THE INFLUENCE OF SALES GROWTH, DEBT EQUITY RATIO (DER) AND RELATED PARTY TRANSACTION TO TAX AVOIDANCE

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Abstract: This study aims to analyze the effect of Sales Growth, Debt Equity Ratio (DER) and Related Party Transaction on Tax Avoidance. The basis of sampling is purposive sampling, with the aim of getting representative samples according to certain criteria. The research data is secondary data. The method of analysis of this research is Multiple Linear Regression using SPSS. The results showed that Sales Growth has a negative and significant effect on Tax Avoidance, Debt of Equity Ratio (DER) has no effect on Tax Avoidance and Related Party Transaction (RPT) has a positive and significant effect on Tax Avoidance.

Keywords: Sales Growth, Debt Equity Ratio (DER), Related Party Transaction, Tax Avoidance

1. INTRODUCTION

Background Research

Indonesia as a developing country needs to develop and organize development for the welfare of its people. From year to year government activities in national development are increasing; this has an effect on the need for the State Budget. To realize this development the government requires a large amount of money. To realize national development, the government increases the target of tax revenue from year to year. Following are the targets and realization of tax revenues from 2015-2017:

Table 1.1

<table>
<thead>
<tr>
<th>YEAR</th>
<th>TARGET</th>
<th>REALIZATION</th>
<th>PRESENTASE</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>1.294,26</td>
<td>1.061,00</td>
<td>81,96%</td>
</tr>
<tr>
<td>2016</td>
<td>1.355,20</td>
<td>1.105,73</td>
<td>81,59%</td>
</tr>
<tr>
<td>2017</td>
<td>1.283,57</td>
<td>1.151,03</td>
<td>89,67%</td>
</tr>
</tbody>
</table>


From table 1.1, It can be seen that the realization of tax revenue has increased every year, but in achieving the target in 2016 it has decreased. The cause of the decline in the revenue ratio is the lack of awareness of taxpayers. Taxpayers tend to reduce the amount of tax payments, while the government tries to increase tax revenues. For taxpayers, taxes are a burden on companies that will reduce profits. while for the government, tax revenue is a source of state finances, namely as a source of funds intended for financing government expenditures. The existence of differences in interests causes tax resistance.

To optimize revenue from the tax sector is not without constraints. One of the obstacles in the optimization of tax revenues is the existence of tax avoidance both legally (Tax Avoidance) and illegally (Tax Evasion). In the taxation laws up to now there is no clear definition of tax avoidance. On the one hand, according to tax regulations, it is not prohibited, but on the other hand it often gets the spotlight because it has a negative connotation. In practice, different interpretations often arise between taxpayers and tax officials, where taxpayers and tax officials will certainly provide their own interpretations that benefit them, giving rise to legal uncertainty.
According to the Minister of Finance, Bambang Brodjonegoro, PT RNI is undergoing a tax audit process. PT RNI is listed as a limited liability company, but in terms of capital, PT RNI relies on affiliate debt (owners in Singapore provide loans to PT RNI in Indonesia), in other words, the owners do not invest, but as if they were debt.

One indication of a healthy company is sales growth. Sales have a strategic influence on the company. Sales growth is the company's ability to increase the number of sales from year to year. Sales growth reflects the success of investment in the past period and can be used as a prediction of future growth.

The Head of the Joint Indonesian Pharmaceutical Company (GP Pharmacy) Committee, Vincent Harijanto, revealed that the growth of the national pharmaceutical industry had slowed, even though it had not reached 5 percent in the past two years. In terms of quantity, drug consumption does increase, but in sales it decreases. This is because the government through the Government Agency for Procurement of Goods and Services Policy (LKPP) has placed the lowest prices for medicines included in the e-catalog of the 900 items contained in e-catalogs, 300 of them cannot be offered because prices are too low.

In addition to sales growth factors, the debt equity ratio also affects tax avoidance. In terms of commercial aspects, the main consideration in the balance between debt and capital in a company. But in general the choice of debt usage is more than capital in practice, the company that conducts debt financing will have to pay interest costs, the greater the debt, the greater the interest costs borne by the company. Large interest costs will have the effect of reducing the tax burden (Surya, 2016). From the news published in katadata.co.id on June 14, 2016, Microsoft acquired LinkedIn with a value of US $ 26.2 billion, the acquisition was carried out by way of debt. By doing this process, Microsoft can avoid potential taxes of US $ 9 billion (35 percent).

