

## THE EFFECT OF SALES GROWTH AND CAPITAL INTENSITY ON TAX AVOIDANCE IN PROPERTY AND REAL ESTATE COMPANIES

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### Abstract

Taxes are one of the most crucial instruments in Indonesia. Indonesia's main income derives from taxes collected by local governments and used by the government to spend on state development such as the development of infrastructures and other needs of the state. Company is one of the state's highest tax contributors. However, the amount of tax paid by the company is calculated as the company's burden. The company's main goal is to maximize net profit. Therefore, the company strives to minimize tax payments through tax avoidance. This research aims to determine the effect of sales growth and capital intensity on tax avoidance in Property and Real Estate companies listed on the Indonesia Stock Exchange within the period of 2019-2020. The analysis of this research uses SPSS 26.0 to run the multiple linear regression analysis. Result depicts that sales growth has no effect on tax avoidance partially, capital intensity has no effect on tax avoidance partially, and sales growth and capital intensity have an effect on tax avoidance simultaneously.

Keywords: Sales Growth, Capital Intensity, Tax Avoidance

### Abstrak

Pajak merupakan salah satu komponen terpenting di Indonesia. Pendapatan utama Indonesia berasal dari pajak yang dikumpulkan oleh pemerintah daerah dan digunakan oleh pemerintah untuk membelanjakan pembangunan negara seperti pembangunan infrastruktur dan kebutuhan negara lainnya. Perusahaan merupakan salah satu negara penyumbang pajak tertinggi. Namun, besarnya pajak yang dibayarkan perusahaan diperhitungkan sebagai beban perusahaan. Tujuan utama perusahaan adalah memaksimalkan laba bersih. Oleh karena itu, perusahaan berupaya untuk meminimalkan pembayaran pajak melalui penghindaran pajak. Penelitian ini bertujuan untuk mengetahui pengaruh pertumbuhan penjualan dan intensitas modal terhadap penghindaran pajak pada perusahaan Properti dan Real Estate yang terdaftar di Bursa Efek Indonesia periode 2019-2020. Analisis penelitian ini menggunakan SPSS 26.0 untuk menjalankan analisis regresi linier berganda. Hasil penelitian menunjukkan bahwa pertumbuhan penjualan tidak berpengaruh terhadap penghindaran pajak secara parsial, intensitas modal tidak berpengaruh terhadap penghindaran pajak secara parsial, dan pertumbuhan penjualan dan intensitas modal berpengaruh terhadap penghindaran pajak secara simultan.

Kata kunci: Pertumbuhan penjualan, intensitas modal, penghindaran pajak

## 1. INTRODUCTION

Taxes are one of the most crucial instruments in Indonesia. Indonesia's main income derives from taxes collected by local governments and used by the government to spend on state development such as the development of infrastructures and other needs of the state. Based on the 2020 State Budget (APBN), The 83,5% of total state revenue comes from tax revenues. It is shown that the tax revenue amounted to Rp.1,865.7 trillion from total state revenue of Rp.2,233.2 trillion (www.kemenkeu.go.id, 2020).

Company is one of the state's highest tax contributors. However, companies especially in the sector of property and real estate have been struggling with their sales in 2020 due to covid-19 pandemic. Housing and property sales throughout 2020 in Jabodebek – Banten as the housing benchmark fell 31.8% compared to sales in 2019 (Bisnis.com, 2021). However, the amount of tax paid by the company is calculated as the company's burden. The purpose of the company is to optimize net profit. As such, companies seek to minimize their tax payments through tax avoidance.

As stipulated in Chapter 2 of the General Tax Law, Indonesia's government has adopted the self-assessment system where the freedom to self-assess the tax amount that should be paid, payment method as well as self-report the taxes are given to the taxpayers. However, the

freedom afforded to taxpayers can be exploited by taking legal or illegal actions to minimize their tax liability when calculating the amount of tax paid.

