

COMPANY SIZE, CAPITAL INTENSITY, AND SALES GROWTH ON TAX AGGRESSIVITY

Julia Putri* Anisa**

*,** Universitas Pamulang, Indonesia

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Corresponding Author:

dosen02385@unpam.ac.id

Abstract

This research aims to examine the influence of company size, capital intensity, sales growth on tax aggressiveness in Pharmaceutical subsector companies listed on the Indonesia Stock Exchange. This type of research is quantitative and the type of data used is secondary data, in the form of annual financial reports of pharmaceutical subsector companies for 2017-2022 obtained on the official website of the Indonesia Stock Exchange. namely as many as 30 companies. The samples were collected using a purposive sampling method and a research sample of 11 companies was obtained. This test was carried out using Eviews 9. From the results of simultaneous hypothesis testing (F test) company size, capital intensity and sales growth influence tax aggressiveness. Based on the results of the partial test (t test) company size, capital intensity and sales growth influence tax aggressiveness.

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INTRODUCTION

Taxes are the most important source of state revenue and have a role as a source of funds for financing and development of the country, so that tax avoidance should be increased to the maximum in order to accelerate the rate of state growth (Agoes and Trisnawati 2013: 4-5). As one of the country's largest sources of income, taxes are crucial, both in terms of collection implementation and legal regulations. For companies, tax is a cost that will reduce company profits and reduce net profit. This condition causes companies to try to find ways to reduce the costs of taxes paid. Therefore, it is possible that companies will be aggressive in taxation.

Tax aggressiveness is a tax avoidance strategy to reduce or eliminate a company's tax burden by using permitted provisions. By taking advantage of weaknesses in tax laws and regulations or violating provisions by using existing loopholes that are still in the gray area (Nofriyanti, 2021) defines tax aggressiveness as tax planning created to streamline the tax burden through transactions that have no business purpose. In carrying out tax aggressiveness actions carried out by the company.

Tax aggressiveness can be carried out both legally (tax avoidance) and illegally (tax avoidance). Tax avoidance is tax avoidance, an effort to minimize the tax burden which is carried out legally and safely because it is carried out in a way that does not violate and does not conflict with tax provisions, by taking advantage of the weaknesses contained in tax provisions. Meanwhile, tax evasion is illegal behavior because it violates applicable laws or regulations. Gupta & Newberry (1997).

As one of the country's largest sources of income, taxes are crucial, both in terms of implementation, collection and legal regulations. Meanwhile, for companies, taxes are considered a cost that will reduce company profits and reduce net profit. This condition has caused many companies to try to find ways to reduce the costs of taxes paid. Therefore, it is possible

that companies will be aggressive in taxation. (Chen et al., 2008 in (Leksono, Albertus, & Vhalery, 2019).

Company size describes the number of assets owned by the company. The larger the scale of the company, the more activities that occur and the profits earned will be higher. This will make companies make more efforts to be tax aggressive. However, not all research conducted finds the influence of company size on tax aggressiveness. Company size or firm size describes the wealth owned by the company. The size of the company's assets will affect the level of income and profits, earning profits can affect the company's assets and debt levels which have an impact on tax payments (Chiesa, 2020).

The second factor that influences tax aggressiveness can then be seen from the level of capital intensity or the existence of fixed asset investment. This is because companies with high fixed assets will bear a high depreciation burden. High depreciation expenses can reduce company tax payments. Companies with high depreciation expenses act more aggressively towards their obligation to pay taxes. A high level of capital intensity will increase the level of tax aggressiveness for the company's operational activities. This opinion is also in accordance with research results from (Junansie et al, 2020; Yuliana & Wahyudi, 2018) which states that there is an influence between capital intensity and the level of tax aggressiveness.

The next factor that can influence a company to be tax aggressive is sales growth. A company can be assessed as good or bad in terms of sales growth. Apart from that, the benchmark for a company's development can also be seen through sales growth from year to year. This research uses sales growth measurement because it can predict how much profit the company will generate by comparing the size of sales growth in the previous year. An increase in sales growth will likely cause the company to earn large profits. The greater the

profits earned, the company tends to take tax aggressiveness (Dewinta & Setiawan).