Besides DER, Related Party Transactions can also affect tax avoidance. Sumarsan (2015: 232) defines transfer pricing (price transfer) as a price fix for transactions of product or service delivery between parties that have special relationships, for example between a parent and a subsidiary or between its affiliated companies.

Tax avoidance practices are usually carried out by multinational companies through the application of transfer pricing. Mardiasmo in the Tax Account of the Indonesian Accountants Association (IAI) in IAI Building, according to him, the potential for tax revenues from multinational companies is very large and quite significant, but Transfer Pricing activities are widely misused to try to downplay or shift profits that should be part of paying taxes.

Based on the description above, the authors are interested in researching with the title, "The Influence of Sales Growth, Debt Equity Ratio (DER) and Related Party Transaction on Tax Avoidance."

2. LITERATURE REVIEW

Tax Avoidance

according to Pohan (2017: 18) the notion of tax planning is the process of organizing the business of individual and business entity taxpayers in such a way by utilizing various possible loopholes that can be taken by companies in the corridors of the provisions of tax regulations (loopholes), so companies can pay taxes in the minimum amount.

Sales Growth

Sales growth reflects the success of investment in the past period and can be used as a prediction of future growth. Sales growth is an indicator of the demand and competitiveness of companies in an industry. According to Irham (2014: 83), the growth ratio is a ratio that measures how much the company's ability to maintain its position in the industry and in general economic development.
Debt Equity Ratio (DER)

Debt Equity Ratio (DER) is the use of debt to finance the investment of Kurniasih and Sari (2013: 59). Debt Equity Ratio (DER) is a ratio that measures how far the company uses debt in financing, the Debt Equity Ratio (DER) also describes the relationship between total assets and ordinary share capital or shows the use of debt to increase profits.

The Debt Equity Ratio (DER) formula in this study uses the following formula:

\[
\text{Debt Equity Ratio (DER)} = \frac{\text{Total Debt}}{\text{Total Equity}}
\]

Related Party Transaction

Based on Article 18 paragraph (4) of the Income Tax Law and Article 2 paragraph (2) of the VAT Law, the special relationship between the Taxpayer may occur due to dependency or attachment to one another. The relationship between the parties concerned is as follows: a). With regard to the effort, b). With respect to work, and c). With regard to ownership or equity participation

The Effect of Sales Growth on Tax Avoidance

Sales growth reflects the success of past investment periods and can be used as a prediction for future growth. Sales growth is an indicator of a company’s demand and competitiveness in an industry. Research by Ida Ayu Rosa Dewinta and Putu Ery Setiawan (2016) proves that the existence of Sales Growth has an effect on tax avoidance. So based on this statement, the research hypothesis is:

H1: Sales Growth has an effect on Tax Avoidance.

The effect of Debt Equity Ratio (DER) on Tax Avoidance

The increase in debt, the higher the burden that must be borne by the company, such as bankruptcy fees, agency fees, higher interest expenses and so on. So that when profits fall, shareholders bear all losses. If times are difficult enough, companies that borrow large amounts may not be able to pay their debts. The company went bankrupt, and the shareholders lost their entire investment. This is what encourages investors to think not to use their capital in companies that have high Debt to Equity Ratio (DER) levels. This is in line with research by Pratama and Wiskuana (2016) which states that the Debt Equity Ratio (DER) has an effect on Firm Value.

H2: Debt to Equity Ratio (DER) has an effect on Tax Avoidance.

The effect of Related Party Transactions on Tax Avoidance

Related party transactions may affect the net income and financial condition of a company, products are sold to controlling companies at cost, and do not sell to other companies for the same matter, transactions with related parties may differ from the amounts of transactions with unrelated companies. As a result, related parties can have a substantial influence on the company, related to the company’s operations and state finances (Sungwon Park, 2018).