A case example of tax avoidance is the incident of the leak of the “Panama Papers”, classified documents created by a service provider from Panama. The document contains data of financial transactions of millionaires and people known abroad. The document contains a list of major customers around the world who allegedly want to hide their money from tax prying eyes in their own countries. There are approximately 2.961 names of Indonesia citizens or companies exposed by the Panama Papers. One of them is PT. Ciputra Development Tbk., a well-known Indonesian property and real estate company appears to have been involved in tax avoidance by hiding assets worth approximately 21.6 trillion Rupiah to avoid state taxes (Surmayani, 2018). This happened due to Panama being one of tax haven countries where they offer extreme remission tax. Taxes are generally not imposed, and even if there is, the amount is very small (CNNIndonesia.com, 2016).

Over the past 10 years from 2010 to 2020, the population has grown to 32.56 million, an average annual increase of 3.26 million. Indonesia’s population is growing at a rate of 1.25% annually (Kompas.com, 2021). The increasing growth of population means that the demand for property and real estate will increase. This sector is said to be important as the growth of this sector will have an impact on tax revenue resulting in the economic growth of Indonesia. Capital intensity rate of PT. Natura City Developments Tbk. increased from 0.44 to 0.51. However, the CETR level decreased from 0.171 to 0.05 means the cash that is being used by the company to pay the tax is lower. According to Dharma and Noviyari (2017), the higher the fixed asset’s intensity of a company, the greater its corporate tax avoidance practices. Usually, the increase in amount of fixed assets will increase the depreciation expense of the fixed assets. The increase in depreciation expense may lower the profit hence resulting in lower tax burden. Taking advantage of the depreciation expense of fixed assets to lower tax burden is a method of tax avoidance.

Based on the research done by previous researchers, there are factors that may influence tax avoidance. These factors include sales growth and capital intensity. Sales growth is the ratio measured by a company’s total sales. This ratio indicates that as sales increase, profits will also increase. The higher a company’s sales from year to year, the greater its willingness to implement tax avoidance measures. As higher sales will increase the profits received by the company, so the need to avoid taxes will reduce the tax costs incurred by the company (Oktamawati, 2017). However, the research by Mahdiana and Amin (2020) states that sales growth in a company will make the size of the company bigger. The bigger the company, the bigger the company's total assets. In this situation, it becomes difficult to achieve tax savings through corporate tax planning. Sales growth therefore does not have a significant effect on tax avoidance.

Capital intensity is the ratio of a company’s investment activity that a company owns in the form of fixed assets. Capital intensity ratio is a measure that shows how efficiently and effectively a company is using its capital or assets to generate revenue. Dharma and Noviyari (2017) indicate that the larger the company holds fixed assets, the more tax the company avoids. As the fixed assets held by these companies have a different economic life from the point of view of taxation. All fixed assets will incur depreciation expenses. Thus, by engaging in tax avoidance, companies can take advantage of capital intensity, especially in the form of depreciation costs to minimize tax costs incurred. However, the research by Wiguna and Jati (2017) shows that capital intensity does not have an effect on tax avoidance. The non-existent effect of the number of fixed assets invested by the company is caused by the fact that companies with large amounts of fixed assets indeed use these fixed assets for their advantage, namely, to optimize the operational activities used for the supply of goods and services.

## **2. LITERATURE REVIEW AND HYOTHESIS DEVELOPMENT**

### **2.1. Theoretical Concepts**

#### **2.1.1 Agency Theory**

Jensen and Meckling (1976) define agency theory as a relationship bound by a company contract between an agent (management) and a principal (company owner). The agents are assigned tasks by the principals to perform services for the principal advantage. It is known in agency theory that a work contract that stipulates the division of each party's utility on a fixed basis considers the overall benefits.

According to Kopp (2019), agency theory is used as a concept to interpret and solve conflicts in the correlation between principals and their agents. Generally, agency is a relationship between two parties where the agent acts on behalf of the principal in daily transactions. Principals assign decision-making authority to agents. Because many decisions that financially affect the principals are made by the agents, disagreements and conflicts of opinion, priorities and interests can emerge. This is sometimes called the principal-agent problem.

Difference of interest for the agent and principal can trigger aggressive tax avoidance behavior. On one hand, management as the agent wishes to increase compensation through high profits, while shareholders on the other hand wish to reduce profits to reduce tax burden. Hence, to overcome this agency conflict, aggressive tax avoidance behavior may emerge in order to optimize these two interests (Aryani and Susetyo, 2021).