This research aims to find the partial and simultaneous influence of company size, capital intensity and sales growth on tax aggressiveness. in pharmaceutical subsector companies listed on the Indonesian Stock Exchange for the 2017-2022 period. The hope is to provide a reference and additional knowledge related to research that uses the tax aggressiveness variable.

LITERATURE REVIEW

Agency theory

Agency theory is a theory that causes the emergence of earnings management where managers try to be responsible for optimizing profits for the owners (principals), and will receive rewards in accordance with the agreed contracts. Therefore, there are two different interests in a company. This results in an imbalance of information held by the principal and agent, usually referred to as information asymmetry. Information asymmetry and conflicts of interest occur because they encourage the agent to hide some information that does not correspond to reality from the principal.

Tax Aggressiveness

Taxes paid by companies can reduce the profits or profits generated by the company. If the tax burden that must be paid by the company is large, then this will result in the company taking tax aggressive action. Tax aggressiveness measures are included in tax management activities. Tax management can be achieved through three aspects consisting of tax planning, implementation of tax obligations and tax control. Tax aggressiveness is carried out through tax planning, whether carried out legally or illegally. Thus, the author concludes that tax aggressiveness is an action taken by

companies to reduce the tax burden that must be paid either legally (tax avoidance) or illegally (tax evasion) (Frank et al., 2009) in (Wijaya & Saebani, 2019).

Company Size

Company size can be seen from the number of assets the company owns. Company size is one of the factors that can influence profit generation. The larger the size of a company, the greater its strength in dealing with business problems and the company's ability to obtain high profits because it is supported by large assets so that the company's obstacles can be overcome. Companies that have large total assets or total assets indicate that the company has reached the maturity stage where at this stage the company's cash flow is positive and is considered to have good prospects in a relatively long period of time (Cahyo & Na separate, 2023).

Capital Intensity

Capital intensity is related to the company's investment in the fixed assets it owns. If the capital intensity value of a company is high, then the depreciation burden on fixed assets will also be high. This will result in business profits decreasing, so that the company's tax payable will also decrease. Fixed assets as one of the company's assets have the impact of reducing the company's income, where almost all fixed assets can experience depreciation which will ultimately become a cost for the company itself (Neno & Wiwit Irawati).

Sales Growth

According to (Susanti and Satyawan, 2020) company growth is the change in increase or decrease in company sales from time to time. Companies that have a high level of sales growth will require more investment in various asset elements, both fixed assets and current assets (Clarensia et al). To increase growth rates, figures for the number of products or services sold to customers are determined.

Increased growth allows the company to increase the company's operational capabilities, and conversely, if growth decreases, the company will experience obstacles to increasing its operational capabilities. The company needs funds to increase the company's operating capacity. The higher the sales growth, the greater the company's operating capacity and this can influence tax avoidance. If sales growth is negative, it means that business activity is reduced, and a reduction in business activity will have an impact on decreasing company profits (Hayati & Ajimat, 2022).

Hypothesis Development

- H1: It is suspected that company size has an influence on tax aggressiveness
 H2: It is suspected that capital intensity has an influence on tax aggressiveness
 H3: It is suspected that sales growth has an influence on tax aggressiveness
 H4: It is suspected that company size, capital intensity, sales growth simultaneously influence tax aggressiveness.

DATA AND RESEARCH TECHNIQUE ANALISYS

Types of research

The type of research used in this research is quantitative, quantitative is a research method based on the philosophy of positivism, which is used to research certain populations or samples with the aim of testing predetermined hypotheses.

Time and place of research

This research examines the influence of company size, capital intensity, and sales growth on tax aggressiveness. Research was conducted on Pharmaceutical Subsector Companies Listed on the Indonesia Stock Exchange for the 2017-2022 period. The time used in this research was 9 months, starting from October to December 2023.