H3: Related Party Transactions has an effect on Tax Avoidance
Furthermore, the conceptual framework of the research can be seen in Figure 2.1. the following:

**Picture 2.1. Conceptual Framework**

### 3. Research Method

This study uses secondary data sources, namely the financial statements of manufacturing companies in the consumer goods industry sector published in the 2015-2017 period by the Indonesia Stock Exchange (IDX) or via internet access at [www.idx.co.id](http://www.idx.co.id). The data collection method is done by using documentation technique.

The technique used to obtain a representative sample is purposive sampling, with the aim of obtaining a representative sample according to certain criteria, which are generally adjusted to the objectives and problems, by selecting the sample to meet the criteria determined by the researcher.

The method of data analysis in hypothesis testing uses multiple linear regression analysis to test the effect of two or more variables and to see the effect partially and simultaneously.

The empirical model equation used in testing the effect of the independent variable on the dependent variable:

\[
Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon
\]

### 4. Result and Discussion

Descriptive statistics of research data for variables, Sales Growth, Debt Equity Ratio (DER), and Related Party Transactions which include the mean value, standard deviation value, minimum value, and maximum value can be seen in the following table.

**Table 4.1. Descriptive Analysis**

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>The mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>SG</td>
<td>57</td>
<td>-0.2044</td>
<td>0.2383</td>
<td>0.06626235</td>
<td>0.0832218</td>
</tr>
<tr>
<td>DER</td>
<td>57</td>
<td>0.061</td>
<td>2.6546</td>
<td>0.723282</td>
<td>0.6171675</td>
</tr>
<tr>
<td>RPT</td>
<td>57</td>
<td>0.0004</td>
<td>6.923</td>
<td>1.27763</td>
<td>0.1496708</td>
</tr>
<tr>
<td>TA</td>
<td>57</td>
<td>0.0902</td>
<td>7.238</td>
<td>0.295384</td>
<td>0.1288836</td>
</tr>
<tr>
<td>Valid N (listwise)</td>
<td>57</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Summary of Regression Analysis:

Table 4.2. Summary of Regression Analysis

<table>
<thead>
<tr>
<th></th>
<th>B</th>
<th>Std. Error</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>0.266</td>
<td>0.015</td>
<td>18.193</td>
<td>0.000</td>
</tr>
<tr>
<td>SG</td>
<td>-0.200</td>
<td>0.093</td>
<td>-2.151</td>
<td>0.038</td>
</tr>
<tr>
<td>DER</td>
<td>-0.020</td>
<td>0.016</td>
<td>-1.222</td>
<td>0.229</td>
</tr>
<tr>
<td>RPT</td>
<td>0.155</td>
<td>0.061</td>
<td>1.887</td>
<td>0.067</td>
</tr>
</tbody>
</table>

Dependent Variable: Tax Avoidance

F value calculated: 3.160
Sig F: 0.036
Durbin Watson: 2.010
R Square: 0.200
Adjusted R Square: 0.136

Hypothesis test

This research uses regression analysis, so that hypothesis testing is done by two tests. First, hypothesis testing is performed for the accuracy of the model using the F test, and hypothesis testing for the effect of each independent variable on the dependent variable using the t test. Furthermore, it will be explained in the following description.

Coefficient of Determination (R²)

The Adjusted R² value can go up or down if one independent variable is added to the model. In table 4.2 above, we can see the value Adjusted R² is 0.136, this means that 13.6% of the variation in capital expenditure can be explained by variations of the three independent variables (SG, DER, and RPT). While the remaining 86.4% (100% - 13.6%) is explained by other causes outside the model.

Simultaneous Significance Test (Statistical Test F)

It can be seen in table 4.2, the value of F is 3.160 with the probability of 0.036. Because the probability is much smaller than 0.01, the regression model can be used to predict Tax Avoidance. Or SG, DER, and RPT could be together influencing the Tax Avoidance, and the linear regression equation is appropriate.

Significance Test of Individual Parameters (Statistical Test t)

From the results figured in table 4.2. From the three independent variables which are inserted into the regression model; SG has a negative effect, DER has no effect, and RPT has a positive and significant effect on Tax Avoidance. This is seen from the significance probability for SG of 0.038, DER of 0.229, and RPT 0.067. Thus it can be concluded that SG has a negative effect, DER has no effect and RPT has a positive and significant effect at alpha 1% of Tax Avoidance.
Discussion

Provisional presumption in the first hypothesis is that Sales Growth influences Tax Avoidance. This research found that the Sales Growth negatively and significantly affects Tax Avoidance. This research reinforces the research of Muhamad Syafiquddin (2018), Wastan Wahyu Hidayat (2018) and Verawati (2019) who found Sales Growth to have a negative effect on Tax Avoidance. Sales Growth is a ratio that illustrates a company's ability to maintain its economic position amid economic growth and its business sector. Measurement of sales growth can describe how good or bad level of sales growth of a company. Companies can predict how much profit will be obtained by the size of sales growth. The higher Sales Growth, more profit will be increased so that it is in line with the level of tax burden borne by the company. The increase in Sales Growth will be a concern of tax officials, where it is assumed that the higher Sales Growth, the greater amount of tax payable to be paid by the company. This can make management more vigilant in carrying out its tax policies. These results are different from the research of Muhammad Aprianto and Susi Dwi Mulyani (2019) and Nurhana (2019) found Sales Growth did not affect Tax Avoidance.

While the results of the second hypothesis suggest that the Debt of Equity Ratio (DER) has an effect on Tax Avoidance, it turns out that this research cannot prove it. Debt of Equity Ratio (DER) has no effect on Tax Avoidance. The results of this research are in line with the research of Andy (2018), Yunita Valentina Kusuyiah and Dina Anggraini (2019) who found that leverage (debt to equity ratio) had no effect on tax avoidance; but was different from the research of Dian Erfiendi and Viola (2018), Harry Barli (2018), Taufianto Ekaputra and Widyasari found that debt to equity ratio (DER) positively and significantly affects the Tax Avoidance. Debt of Equity Ratio (DER) is an important ratio to consider when examining the financial health of a company. The higher the DER shows the composition of total debt (short-term debt and long-term debt) the greater than the total own capital which is a fairly dangerous trend. In the commercial aspect the main consideration in the balance between debt and capital of a company, the selection of the use of debt is more than capital so that the greater the interest expense on the company's debt to outsiders (creditors), the amount of interest expense borne by the company will reduce the amount of profits received company. If profits are reduced, the tax payable becomes smaller. This practice can be used as a strategy to save taxes. But this is not the case with lenders and investors, usually choosing a low Debt to Equity Ratio (DER) because their interests are better protected if there is a decline in company business.

While the third hypothesis is assumed Relationship Party Transaction (RPT) affects Tax Avoidance. This research proves that the Relationship Party Transaction (RPT) also affects Tax Avoidance. This research is in line with the research of Nur Azizah and Kusmuriyanto (2016), Sapta Setia Darma (2019) and Chindy Helfin and Estralia Trisnawati (2020) who found the Relationship Party Transaction (RPT) had a positive and significant effect on Tax Avoidance, but it was different from the research of Audia Cendekia Wati (2016) and Windy Maharani and Anggun Juliarto (2019) found that the Relationship Party Transaction (RPT) did not affect the Tax Avoidance. The government as the principal wants a large corporate tax it gets. The company is acting as an agent wanting a small tax payment. With conditions in Indonesia, the average company is family-owned, where Related Party Transaction (RPT) or transactions of parties who have a special relationship can not be avoided. Related Party Transaction (RPT) is used as one of the many tax avoidance strategies. With the implementation of the Self Assessment tax collection system where taxpayers are given the full trust to calculate, pay and report their tax payable makes agents able to provide incomplete information, so that agents can maximize profits, to reduce taxes to be paid to the Government.

Conclusions and Suggestions

The conclusions that can be drawn in this study are Sales Growth negatively and significantly affects the Tax Avoidance, and Related Party Transaction (RPT) positively and significantly affects the Tax Avoidance, while Debt of Equity Ratio (DER) did not affect the Tax Avoidance.

This research shows that there are still many companies use debt rather than capital. The greater cost of interest on the debt, means the smaller profit and the smaller impact of the tax payable. The government should be more assertive and in making rules governing tax legislation both on a domestic and international scale so that Indonesia is protected from losses based on tax avoidance practices.
References