However, According to Sulistyanto (2018), Principals in agency theory can refer not only to company owners, but also to shareholders, creditors, or governments. Agency theory that is being discussed in this study concerns tax avoidance practices that lead to conflict between government and taxpayers. In this case, the company (taxpayers) can be recognized as the agent whereas the government (tax collectors) can be recognized as the principals. Agency conflict may emerge due to the difference in interests between tax collectors and the taxpayers. Because on one hand, taxpayers (companies) want to maximize profit with a lower tax burden, while on the other hand, tax collectors (government) want as much income as possible from companies' tax. Due to these conflicting interests, taxpayers seek to evade regulation and take advantage of gray areas in tax regulations created by the government.

#### **2.1.2 Tax Avoidance**

According to Prianthara (2018), tax avoidance is process of controlling behaviour to avoid collecting unnecessary taxes legally. This is done by minimizing tax payments using techniques that are in line with calculation of taxes allowed under tax law.

Stated in Law Number 16 Year 2009 concerning General Provisions and Procedures of Taxation in Article 1 paragraph 1, tax is described as a mandatory contribution to the government made by an individual or entity, mandated by law, without direct compensation, and is used for state purposes for the best prosperity of the people. For the state, taxes are a source of income so that the state needs as much tax revenue as possible from taxpayers, on the other hand, for companies, tax is a burden that needs to be as less as possible. Tax avoidance is one of the ways companies can use to lower the amount of tax they pay to the state (Suryani and Mariani, 2019).

Tax avoidance is an activity that taxpayers undertake to take advantage of loopholes in tax policy or regulation to reduce or eliminate their tax burden. While tax avoidance practice is considered legal or does not deviate from the law, the practice can still bring disadvantages to the state as it can lead to reduced state revenues from the tax sector ([www.ayopajak.com](http://www.ayopajak.com), 2021).

Taxpayers have various ways to carry out tax avoidance practice, here are some examples:

1. Large Nominal Bank Loans

As stated in Article 6 Paragraph (1) Letter a in the Income Tax Law, interest is a cost that is related to business activities directly or indirectly. If the taxpayer receives a loan with a higher nominal, the interest paid is automatically proportional to the total amount of the loan received. The taxpayer would then record interest on the loan on their tax returns, but the loan would not be recorded as a capital injection, so sales would not grow, and profits would not increase. Many people choose to avoid taxes in this way, because with a small profit, taxpayers can avoid a large tax burden.

## 2. The Utilization of PP No.23 Year 2018

The relief obtained by Indonesian MSME entrepreneurs through the provisions of PP No. 23 of 2018 is often misused by rogue entrepreneurs who are reluctant to pay income taxes. As with this policy, MSME entrepreneurs are only required to pay income tax at a rate of 0.5% of the gross turnover of the business. In order to take advantage of this facility, dishonest people can break down the financial statements of private entities and businesses so that the gross turnover does not exceed 4.8 billion rupiah.

There are various types of measurement in measuring tax avoidance. However, this research measures tax avoidance by utilizing CETR (Cash Effective Tax Rate) as the proxy. Tax avoidance is formulated using CETR (Cash Effective Tax Rate), namely cash incurred to pay tax burden divided by profit before tax (Zahra, 2017). The higher the CETR percentage or closer to the corporate income tax indicates a lower level of corporate tax avoidance. Conversely, a lower percentage of CETR indicates a higher rate of corporate tax avoidance.

In Indonesia, there are several tax rates imposed on corporate taxpayers. As stipulated in Article 17 (1) b of Income Tax Law No.36 Year 2008, the tax rate applicable to corporate taxable income is 25% starting from 2010 – 2019. From 2020 until 2021, the government has reduced the corporate income tax to 22% as stipulated in Government Regulation No.30 Year 2020.

The formula for calculating CETR ratio is as follows:

$$CETR = \frac{\text{Tax Paid}}{\text{Net Income Before Tax}}$$

### 2.1.3 Factors affecting Tax Avoidance

#### 2.1.3.1 Sales Growth

Hestanto (2019) stated that sales growth reflects investment performance over past periods and can predict future growth. A high sales growth shows the company's increase of income. Higher sales growth reflects higher incomes, thus increasing the tax burden.

