

**THE EFFECT OF SALES GROWTH, PROFITABILITY, AND
LEVERAGE ON TAX AVOIDANCE
(EMPIRICAL STUDY OF PROPERTY AND REAL ESTATE COMPANIES LISTED
ON THE IDX 2020-2023)**

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Abstract. This study aims to examine the effect of sales growth, profitability, and leverage on tax avoidance in property and real estate companies listed on the Indonesia Stock Exchange during 2020–2023. The research applies a causal quantitative approach with purposive sampling, resulting in 26 companies as the sample. Data were analyzed using multiple linear regression. The findings reveal that sales growth and leverage have no significant effect on tax avoidance, while profitability has a significant positive effect. These results provide insights for company management and tax regulators in formulating strategies to minimize tax avoidance practices.

Keywords: Tax Avoidance, Sales Growth, Profitability, Leverage.

Abstrak. Penelitian ini bertujuan menguji pengaruh sales growth, profitabilitas, dan leverage terhadap penghindaran pajak pada perusahaan subsektor properti dan real estate yang terdaftar di Bursa Efek Indonesia periode 2020–2023. Metode yang digunakan adalah penelitian kausal dengan pendekatan kuantitatif. Sampel ditentukan melalui purposive sampling dan diperoleh 26 perusahaan. Analisis dilakukan dengan regresi linear berganda. Hasil penelitian menunjukkan bahwa sales growth dan leverage tidak berpengaruh signifikan terhadap penghindaran pajak, sedangkan profitabilitas berpengaruh positif signifikan. Temuan ini diharapkan memberi masukan bagi manajemen perusahaan dan regulator dalam merumuskan strategi untuk meminimalkan praktik penghindaran pajak.

Kata Kunci: Penghindaran Pajak, Pertumbuhan Penjualan, Profitabilitas, Leverage.

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INTRODUCTION

Taxes are the main source of state revenue used to finance routine expenditures and development. Although they play a vital role, companies often view taxes as a burden that can reduce net profits, encouraging tax avoidance practices. These practices are carried out legally by exploiting loopholes in tax regulations, but they contradict the main purpose of taxation. In Indonesia, tax revenue still faces challenges, such as a low tax ratio compared to neighboring countries and rampant cases of tax avoidance among companies, particularly in the property and real estate sectors.

The property and real estate sectors are in the spotlight because they contribute significantly to the economy, but they are also recorded as sectors with high levels of tax avoidance. Various cases, such as the manipulation of house sale transaction values and transfer pricing practices, indicate significant potential losses for the state. This phenomenon is of concern given that the government has provided various incentives and tax rate reductions, yet indications of tax avoidance still persist.

Previous research on the factors influencing tax avoidance has yielded inconsistent results. Some studies found that sales growth, profitability, and leverage significantly influence tax avoidance, while others stated the opposite. This inconsistency creates a research gap that needs to be further explored, particularly in the property and real estate sub-sector companies in Indonesia.

Based on this background, this study aims to empirically test the influence of sales growth, profitability, and leverage on tax avoidance in property and real estate sub-sector companies listed on the Indonesia Stock Exchange (IDX) for the period 2020–2023. The findings of this study are expected to provide theoretical and practical contributions for academics, industry players, and policymakers in formulating tax avoidance control strategies.

LITERATURE REVIEW

2.1 Agency Theory

Agency theory explains the contractual relationship between principals (shareholders) and agents (management), whereby agents are authorized to act in the interests of principals. Differences in objectives and information asymmetry can trigger agency conflicts, including tax avoidance practices. In this context, the government acts as the principal that requires companies to fulfill their tax obligations, while companies as agents tend to minimize tax payments to maximize after-tax profits. Factors such as sales growth, profitability, and leverage can influence management's decision to engage in tax avoidance.

2.2 Tax Avoidance

Tax avoidance is an effort to legally reduce tax obligations by exploiting loopholes in tax regulations. Although not illegal, this practice is often considered unethical because it can reduce state revenue. In Indonesia's self-assessment system, taxpayers are responsible for calculating, paying, and reporting their own tax obligations, which opens up opportunities for tax avoidance. The Cash Effective Tax Rate (CETR) is often used as a measure of tax avoidance, where a low CETR indicates a high level of tax avoidance.

2.3 Sales Growth and Tax Avoidance

Sales growth reflects the percentage change in sales over a specific period and serves as an indicator of company performance and market expansion. Higher sales growth generally leads to increased profits, which means higher tax burdens. Some studies (Fadhillah, 2023) have found that high sales growth encourages companies to engage in tax avoidance. However, other studies (Anasta, 2021) show no significant relationship, so empirical evidence remains mixed.

2.4 Profitability and Tax Avoidance

Profitability measures a company's ability to generate profits from its assets, often measured using Return on Assets (ROA). High profitability implies a large tax burden, which can motivate companies to adopt tax avoidance strategies. Some studies (Sari, 2022) found a positive relationship between profitability and tax avoidance, while other studies (Oktris & Apriatna, 2022) found no significant effect, thus requiring further study.

2.5 Leverage and Tax Avoidance

Leverage is the proportion of a company's financing that comes from debt relative to equity. Interest expenses on debt can be deducted from taxable income, thereby reducing a company's tax liability. Some studies (Khairunnisa & Muslim, 2020; Sari, 2022) found a

positive effect of leverage on tax avoidance. However, other studies (Oktris & Apriatna, 2022) found no significant effect, indicating the need for further research.

2.6 Research Hypotheses

Based on the theoretical framework and previous research findings, the hypotheses proposed are:

- H1: Sales growth has a significant effect on tax avoidance.
- H2: Profitability has a significant effect on tax avoidance.
- H3: Leverage has a significant effect on tax avoidance.

METHOD

This study is a causal study with a quantitative approach. This method is used to examine the effect of sales growth, profitability, and leverage on tax avoidance in property and real estate sub-sector companies listed on the Indonesia Stock Exchange (IDX).

3.1 Population and Sample

The research population includes 92 property and real estate companies listed on the IDX during the 2020–2023 period. The sample was selected using purposive sampling with the following criteria: (1) companies published complete financial reports during the research period, and (2) companies earned profits during that period. Based on these criteria, 26 companies were selected as the sample, resulting in a total of 104 observations (26 companies × 4 years).

3.2 Operational Definitions and Measurement of Variables

- Tax Avoidance (Y): measured using the Cash Effective Tax Rate (CETR), which is tax expense divided by pre-tax profit. A low CETR indicates a high level of tax avoidance.
- Sales Growth (X1): calculated as the percentage change in net sales for the current year compared to the previous year.
- Profitability (X2): measured using Return on Assets (ROA), which is net profit divided by total assets.
- Leverage (X3): measured using the Debt to Equity Ratio (DER), which is total debt divided by total equity.

3.3 Data Analysis Techniques

Data analysis was performed using multiple linear regression with the assistance of SPSS software. Before testing the hypothesis, classical assumption tests were conducted, including tests for normality, multicollinearity, heteroscedasticity, and autocorrelation. The regression model equation used is:

$$\text{CETR} = \alpha + \beta_1\text{SG} + \beta_2\text{ROA} + \beta_3\text{LEV} + \varepsilon$$

Notes:

CETR = Cash Effective Tax Rate

SG = Sales Growth

ROA = Return on Assets

LEV = Leverage

RESULTS

Descriptive Analysis

The following is a descriptive statistical test using Eviews 12 software for each variable: Tax Avoidance, Sales Growth, Profitability, and Leverage.

Descriptive Statistical Test Results

	Obs	Minimum	Maksimum	Mean	Std. Deviasi
X ₁	104	-0,820000	4,570000	0,118462	0,175060
X ₂	104	0,000000	0,200000	0,040962	0,581280
X ₃	104	0,000000	1,850000	0,626923	0,038022
Y	104	0,000000	0,960000	0,149231	0,175060

Source: Data processed using Eviews 12, 2025

Coefficient of Determination

Results of the Determination Test	Coefficient of
R-squared	0.115493
Adjusted R-squared	0.088958

Source: Results of data analysis using Eviews 12, 2025

Based on the results of the regression model selection using the REM model above, the adjusted R-squared value is 0.088958. Therefore, it can be concluded that the combination of sales growth, profitability, and leverage variables can only explain 8.89% of the tax avoidance variable, while the remaining 92.11% is influenced by other factors. This condition indicates that there are other factors that are more dominant in influencing tax avoidance practices. These factors include firm size, capital intensity, audit committees, and institutional ownership, which have not been included in this research model.

Hypothesis Testing

Hypothesis Test Results				
Variable	Coefficient	Std. Error	t-Statistics	Prob.
C	0.204135	0.058636	3.481363	0.0007
X ₁	-0.021587	0.021046	-1.025697	0.3075
X ₂	-1.657402	0.584787	-2.834199	0.0056
X ₃	0.024792	0.059210	0.41872	0.6763

Source: Data processed using Eviews 12, 2025

The following are the results of the individual parameter significance test in Table 4.13, which can be explained as follows:

Hypothesis One

Based on the results of the partial t-test, it can be seen that the t-value is -1.025 with a probability value for the sales growth (SG) variable of 0.3075 > 0.05. The results of the study prove that sales growth does not affect tax avoidance.

Hypothesis Two

Based on the results of the partial t-test, it can be seen that the t-value is -2.834 with a probability value for the profitability (return on asset) variable of 0.0056 < 0.05. The research results prove that profitability affects tax avoidance.

Hypothesis Three

Based on the results of the partial t-test, it can be seen that the t-value is 0.4187 with a probability value for the leverage variable of 0.6763 > 0.05. The results of the study prove that leverage does not affect tax avoidance.

Regression Analysis

Based on the results of the multiple linear regression test, the regression model equation can be written as follows:

$$\text{CETR} = 0.204135 - 0.021587 - 1.657402 + 0.024792$$

According to the regression model equation, the regression equation can be explained as follows:

- a. The constant (Constant) has a positive value of 0.204135, indicating that when the tax avoidance variable is considered to be zero, the average tax avoidance will increase by 0.204135 percent.
- b. The sales growth regression coefficient has a negative value of -0.021587, indicating that when the SG variable increases by 1 percent, the probability of tax avoidance decreases by 0.0935 percent.
- c. The regression coefficient for profitability, proxied by return on assets, has a negative value of -1.657402, indicating that a 1% increase in the ROA variable will result in a decrease in the probability of tax avoidance by -1.657402%.
- d. The regression coefficient for leverage obtained a positive value of 0.024792, indicating that a 1 percent increase in the leverage variable will result in a 0.024792 percent increase in the probability of tax avoidance.

DISCUSSION

Sales Growth

The results of the study indicate that sales growth does not have a significant effect on tax avoidance. This finding suggests that increased sales are not always accompanied by efforts on the part of companies to minimize their tax burden. In agency theory, managers may have a tendency to maximize net profit, but in the property and real estate industry, increased sales are often offset by increased operating costs, marketing costs, or other expenses that can reduce taxable income. Additionally, the industry's tendency to focus on long-term projects means that increased sales may not immediately impact net profit and tax calculations in the short term. These results align with research (Anasta, 2021) finding that sales growth does not have a significant impact on tax avoidance in similar sectors.

Profitability

The results of this study indicate that profitability has a significant positive effect on tax avoidance, suggesting that companies with high profit margins are more likely to pursue tax avoidance strategies. This is consistent with agency theory, which states that managers seek to maximize the value of the company and after-tax profits for shareholders. The higher the profitability, the greater the tax burden, thereby creating an incentive for management to seek legal ways to reduce tax obligations, such as exploiting regulatory loopholes or delaying revenue recognition. These results support the findings of (Sari, 2022), which state that profitability is positively and significantly related to tax avoidance across various industrial sectors.

Leverage

The results of this study indicate that leverage does not have a significant effect on tax avoidance. Theoretically, the use of debt can reduce the tax burden because interest on debt can be used as an expense to reduce taxable income (tax shield). However, in the property and real estate subsector, the use of debt tends to be directed toward project financing and working capital with long-term financing structures. This means that the tax shield benefits from debt interest are not directly utilized as a tax avoidance strategy. Additionally, most companies in this sector also rely on funding from their own capital or project pre-sales, resulting in varying levels of leverage among companies. This finding aligns with research (Oktris & Apriatna, 2022) which found no effect of leverage on tax avoidance.

CONCLUSION

Based on the results of research conducted on companies in the property and real estate sub-sector listed on the Indonesia Stock Exchange for the period 2020–2023, it can be concluded that sales growth has no significant effect on tax avoidance. Profit has a significant positive effect on tax avoidance, indicating that the higher the profit generated by a company, the greater the tendency to engage in tax avoidance. On the other hand, leverage has no significant impact on tax avoidance. Simultaneously, the three independent variables—sales growth, profitability, and leverage—have a significant impact on tax avoidance with an explanatory contribution of 16.4%, while the rest is influenced by other factors outside the research model.

Based on these findings, companies are advised to manage profits and tax expenses proportionally while complying with tax regulations to maintain their reputation and business sustainability. The government is expected to increase supervision and law enforcement to minimize tax avoidance practices, especially in the property and real estate sectors. For further research, it is recommended to add other variables that may potentially affect tax avoidance, such as company size, capital intensity, audit committees, and institutional ownership. Thus, the research results can provide a more comprehensive and accurate picture of the factors that influence tax avoidance.

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