The dependent variable in this research is tax aggressiveness. Tax aggressiveness is a company's attempt to minimize the tax burden that must be paid by legal means, illegal means or both. Tax aggressiveness is measured using

the effective tax rate (ETR), namely the ratio of income tax to profit before tax (Iffah & Amrizal., 2022). The higher the ETR achieved, the lower the tax avoidance, with the following calculation:

$$\text{Effective tax rate} = \frac{\text{income tax expense}}{\text{profit before tax}}$$

Definition and Measurement of Independent Variables

Company Size

Company size is a measure that is grouped based on the size of the company, and can describe the company's operational activities and the income obtained by the company's operations (Legowo et al., 2021). Company size describes the size of a company as seen from the total assets owned. Company size is proxied by Ln total assets. Company size can be calculated using the following formula: Company Size = Ln (Total Assets)

Capital Intensity

Capital intensity is related to fixed assets, so it can be said that the higher the company's fixed assets, the greater the possibility of coal mining companies being aggressive towards taxes, the company taking advantage of depreciation charges to reduce the company's tax obligations. (Margaretha et al., 2021). With the formula:

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

Sales Growth

Sales growth is the change in increase or decrease in the number of sales over time (Susanti & Satyawan, 2020). This can be seen from the number of sales for the current year and last year. In this research, sales growth measurement is in accordance with research (Riswandari & Bagaskara., 2020) using the following formulation:

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

RESULT AND DISCUSSION

Analysis of the results of this research will be

in the form of outlines in table 1 totable 3 :

*Table 1 :
Determination test
results*

		Mean dependent	0.3079
R-squared	0.771180	var	37
		S.D. dependent	0.3020
Adjusted R-squared	0.723310	var	62
		Akaike info	0.1215
S.E. of regression	0.229386	criterion	94
			0.5860
Sum squared resid	1.525918	Schwarz criterion	36
		Hannan-Quinn	0.2895
Log likelihood	8.568119	criter.	22
		Durbin-Watson	2.0127
F-statistic	3.862737	stat	99
Prob(F-statistic)	0.002090		

The results in the table above obtained an Adjusted R-squared value of 0.723310, so it can be concluded that tax aggressiveness can be influenced by the variables company size, capital intensity, and sales growth of 72%. Meanwhile, the remaining 28% is influenced by other variables not discussed in this research.

Table 2 : T test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	4.443273	0.603326	7.364633	0.0000
UP	0.348490	0.132550	2.629109	0.0096
CI	0.923787	0.335560	2.752976	0.0067
PP	0.500322	0.175632	2.848693	0.0051

The results from table 2 of decision making to reject or accept a hypothesis with a total of 66 and with a significance level of 5%, the t-table value of 1.66940 can be seen:

- The results from the table above can be seen that variable X1, namely company size, has a t-value of 2.629109. and the prob value is 0.0096, because the calculated t-value is greater than the t-table ($2.629209 > 1.66940$) and the prob is $0.0096 < 0.05$. So it can be concluded that company size has a significant effect on tax aggressiveness.
- The results from the table above can be seen that the variable So it can be concluded that capital intensity has a significant effect on tax aggressiveness.
- The results from the table above can be seen that So it can be concluded that sales growth has a significant effect on tax aggressiveness.

Table 3 : F test

R-squared	0.771180	Mean dependent var	0.307937
Adjusted R-squared	0.723310	S.D. dependent var	0.302062
S.E. of regression	0.229386	Akaike info criterion	0.121594
Sum squared resid	1.525918	Schwarz criterion	0.586036
Log likelihood	8.568119	Hannan-Quinn criter.	0.289522
F-statistic	3.862737	Durbin-Watson stat	2.012799
Prob(F-statistic)	0.002090		

The results of table 3 show an F-count value of 3.862737 with a probability value of 0.002090. Meanwhile, to find the F-table value, namely with the number of samples (n) = 66, the number of independent variables (k) = 3, then $df = n - k = 66 - 3 = 63$ with a significant value of $\alpha = 0.05$. So the F-table value is 2.75, so the F-count is $3.862737 > F\text{-table } 2.75$ and the probability value is $0.002090 < 0.05$. So it can be concluded that company size, capital intensity, and sales growth simultaneously and together influence tax aggressiveness in pharmaceutical subsector

companies listed on the Indonesia Stock Exchange in the 2017-2022 period.

The Influence of Company Size on Tax Aggressiveness

The tests that have been carried out have research results that show that company size has an effect on tax aggressiveness, because the t-count value is 1.66940 and the prob value is 0.0096, because the t-count value is greater than the t-table ($2.629209 > 1.66940$) and the prob is $0.0096 < 0.05$ which means H1 is accepted. So it can be concluded that company size partially influences tax aggressiveness in pharmaceutical companies listed on the IDX for the 2017-2022 period.

The results of this research are supported by previous research conducted by (Yuliana & Wahyudi, 2018). Company size or firm size describes the wealth owned by the company. The size of the company's assets will affect the level of income and profits, earning profits can affect the company's assets and debt levels which have an impact on tax payments. And this discussion is in contrast to research conducted by (Putri et al, 2018; Junensie et al, 2020; Iffah & Amrizal, 2022). This shows that the size of the company is tax aggressive. The greater the company's assets, the greater the total assets. Assets will experience depreciation every year and can reduce the company's net profit, thereby reducing the tax burden paid by the company.

The Effect of Capital Intensity on Tax Aggressiveness

The tests that have been carried out have research results that show that capital intensity has an effect on tax aggressiveness. This can be seen from the t-count value of absolute 2.752976 and the prob value of 0.0067, because the t-count value is greater than the t-table ($2.752976 > 1.66940$) and the prob is $0.0067 < 0.05$. which means H1 is accepted. So it can be concluded that capital intensity partially influences tax aggressiveness. In pharmaceutical sector companies listed on the IDX for the 2017-2022 period.

The results of this research are in line with research (Margaretha et al, 2021) which states that there is an influence between capital intensity and the level of tax aggressiveness. Capital intensity is related to fixed assets, so it can be said that the higher the company's fixed assets, the greater the possibility of pharmaceutical companies being aggressive towards taxes, the company taking advantage of depreciation expenses to reduce the company's tax obligations. And this discussion is contrary to research (Tanjaya & Nazir, 2021; Dewil & Oktaviani, 2022; Iffah & Amrizal, 2022) where capital intensity has no significant effect on tax aggressiveness.

The Effect of Sales Growth on Tax Aggressiveness

The tests that have been carried out have research results showing that sales growth has an effect on tax aggressiveness. This can be seen from the t-count value of absolute 2.848693 and the prob value of 0.0051, because the t-count value is greater than the t-table ($2.848693 > 1.66940$) and the prob is $0.0051 < 0.05$, which means H1 is accepted. So it can be concluded that sales growth partially influences tax aggressiveness in pharmaceutical subsector companies listed on the IDX for the 2017-2022 period.

The results of this research are in line with (Riswandari & Bagaskara., 2020; Susanti & Satyawan., 2020) When companies gain increased sales growth, companies tend to practice tax avoidance because making large profits results in large taxes owed as well. The higher the sales growth, the higher the tax aggressiveness. And contrary to research (Nisadiyanti & Yuliandary., 2021), sales growth has no influence on tax avoidance. The size of sales growth does not have an influence on tax aggressiveness carried out by the company. Because companies with increasing or decreasing sales growth still have an obligation to pay the tax burden they bear.

CONCLUSION

Based on the results of the analysis carried out in this research, it can be concluded that simultaneously the independent variables company size, capital intensity and sales growth simultaneously influence tax aggressiveness in pharmaceutical subsector companies listed on the BEI for the 2017-2022 period.

Meanwhile, partially it can be concluded as follows:

1. The variable company size influences tax aggressiveness so that the first hypothesis is accepted.
2. The capital intensity variable influences tax aggressiveness so that the second hypothesis is accepted.
3. The sales growth variable influences tax aggressiveness so that the third hypothesis is accepted.
4. The variables company size, capital intensity and sales growth simultaneously influence tax aggressiveness.

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