According to Anindya and Yuyetta (2020), sales growth is a benchmark that shows percentage of sales rate from year to year. Increased sales growth can provide a picture of an increasing profit so that a manager's mindset is formed about ways to optimize results.

Yusuf (2018) define sales as an important key of performing business for every company. Therefore, in order to increase sales, the company should take into account several key points such as product quality, employees, etc.

Sales growth shows the growth of sales from year to year. The company's sales level calculation at the end of the period is by comparing it to the base period's sales. The higher the comparison value, the better the sales growth rate. Hence, the formula of sales growth is as follow:

$$\text{Sales Growth} = \frac{\text{Sale}_t - \text{Sale}_{t-1}}{\text{Sale}_{t-1}}$$

#### 2.1.3.2 Capital Intensity

Wiguna and Jati (2017) define capital intensity as the extent to which a company invests their wealth in fixed assets. Fixed assets include buildings, transportations, equipment, factories,

machinery, and other form of resources used to operate and keep the company business running. Almost all fixed assets can be depreciated, and the depreciation expense reduces the tax burden.

According to Dharma and Noviari (2017), capital intensity describes how much the company invests assets in the form of fixed assets and inventories. The higher the capital intensity of a company, the greater its corporate tax avoidance practices. The fixed assets of a company have a different economic life seen from the perspective of Indonesian taxation. Almost all tangible fixed assets are subject to depreciation and are recorded as depreciation expense in the financial statements. The amount of depreciation that is deducted from income affects taxable income used to calculate income taxes payable. The higher the deductible depreciation expense, the smaller the profit on which tax is calculated. Fixed asset depreciation method of tax planning can minimize the tax burden on companies (Activo.co.id, 2018).

According to Widya et al. (2020), capital intensity is the percentage of fixed assets in a company's total assets. Hence, the formula of capital intensity ratio is as follows:

$$\text{Capital Intensity} = \frac{\text{Fixed Asset}}{\text{Total Asset}}$$

### 2.1.3.3 Previous Research

In a previously published journal by Oktamawati (2017) titled “*Pengaruh Karakter Eksekutif, Komite Audit, Ukuran Perusahaan, Leverage, Pertumbuhan Penjualan, dan Profitabilitas Terhadap Tax Avoidance*” has the research sample consists of 540 companies listed on the IDX during the year 2010 - 2014. The result of the study shows that executive character, company size, leverage, sales growth, and profitability influence tax avoidance whereas the audit committee has no influence on tax avoidance. The similarities lie on the dependent variable which is tax avoidance and independent variable which is sales growth. Whereas the differences lie on the object of the research and the period.

The journal published by Dharma and Noviari (2017) titled “*Pengaruh Corporate Social Responsibility dan Capital Intensity Terhadap Tax Avoidance*” focuses on manufacturing companies listed on the IDX during the year 2012 – 2015. The research resulting in corporate social responsibility has a negative impact on tax avoidance, whereas capital intensity has a positive impact on tax avoidance. The similarities lie on the dependent variable which is tax avoidance and independent variable which is capital intensity, and the differences lie on the object of the research and the period.

Wiguna and Jati (2017) and their journal titled “*Pengaruh Corporate Social Responsibility, Preferensi Risiko Eksekutif, dan Capital Intensity pada Penghindaran Pajak*” focuses on manufacturing companies listed on the IDX during the year 2013 – 2015. The result shows that corporate social responsibility and executive risk preferences have a positive effect on tax avoidance. However, capital intensity has no effect on tax avoidance. The similarities lie on the dependent variable which is tax avoidance and independent variable which is capital intensity, and the differences lie on the object of the research and the period.

In the journal by Widya et al. (2020) titled “*Pengaruh Capital Intensity dan Inventory Intensity Terhadap Tax Avoidance*” focuses on the consumer goods companies listed on the IDX for the period of 2014 – 2018. The research resulting in simultaneously capital intensity and inventory intensity have an effect on tax avoidance, while partially capital intensity has an effect on tax avoidance, and inventory intensity partially has no effect on tax avoidance. The similarities can be seen on the dependent variable which is tax avoidance and independent variable which is capital intensity, and the differences lie on the object of the research and the period.

Mahdiana and Amin (2020) with their journal titled “*Pengaruh Profitabilitas, Leverage, Ukuran Perusahaan dan Sales Growth Terhadap Tax Avoidance*” has the total research sample of 100 manufacturing companies listed on the IDX from year 2015 - 2018. The result shows

that profitability and leverage have a significant positive effect on tax avoidance, however company size and sales growth does not affect tax avoidance. The similarities can be seen on the dependent variable which is tax avoidance and independent variable which is sales growth. Meanwhile, the differences lie on the object of the research and the period.

## 2.2 Hypothesis Development

### 2.2.1 The Effect of Sales Growth on Tax Avoidance

According to Rahmawati (2017), companies that tend to increase sales also generate higher profits. As the profit of the company increase, so does the tax costs it must bear. Therefore, highly profitable companies tend to try to pay less tax through tax avoidance practices. The higher the sales growth value, the more likely the company will take tax avoidance measures. An increase in the profit may result in an increase in the tax burden owed. Based on the above logical considerations, it is estimated that sales growth may have an effect on tax avoidance.

**H<sub>1</sub>:** Sales growth has a significant effect on Tax Avoidance in Property and Real Estate Companies Listed on the IDX year 2019-2020.

### 2.2.2 The Effect of Capital Intensity on Tax Avoidance

Companies with a lot of capital will be motivated to generate large income. Capital selection in the form of fixed assets incurs depreciation expense. Depreciation of fixed assets will incur costs that result in the income earned by the company being reduced. This may reduce the company's taxable profits and ultimately reduce the amount of company's tax burden (Rahmawati, 2017).

**H<sub>2</sub>:** Capital intensity has significant effect on Tax Avoidance in Property and Real Estate Companies Listed on the IDX year 2019-2020.

## 3. RESEARCH METHODOLOGY

### 3.1 Population and Sample

According to Sugiyono (2018), population is an area of generalization consisting of subjects or objects with specific characteristics and qualities that are determined by the researcher to be studied and concluded. Property and real estate companies that have been listed on the IDX year 2019-2020 are the population in this study. The total number of registered property and real estate companies listed on Indonesia Stock Exchange

The research sample used is purposive sampling. Purposive sampling technique is a technique where the sample is determined based on certain criteria or considerations (Sugiyono, 2018).

The criteria for sample selection in this research are as follows:

1. Property and Real Estate companies listed on the Indonesia Stock Exchange year 2019-2020 and are not delisting during the period.
2. Property and Real Estate companies listed on the Indonesia Stock Exchange year 2019-2020 that publish audited annual financial report during the period.
3. Property and Real Estate companies listed on the Indonesia Stock Exchange year 2019-2020 that have data related to research variables.
4. Property and Real Estate companies listed on the Indonesia Stock Exchange year 2019-2020 that never experienced loss during the period.

**Table 3.1 Determination of Sample**

No.	Criteria	Amount
1.	Property and Real Estate companies listed on The Indonesia Stock Exchange from 2019.	62
2.	Delisting Property and Real Estate companies listed on The Indonesia Stock Exchange from 2019.	(0)
3.	Property and Real Estate companies listed on The Indonesia Stock Exchange from 2019-2020 that do not publish audited annual financial report.	(6)
4.	Property and Real Estate companies listed on The Indonesia Stock Exchange that do not have data related to research variables.	(3)
5.	Property and Real Estate companies listed on The Indonesia Stock Exchange from 2019-2020 that experience loss.	(31)
	<b>Number of companies suited the criteria</b>	<b>22</b>
	<b>Total Number of Research Sample (2 x 22)</b>	<b>44</b>

Source: Prepared by writer (2022)

According to Sugiyono (2018), the definition of operational definition of variables is an attribute or type or value of a subject, object, or activity with specific variation determined by the researcher to be studied and from which a conclusion is subsequently drawn.

### 3.2. Research Model

The research model used to test the hypothesis formulated in this study:

$$CETR_{i,t} = \alpha + \beta_1 SG_{i,t} + \beta_2 CI_{i,t} + \varepsilon$$

#### 3.2.1. Dependent Variable

This study recognizes tax avoidance as the dependent variable. According to Zahra (2017), tax avoidance is calculated using CETR (Cash Effective Tax Rate), namely cash incurred to pay tax burden divided by profit before tax. the lower the cash the company pays for the tax burden indicates that the higher the company tends to do tax avoidance. The formula for calculating CETR ratio is as follow:

$$CETR = \frac{\text{Tax Paid}}{\text{Net Income Before Tax}}$$

#### 3.2.2. Independent Variable

This research recognizes sales growth and capital intensity as the independent variables.

##### 1. Sales Growth

According to Anindya and Yuyetta (2020), sales growth is a benchmark that shows percentage of sales rate from year to year. Hence, the formula of sales growth is as follows:

$$\text{Sales Growth} = \frac{\text{Sale}_t - \text{Sale}_{t-1}}{\text{Sale}_{t-1}}$$

##### 2. Capital Intensity

According to Widya et al. (2020), capital intensity is the percentage of fixed assets in a company's total assets. Hence, the formula of capital intensity ratio is as follows:

$$\text{Capital Intensity} = \frac{\text{Fixed Asset}}{\text{Total Asset}}$$

The following is a table of variable measurements used in this research.

**Table 3.2 Variable Measurements**

Research Variables	Indicator	Measurement
Tax Avoidance (Y)	$CETR = \frac{\text{Tax Paid}}{\text{Net Income Before Tax}}$	Ratio
Sales Growth (X <sub>1</sub> )	$\text{Sales Growth} = \frac{\text{Sale}_t - \text{Sale}_{t-1}}{\text{Sale}_{t-1}}$	Ratio
Capital Intensity (X <sub>2</sub> )	$\text{Capital Intensity} = \frac{\text{Fixed Asset}}{\text{Total Asset}}$	Ratio

Source: Prepared by writer (2022)

### 3.3. Data Analysis Method

According to Sugiyono (2018), The data analysis requires the data to be described and generated conclusions regarding the population of the characteristic in accordance with the data obtained from the sample. The data analysis of this research runs using IBM SPSS 26.0.

#### 3.3.1. Hypothesis Analysis

##### 3.3.1.1. Partial Significance Test (t-Test)

The partial t-test aims to determine whether the independent variable has a partially significant effect on the dependent variable (Ghozali, 2018). A significance value of less than 0.05 or less than 5% for an independent variable indicates that the variable has a partially significant effect on the dependent variable. However, if the independent variable's significance value is greater than 0.05 or greater than 5%, it can be concluded that the variable has no effect on the dependent variable.

##### 3.3.1.2. Simultaneous Significance Test (F-Test)

The F-test is used to determine the level of effect of the independent variables on the dependent variable together. In this test, the result drawn is to see the 5% significance (Mahdiana and Amin, 2020). F-test can be carried out using the SPSS program, with the following assessment criteria as follows:

1. The level of the significance probability less than 0.05 means H<sub>a</sub> is accepted.
2. The level of the significance probability greater than 0.05 means H<sub>a</sub> is rejected.

##### 3.3.1.3. Coefficient of Determination (R<sup>2</sup>)

According to Ghozali (2018), the coefficient of determination (R<sup>2</sup>) basically measures how well the model can explain the variation in the dependent variable. R<sup>2</sup> values range from 0 to 1. A small value of R<sup>2</sup> means that the ability of the independent variables to explain the variation of the dependent variable is very limited. A value close to 1 means that the independent variables provide nearly all the information needed to predict the variation in the dependent variable.



## 4. RESEARCH AND ANALYSIS

### 4.1. Descriptive Statistics

Descriptive Statistic is used to describe a dataset based on its mean, minimum, maximum, and standard deviation. This research collected data from 22 companies in the period of 2019 – 2020. The overall sample of this research is 44 data. Below is the descriptive statistic of the sample:

**Table 4.1 Descriptive Statistics**

	N	Minimum	Maximum	Mean	Std. Deviation
X1 SALES GROWTH	44	-.828	1.749	.03436	.475378
X2 CAPITAL INTENSITY	44	.050	.897	.55547	.197295
Y TAX AVOIDANCE	44	.000	2.810	.30738	.520117
Valid N (listwise)	44				

Source: Prepared by writer using SPSS 26.0 (2022)

From the table above, it can be concluded as follows:

1. Sales growth ( $X_1$ ) with the total sample (N) 44 has the minimum value of -0.828, maximum value of 1.749, mean of 0.03436 and standard deviation of 0.475378.
2. Capital intensity ( $X_2$ ) with the total sample (N) 44 has the minimum value of 0.050, maximum value of 0.897, mean of 0.55547 and standard deviation of 0.197295.
3. Tax Avoidance (Y) with the total sample (N) 44 has the minimum value of 0.00016, maximum value of 2.810, mean of 0.30738 and standard deviation of 0.520117.

### 4.2. Coefficient of Determination ( $R^2$ )

The coefficient of determination ( $R^2$ ) essentially measures the extent to which the model can explain the variation in the dependent variable. The value of the coefficient of determination is between 0 and 1. A small value of  $R^2$  means that the ability of the independent variables to explain the variation of the dependent variable is very limited. A value close to 1 means that the independent variables provide nearly all the information needed to predict the variation of the dependent variable. The result of the coefficient of determination is as follows:

**Table 4.2 Result of Coefficient of Determination**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.436 <sup>a</sup>	.190	.139	.16099	1.863

a. Predictors: (Constant), SQRT\_CAPITALINTENSITY, SQRT\_SALESGROWTH

b. Dependent Variable: SQRT\_TAXAVOIDANCE

Source: Prepared by writer using SPSS 26.0 (2022)

In accordance with table 4.10, the adjusted  $R^2$  value is 0.139 which indicates that sales growth and capital intensity have an effect of 13.9% on tax avoidance, and the remaining 86.1% is influenced by other variables that is not being examined in this research.

### 4.3. Simultaneous Significance Test (F-Test)

The simultaneous F-test is used to see the level of effect of the independent variables on the dependent variable simultaneously. In the F-test, the result drawn is to see the 5% significance. F-test can be performed on the following assessment criteria as follows:

1. The level of the significance probability less than 0.05 means  $H_a$  is accepted.
2. The level of the significance probability greater than 0.05 means  $H_a$  is rejected.

**Table 4.3 Result of F-Test**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.194	2	.097	3.752	.034 <sup>b</sup>
	Residual	.829	32	.026		
	Total	1.024	34			

a. Dependent Variable: Sqrt\_TAXAVOIDANCE

b. Predictors: (Constant), Sqrt\_CAPITALINTENSITY, Sqrt\_SALESGROWTH

Source: Prepared by writer using SPSS 26.0 (2022)

According to the table above, the significance value is 0.034 which is less than 0.05. Hence, it can be concluded that  $H_3$  which states that sales growth and capital intensity simultaneously have an effect on tax avoidance is accepted. The research model is considered as a valid model.

### 4.4. Partial Significance Test (t-Test)

The t-test is performed to examine whether the independent variables partially have a significant effect on the dependent variable where the hypothesis that has been made is being tested whether it is accepted or rejected. This test shows how sales growth and capital intensity has a significant effect partially on tax avoidance.

The t-test is performed by examining the significance level of each independent variable on the dependent variable. A significance value of less than 0.05 or less than 5% for an independent variable means that the variable has a partially significant effect on the dependent variable. However, if the independent variable's significance value is greater than 0.05 or greater than 5%, it can be concluded that the variable has no effect on the dependent variable. The result of the t-test is as follows:

**Table 4.4 Result of T-Test**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.963	.236		4.080	.000
	Sqrt_SALESGROWTH	-.372	.238	-.253	-1.561	.128
	Sqrt_CAPITALINTENSITY	-.357	.185	-.312	-1.929	.063

a. Dependent Variable: Sqrt\_TAXAVOIDANCE

Source: Prepared by writer using SPSS 26.0 (2022)

Based on the table above, the results can be concluded as follows:

1. The variable sales growth has a significance value of 0.128 which is greater than 0.05. Hence,  $H_1$  which states that sales growth has significant effect on tax avoidance is rejected.

2. The variable capital intensity has a significance value of 0.063 which is greater than 0.05. Hence,  $H_2$  which states that capital intensity has significant effect on tax avoidance is rejected.

#### **4.5. Discussion**

##### **4.5.1 The Effect of Sales Growth on Tax Avoidance**

The result of T-Test shows that the variable sales growth has a significance value of 0.128 which is greater than 0.05. