether a company is large or small, its size alone does not determine the tendency to engage in such practices. Meanwhile, Leverage has a significant positive effect, implying that the higher the level of debt, the greater the tendency of companies to engage in tax avoidance strategies. Simultaneously, the three variables are proven to have a significant and meaningful effect on Tax Avoidance.

Keywords: Firm Size, Leverage, Sales Growth, Tax Avoidance

1. Introduction

Indonesia is known for its rich natural resources and strategic geographical location, making it an attractive location for investors. These factors have attracted the interest of entrepreneurs to establish companies and develop their businesses in this country. The establishment of these companies generates significant advantages for the state, especially in increasing state revenue through taxation (Sari, 2019).

Tax revenue, which is a mandatory contribution from the public to the state, plays an important role in supporting various aspects of development. The money collected through taxes is used to fund various state needs, including infrastructure development, improving people's welfare, and funding various other state programs and policies. Therefore, taxes are becoming a vital instrument in ensuring the sustainability of Indonesia's future development and progress.

Table 1. The Realization of Tax Revenue in Indonesia over the Last 5 Years

Year	Tax Revenue Target	Tax Revenue Realization	Description
2020	IDR 1.198,8 trillion	IDR 1.070,0 trillion	83,9 % against target
2021	IDR 1.229,6 trillion	IDR 231,87 trillion	100,19 % against target
2022	IDR 1.485,1 trillion	IDR 716,8 trillion	115,6 % against the target
2023	IDR 1.818,3 trillion	IDR 869,23 trillion	102,80 % against target
2024	IDR 1.988,9 trillion	IDR 932,4 trillion	97,2 % against the target

Source: (GoodStats, 2025)

Based on Table 1 above, Indonesia's tax revenue over the last five years has shown a fluctuating trend. In 2020, the realization of tax revenue only reached 83.9% of its set target, which was

potentially affected by the impact of the COVID-19 pandemic on the country's economy. However, from 2021 to 2023, tax revenue managed to surpass the target, with the highest percentage achievement in 2022 at a rate of 115.6%. This reflected the recovering economy as well as the effectiveness of the government's tax policies. Meanwhile, in 2024, tax revenue realization decreased to 97.2% of the target, which may be a sign of the ongoing challenges in optimizing tax revenue, such as the fiscal policy adjustments or the presence of tax avoidance practices in some corporate sectors.

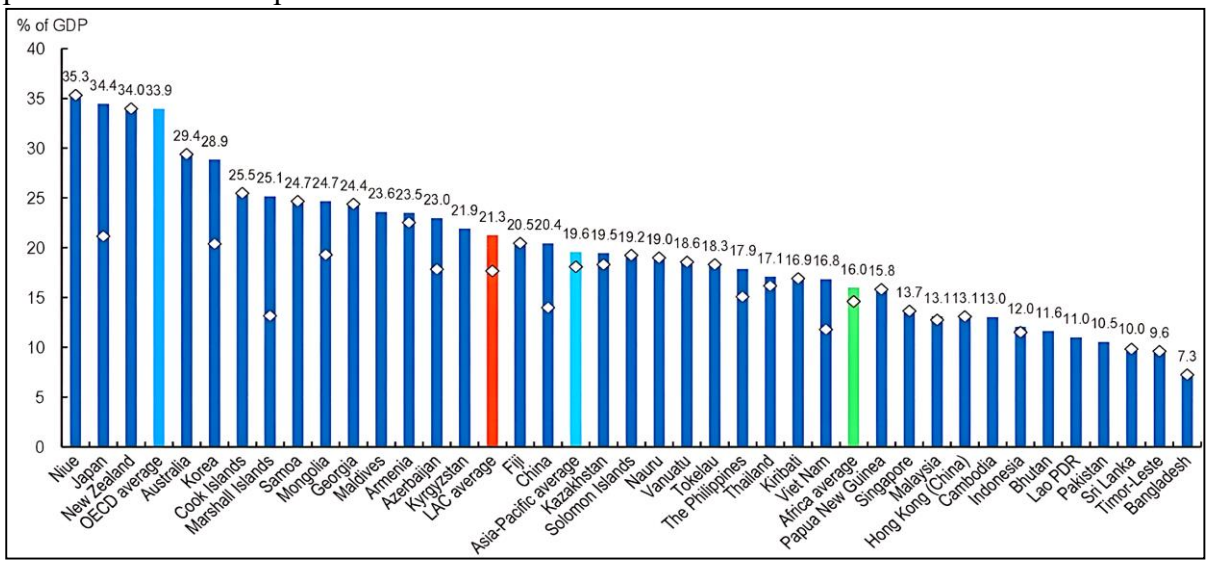

Figure 1: Tax-to-GDP ratios in Asian and Pacific economies and regional averages
Source: (OECD, 2025)

Based on Figure 1 above, the Tax Ratio achievements in the Asia Pacific countries have shown significant variations. Niue records the highest ratio at 35.3%, followed by Japan at 34.4% and New Zealand at 34.0%, while the OECD average reaches 33.9%. In contrast, Indonesia's ratio in 2023 was 12.0%, far below the Asia-Pacific average of 19.6% and the OECD average of 33.9%. Developed countries generally achieve higher tax ratios, reflecting more efficient tax systems that support state revenue, whereas many developing countries, including Indonesia, still face challenges in improving tax collection performance. This condition limits fiscal capacity to achieve national development objectives such as reducing poverty, inequality, and unemployment. The Indonesian Directorate General of Taxes has implemented various strategies to increase tax revenue, one of which is through the implementation of the Harmonization of Tax Regulations Law and monitoring of strategic sectors, including the manufacturing Industry. The manufacturing industry is the largest contributor to Gross Domestic Product (GDP), with a contribution of 18.34% in 2022 (Amila, 2025). However, the high tax burden that manufacturing companies must bear often encourages tax avoidance practices, which have a negative impact on state revenue (Sriyono & Andesto, 2022).

Tax avoidance is a strategy used by taxpayers to minimize their tax burden by exploitingloopholes in regulations without breaking the law. An example of this is the case of PT Adaro Energy Tbk, a mining company suspected of engaging in transfer pricing by selling coal to itssubsidiary in Singapore below market price and then reselling it at a higher price. This practiceshifts profits to jurisdictions with lower tax rates, effectively reducing tax liabilities inIndonesia. The Directorate General of Taxes is addressing this matter through corrections based on Article 18 of the Income Tax Law, which is implemented in Minister of Finance Regulation No. 172/2023 (Wahyuningtias et al., 2025). Another example is Google, one of the world's largest technology company with annual revenue of hundreds of billions of

dollars employs the "Double Irish with a Dutch Sandwich" method to transfer profits to countries with lower tax rates through Dutch entities to Ireland and Bermuda. Google implemented this strategy to achieve an effective tax rate reduction down to 2–3 percent (Murphy, 2020). Although it is difficult to classify the strategy as illegal. These two examples demonstrate how major corporations use tax regulation gaps to decrease their tax payments which reveals the critical need for enhanced regulations combined with international fiscal cooperation.

Sales growth reflects a company's ability to expand its market and improve operational performance, while in taxation, it may also increase the burden, which encourages management to adopt tax avoidance strategies. Nevertheless, previous studies provide mixed evidence: Mahdiana & Amin (2020), Puspitasari et al. (2022), and Wulandari & Putri Pratiwi (2023) Found that sales growth does not affect tax avoidance, whereas Chandra & Oktari (2022), Syahirah et al. (2024), and William et al. (2025) reported the opposite, showing that high growth can strengthen firms' motivation to optimize tax efficiency. Firm size, which is commonly measured by assets, sales, or equity, has also produced inconsistent findings. Research by Saragih et al. (2021), Nyman et al. (2022), Richie & Triyani (2023), Diamonalisa (2023), Ardiansyah & Murtanto (2024), and Suhartono & Ekadjaja (2024) Suggests that larger firms are more likely to avoid taxes due to greater resources and tax expertise, yet other studies, such as Mahdiana & Amin (2020), Putri et al. (2021), Devi & Arinta (2021), Wulandari & Pratiwi (2023), Halim & Gunawan (2024), and Aini & Ikram (2024) conclude that firm size is not a decisive factor, as both large and small firms can practice tax avoidance depending on internal policies and reputational risks. Similarly, leverage has been linked to tax avoidance because interest expenses provide tax shields. Findings by Riyadi & Rahmayani (2022), Khairunnisa et al. (2023), Samos et al. (2024), Bercamp (2024), and Lestari et al. (2025) confirm this relationship, while Gultom (2021), Putri et al. (2021), Sundari & Afiqoh (2022), Susan & Faizal (2023), and Aini & Ikram (2024) argue otherwise, showing that leverage does not significantly determine such practices. Given these inconsistencies, this study re-examines the effects of sales growth, firm size, and leverage on tax avoidance in secondary manufacturing firms listed on the Indonesia Stock Exchange (IDX) from 2021 to 2023, both separately and collectively.

2. Literature Review

Agency Theory

Agency theory, as proposed by Stephen Ross (in Mitnick, 2019) explains the relationship between a principal and an agent, where an agent is given the authority to act on the principal's behalf. Ross emphasizes the design of contracts and the incentives to align the interests of both sides. At the same time, Mitnick extends his approach through an institutional perspective that highlights the role of institutions in managing the imperfections of the relationship. These relationships often face conflicts of interest and information asymmetries, where agents have more information than principals and therefore have the potential to act in their own interests. This incompatibility creates agency costs, which are losses due to managerial decisions that are not in line with the owner's objective (Davis, 2023). This theory is suitable for explaining tax avoidance practices, where managers can design tax avoidance strategies to increase profits and firm value, but without the knowledge or direct approval of the owners. This creates a potential conflict of interest, especially if the action brings risks to the company's long-term interests (Elkaria et al., 2024).

Tax

In Article 1 paragraph (1) of the Law No. 28/2007 on General Provisions and Tax Procedures, tax is a payment obligation that individuals and business entities must fulfil to the state. This obligation is mandatory in full accordance with the provisions of the law, with no direct reward, and the results are used to support the state's development to realize the welfare of the community.

The Indonesian taxation system adopts the concept of self-assessment under which tax payers are tasked with the obligation of computing, paying, and reporting their taxes. The complexity of tax laws can have an impact of the extent to which tax payers comply with the tax laws. Research by Wijayanti (2024) shows that the awareness of tax regulations and the quality of service have a strong influence on the obedience of the taxpayers.

Tax Avoidance

Tax avoidance is a legal strategy used by companies to minimize their tax burden, usually by taking advantage of loopholes or weaknesses in tax regulations without breaking the law. According to Sinambela & Nuraini (2021) as well as Hossain et al. (2024), this strategy involves various actions that are legally permissible but often categorized as fiscally aggressive.

Tax avoidance is different from tax evasion in terms of legality and taxpayer behavior. Tax avoidance is a legal effort to reduce the tax burden by taking advantage of loopholes or legitimate tax policies, even though it may not be in line with regulatory objectives. Meanwhile, tax evasion is an illegal act that involves fraud against tax authorities, such as not reporting income, submitting false data, or hiding transactions, and all of these acts are punishable by law (Hakelberg, 2020). Tax avoidance is proxied using the Cash Effective Tax Rate (CETR).

Sales Growth

Sales growth is an important indicator that reflects a company's financial performance and the effectiveness of its marketing strategy. As stated by Lutfi & Sunardi (2019) Increased sales can serve as a tool for investors to assess a company's ability to maintain its position in the industry and adapt to global economic changes. Consistent sales growth generally reflects a company's health, wealth, and competitiveness in the market, which can boost investor confidence. Positive sales growth means that the company has successfully expanded its market, increased its competitiveness, or even innovating its products.

According to Vuković et al. (2022), sales growth represents changes in sales volume from year to year, regardless of whether it is an increase or a decrease. Through this growth ratio, companies can periodically evaluate their business development. The higher the sales growth ratio, the better the company's performance in running its business activities, and the greater the opportunity to achieve maximum profits. In other words, an increase in sales volume is directly related to an increase in the company's earning potential. Idowu et al. (2023) Add that sales growth is not merely an increase in sales numbers, but a crucial indicator for evaluating the effectiveness of sales strategies, optimization of business processes, and a company's ability to respond to market dynamics productively and sustainably. Sales growth is calculated by comparing the increase in sales from the previous period to the previous period's sales.

Firm Size

Firm size can be defined as a representation of the extent to which a business entity has grown and played a role in its industry. Not only does this size describe the physical or financial

dimensions of the company, but it also showcases the company's capacity to manage its resources, establish external relationships, and survive amid economic dynamics. Therefore, firm size is a benchmark for measuring the relative power and influence of a company compared to other companies.

Halim & Gunawan (2024) further emphasize that firm size can be assessed through various indicators, including total assets, logarithmic value, stock price, and others. This measurement influences a firm's ability to manage future risks, as larger firms are generally more resilient in facing market fluctuations and economic uncertainties. Larger companies also tend to have broader access to external information and resources, which can enhance their ability to generate shareholder value. Moreover, firm size contributes to building investor confidence, as it often signals greater stability and long-term viability.

Daromes et al. (2022) found that firm size plays a role in shaping a company's reputation, which indirectly enhances positive perceptions of the company's credibility and stability in the market. A strong reputation serves as one of the key determinants in building investor confidence, as it reflects the company's ability to uphold business sustainability amid competitive market environments and its capacity to mitigate risks. In this study, Firm Size is proxied by the natural logarithm of the company's total assets (Ln Total Assets).

Leverage

According to Hamilah & Situmorang (2021), as cited in a study by Elkaria et al. (2024) leverage is defined as a financial ratio that reflects a company's ability to meet its debt obligations. Leverage essentially illustrates the proportion of funds obtained from debt relative to the total financing of the company's assets. A higher level of debt results in greater interest expenses that must be borne by the company, which subsequently reduces its profit before tax. From a managerial perspective, high leverage can increase financial risk, as the company must ensure consistent cash flows to meet both interest and principal payments. Conversely, moderate leverage can serve as a strategic tool for optimizing capital structure and potentially enhancing shareholder returns. In this study, leverage is measured using the Debt to Asset Ratio (DAR), which indicates the proportion of total assets financed by debt compared to the company's overall assets.

Theoretical Framework

Agency theory forms the theoretical background to this study because it describes how conflicts of interest can occur between the principals and the agents when making strategic decisions such as tax avoidance decisions. Managers as agents often try to minimize tax costs to maximize reported profits, although this may not necessarily be in line with the long-term goals of the owners. The paper pays attention to three major variables that stimulate tax avoidance behavior, including sales growth, firm size, and leverage. Tax-efficient measures are particularly important for firms experiencing high sales growth, whereas larger firms possess greater capacity to implement more sophisticated tax planning techniques. In addition, highly geared companies can enjoy interest tax deductions on debt, which decreases the amount of taxable income. These three variables have an impact on the managerial decision making on tax avoidance either separately or in combination, within the legal context of the current tax laws. It is crucial for stakeholders and policymakers to understand these factors because they can give insights that can lead to the encouragement of ethical and responsible tax practices.

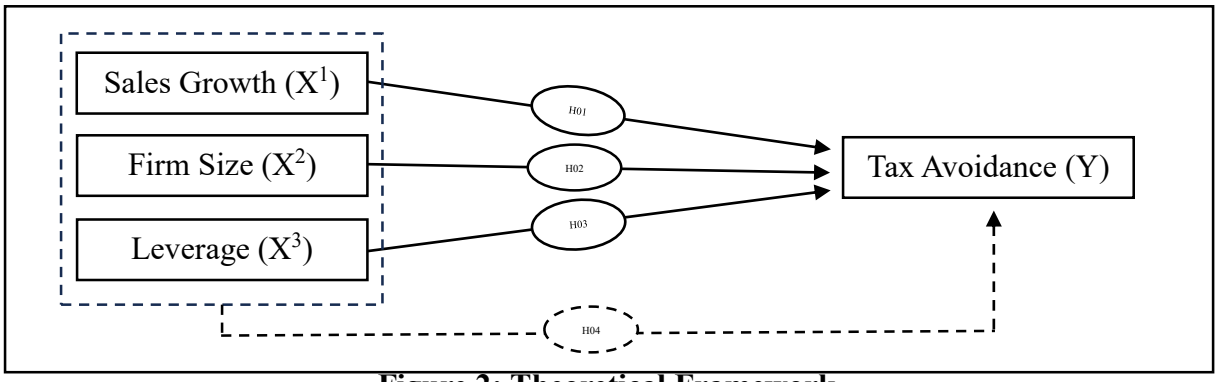

Figure 2: Theoretical Framework
Source: (Processed by the researchers, 2025)

Hypothesis Development

The Relationship between sales growth and tax avoidance

Sales growth shows how well a company can expand its market and boost its income, so companies with high sales growth usually face bigger tax burdens and are pushed to use tax avoidance strategies to be more tax efficient. Research by Chandra & Oktari (2022), Syahirah et al. (2024), and William et al. (2025) confirms that sales growth has a significant effect on tax avoidance, because companies with high growth have greater incentives and capacity to exploit loopholes legally. Based on the explanation above, the hypothesis can be formulated as follows:

H_{01}: Sales growth has a statistically significant impact on tax avoidance in secondary manufacturing companies listed on the IDX during 2021–2023.

The Relationship between Firm Size and Tax Avoidance

Firm size is often associated with a greater capacity to undertake sophisticated tax planning strategies. Larger companies generally possess sufficient internal resources, including specialized personnel in taxation, enabling them to engage in tax avoidance more effectively and systematically. It has been shown by Saragih et al. (2021), Nyman et al. (2022), Richie & Triyani (2023), Diamonalisa (2023), Ardiansyah & Murtanto (2024), and Suhartono & Ekadjaja (2024) that larger firms tend to be more inclined toward tax avoidance practices. Based on the explanation above, the hypothesis can be formulated as follows:

H_{02}: Firm size has a statistically significant impact on tax avoidance in secondary manufacturing companies listed on the IDX during 2021–2023.

The Relationship between Leverage and Tax Avoidance

Leverage is frequently examined in tax studies as a factor that may influence a company's tendency to engage in tax avoidance. This is because interest expenses on debt are deductible from taxable income, thereby providing firms with higher leverage and more opportunities to reduce their tax liabilities through legitimate means. Several studies, including those by Riyadi & Rahmayani (2022), Khairunnisa et al. (2023), Samos et al. (2024), Bercamp (2024), and Lestari et al. (2025) have found a positive link between leverage and tax avoidance. Based on the explanation above, the hypothesis can be formulated as follows:

H_{03}: Leverage has a statistically significant impact on tax avoidance in secondary manufacturing companies listed on the IDX during 2021–2023.

The Relationship between Sales Growth, Firm Size, and Leverage on Tax Avoidance

Simultaneously, sales growth, firm size, and leverage are expected to significantly influence tax avoidance, as these three factors are interrelated in shaping managerial incentives to optimize tax planning strategies. Ilmiyono & Agustina (2020) found that when combined, firm

size, sales growth, and leverage have a significant effect on tax avoidance practices. This is because larger firms with rapid sales growth and high leverage often have both the motivation and are well-equipped to strategically utilize legal tax loopholes in order to reduce their tax obligations. Based on the explanation above, the hypothesis can be formulated as follows:
H_{04}: Sales growth, firm size, and leverage have a statistically significant impact on tax avoidance in secondary manufacturing companies listed on the IDX during 2021–2023.

3. Method

This research adopts a quantitative approach with a causal-explanatory design, aiming to explore cause-and-effect relationships between variables. According to Cooper & Schindler (2014), causal explanatory research is conducted to determine how and to what extent one variable influences another. Following this framework, the present research investigates how sales growth, firm size, and leverage influence the extent of tax avoidance practiced by companies.

Table 2. Variable Operationalization

Variables	Indicators	Formula	Scales	Reference
Sales Growth	*Sales Growth*	$\frac{Current\ Period\ Sales - Previous\ Period\ Sales}{Previous\ Period\ Sales}$	Ratio	Fawzi Shubita (2024)
Firm Size	*Total Assets*	$ln(Total\ Assets)$	Ratio	Hashmi et al. (2020)
Leverage	*Debt to Asset Ratio (DAR)*	$\frac{Total\ Liabilities}{Total\ Assets}$	Ratio	Kanakriyah et al. (2025)
Tax Avoidance	*Cash Effective Tax Rate*	$\frac{Income\ Tax\ Paid}{Profit\ Before\ Tax}$	Ratio	Francis et al. (2025)

Source: (Processed by the researchers, 2025)

Secondary data were obtained from companies' annual financial reports published on the Indonesia Stock Exchange and company websites. Using IBM SPSS Statistics 20, the analysis applied descriptive statistics, classical assumption tests, and multiple linear regression. Hypothesis testing included t-tests for individual effects, F-tests for overall significance, and R^2 for explanatory power.

4. Results and Discussion

Results

Research Sample

The sampling technique applied in this research was purposive sampling, using specific criteria tailored to the research objectives. From the entire population, only companies that fully met these criteria were included as samples. After a thorough screening and the elimination of outliers, the final number of observations is as shown in the table below.

Table 3. Variable Operationalization

	Criteria	Total
1	Number of secondary manufacturing companies listed on IDX during 2021–2023 period.	253
2	Companies that did not publish complete annual reports during the 2021–2023 period.	(13)
3	Companies using USD as the reporting currency during 2021–2023.	(40)
4	Companies that incurred losses during the 2021–2023 period.	(84)
5	Companies that disclosed corporate income tax payments in their cash flow statements.	(7)
	Total Companies	**109**
	Research Period	**3**
	Total Observational Samples	**327**
	Outliers	**(172)**
	Total Number of Final Observations	**155**

Source: (Processed by the researchers, 2025)

Descriptive Statistics Test

Table 4. Descriptive Statistics Results

	N	Minimum	Maximum	Mean	Std. Deviation
Sales Growth	155	-25.37	49.11	12.4789	15.20724
Firm Size	155	25.16	32.41	28.8879	1.39549
Leverage	155	6.00	86.40	34.7310	19.27725
Tax Avoidance	155	9.25	35.36	22.2639	5.25093
Valid N (listwise)	155				

Source: (SPSS output, Processed by the researchers, 2025)

The results of descriptive statistical tests reveal that Sales Growth has a minimum value of -25.37, a maximum of 49.11, and an average of 12.47, highlighting significant fluctuations in sales growth across companies. Firm Size ranges from 25.16 to 32.41 with an average of 28.88, indicating that company sizes are relatively homogeneous. Leverage has a minimum value of 6.00, a maximum of 86.40, and an average of 34.73. This variable also has the highest standard deviation among all variables, pointing to the greatest variation in corporate financing structures within the sample. Tax Avoidance has a minimum of 9.25, a maximum of 35.36, and an average of 22.26, indicating differences in the rate of tax avoidance among companies.

Classical Assumption Test

Table 5. Normality Test Results

		Unstandardized Residual
N		155
Normal Parameters[a,b]	Mean	0E-7
	Std. Deviation	3.82318536
Most Extreme Differences	Absolute	.070
	Positive	.069
	Negative	-.070
Kolmogorov-Smirnov Z		.874
Asymp. Sig. (2-tailed)		.429

Source: (SPSS output, Processed by the researchers, 2025)

As presented in Table 5, the results of the normality test using the Kolmogorov-Smirnov method indicate an Asymp. Sig. (2-tailed) value of 0.429. Since this value is greater than the 0.05 significance threshold, the residuals can be considered normally distributed. This suggests that the model meets the normality assumption, which is a key requirement in classical regression analysis.

Multicollinearity Test

Table 6. Multicollinearity Test Results

Model		Collinearity Statistics	
		Tolerance	VIF
1	Sales Growth	.990	1.010
	Firm Size	.970	1.031
	Leverage	.965	1.036

Source: (SPSS output, Processed by the researchers, 2025)

The analysis of multicollinearity test results from Table 6 shows that Sales Growth demonstrates a 0.990 tolerance value and Firm Size along with Leverage show 0.970 and 0.965 respectively, while their Variance Inflation Factor (VIF) values are 1.010 1.031 and 1.036. The independent variables in the regression model show no multicollinearity evidence because their tolerance values exceed 0.10 and their VIF values are below 10. Multicollinearity does not exist in the research model according to the regression analysis.

Heteroscedasticity Test

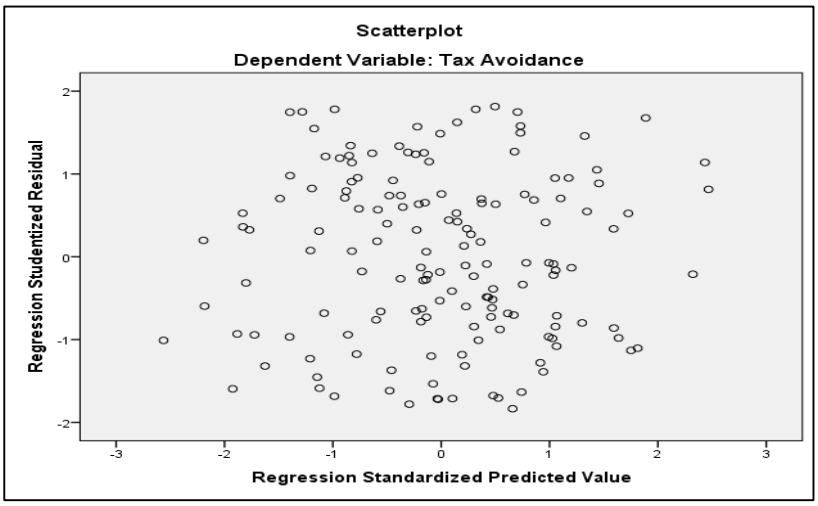

Figure 3: Heteroscedasticity Test Results
Source: (SPSS output, Processed by the researchers, 2025)

The results based on the Scatter Plot suggest that the regression model does not exhibit signs of heteroscedasticity. This conclusion is supported by the random distribution of data points, which do not form any identifiable pattern and are scattered evenly above and below the zero line on the Y-axis.

Autocorrelation Test

Table 7. Autocorrelation Test Results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.685[a]	.470	.459	3.86098	1.909

Source: (SPSS output, Processed by the researchers, 2025)

As shown in Table 7, the Durbin-Watson test produces a value of 1.909. Since this value falls within the acceptable range (between 1.777 and 2.223), it confirms the absence of autocorrelation in the model's residuals, thereby fulfilling another essential assumption of classical regression analysis.

Multiple Linear Regression Analysis

Table 8. Multiple Linear Regression Analysis Results

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	31.283	6.495		4.817	.000
	Sales Growth	-.234	.021	-.677	-11.365	.000
	Firm Size	-.274	.226	-.073	-1.209	.229
	Leverage	.052	.016	.191	3.160	.002

Source: (SPSS output, Processed by the researchers, 2025)

The estimated regression model is specified as:

$Y = \alpha + \beta1X1 + \beta2X2 + \beta3X3 + e$

Where Y represents tax avoidance, a is the constant, β1, β2, and β3 are the coefficients of the independent variables X1 (sales growth), X2 (firm size), and X3 (leverage), respectively, and e denotes the error term. The estimated equation obtained from the regression analysis is:

$Y = 31.283 - 0.234X1 - 0.274X2 + 0.052X3 + e$

Partial Hypothesis Testing (T-Test)

Table 9. Partial Hypothesis Testing (T-Test) Results

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	31.283	6.495		4.817	.000
	Sales Growth	-.234	.021	-.677	-11.365	.000
	Firm Size	-.274	.226	-.073	-1.209	.229
	Leverage	.052	.016	.191	3.160	.002

Source: (SPSS output, Processed by the researchers, 2025)

1. Hypothesis Testing (H_{01})

The regression analysis shows that Sales Growth variable (X1) has a coefficient of -11.365 while reaching statistical significance at 0.000 which is below the 0.05 cutoff point. The data shows that Sales Growth produces a meaningful negative effect on Tax Avoidance. The negative sign implies an inverse relationship, meaning the higher the sales growth, the lower the tendency for tax avoidance. Therefore, Hypothesis H_{01} is accepted.

2. Hypothesis Testing (H_{02})

Firm Size variable (X2) displays a regression coefficient of -1.209 and a significance level of 0.229 which surpasses the 0.05 significance threshold. The analysis demonstrates that Firm Size lacks statistical significance. Therefore, Hypothesis H_{02} is rejected.

3. Hypothesis Testing (H_{03})

The regression analysis shows that Leverage variable (X3) produces a coefficient value of 3.160 with statistical significance at 0.002, which is lower than 0.05. The statistical evidence demonstrates that Leverage influences Tax Avoidance in a significant way. The data indicate that companies with higher leverage levels tend to use tax avoidance strategies more frequently. Therefore, Hypothesis H_{03} is accepted.

Simultaneous Hypothesis Testing (F-Test)

Table 10. Simultaneous Hypothesis Testing (F-Test) Results

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1995.157	3	665.052	44.613	.000[b]
	Residual	2250.979	151	14.907		
	Total	4246.136	154			

Source: (SPSS output, Processed by the researchers, 2025)

4. Hypothesis Testing (H_{04})

The F-test result shows a significance value of 0.000, which is less than 0.05. This means that sales growth, firm size, and leverage have a significant simultaneous impact on tax avoidance. Therefore, it can be concluded that H_{04} is accepted.

Coefficient of Determination (R^2 Test)

Table 11. Results of Coefficient of Determination (R^2 Test)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.685[a]	.470	.459	3.86098	1.909

Source: (SPSS output, Processed by the researchers, 2025)

Based on the results of the coefficient of determination test shown in Table 10, the Adjusted R Square value of 0.459 indicates that 45.9% of the variation in Tax Avoidance can be attributed to the sales growth, firm size, and leverage variables. The remaining 54.1% is caused by other factors not included in this research model.

Discussion

The Impact of Sales Growth on Tax Avoidance in Secondary Manufacturing Companies Listed on the Indonesia Stock Exchange in 2021–2023

In the test statistics, the Sales Growth variable shows that there is a negative and significant association with Tax Avoidance since its significance value is 0.000 (< 0.05). This means that the greater the level at which the company grows in terms of its sales, the lesser the inclination of the company to tax avoidance. This adverse connection implies that an increase in revenue can help cool down the pressure on firms to be on the lookout to save taxes. When the financial performance reflects positive sales growth, it can give the impression to companies that aggressive tax avoidance measures are unnecessary.

These results are consistent with the empirical findings of Chandra & Oktari (2022), Syahirah et al. (2024), and William et al. (2025), all of which affirm the significant role of sales growth in influencing tax avoidance behaviour.

The Impact of Firm Size on Tax Avoidance in Secondary Manufacturing Companies Listed on the Indonesia Stock Exchange in 2021–2023

According to the test results, firm size does not impact tax avoidance. This is shown by a significance value of 0.229 (> 0.05). This means that the size of a company does not directly influence the decision to avoid taxes. Both large and small companies still have the potential to engage in tax avoidance depending on their internal policies and tax efficiency strategies.

This finding is in line with the conclusions drawn by Mahdiana & Amin (2020), Putri et al. (2021), Devi & Arinta (2021), Wulandari & Pratiwi (2023), Halim & Gunawan (2024), and Aini & Ikram (2024), who also found that firm size does not play a significant role in influencing tax avoidance behaviour.

The Impact of Leverage on Tax Avoidance in Secondary Manufacturing Companies Listed on the Indonesia Stock Exchange in 2021–2023

The findings reveal that leverage exerts a positive and statistically significant impact on tax avoidance, as evidenced by a significance value of 0.002 (< 0.05). This indicates that firms with higher debt levels are more inclined to adopt tax avoidance strategies. One key explanation lies in the concept of the interest tax shield, whereby interest costs of debt obligations decrease the taxable income of a firm, and hence the tax payable among the higher the interest burden, the lesser the amount reported as taxable income, the lower the amount of tax to pay.

This practice is established in Article 6, Paragraph (1) of the Law No. 36/2008, which explicitly allows interest expenses to be deducted from gross income in the calculation of taxable income. This legal provision makes debt a dual-purpose tool, not only for financing operations but also as a legitimate tax planning strategy to minimize tax obligations carefully and through lawful structuring.

These results are consistent with the findings of Riyadi & Rahmayani (2022), Khairunnisa et al. (2023), Samos et al. (2024), Bercamp (2024), and Lestari et al. (2025), who also found that leverage plays a significant role in influencing tax avoidance behaviour.

The Impact of Sales Growth, Firm Size, and Leverage on Tax Avoidance in Secondary Manufacturing Companies Listed on the Indonesia Stock Exchange in 2021–2023

The results of the simultaneous tests indicate that the sales growth, firm size, and leverage are mutually influential in determining the tax avoidance practices of corporations. The high sales growth of large firms makes them more confident in external financing as their good financial performance is a guarantee to the creditors that they can repay the debt. The bigger the

company, the more it can attract debt, which in turn generates interest expense that serves as a deduction for taxable income. Therefore, the relationship between sales growth, firm size, and leverage indicates that the more financially successful the company, and the more it has access to debt financing, the better it can manage its tax burden strategically.
The results of the research are in line with Ilmiyono & Agustina (2020), who also discovered that sales growth, firm size, and leverage are joint determinants of tax avoidance.

5. Conclusions

The research on the influence of sales growth, firm size, and leverage on tax avoidance in secondary manufacturing firms listed on the Indonesia Stock Exchange (IDX) in 2021–2023 provides the following results:

1. Sales growth has a significant inverse relationship with tax avoidance, indicating that higher sales growth leads to greater tax compliance.
2. Firm size does not significantly influence tax avoidance, as there is no meaningful correlation between firm size and tax avoidance behavior.
3. Leverage positively influences tax avoidance, as companies with higher leverage utilize interest tax shields to reduce their taxable income.
4. The interaction among sales growth, firm size, and leverage demonstrates a simultaneous influence on tax avoidance, suggesting that these variables collectively shape firms' tax planning strategies aimed at reducing taxable income.

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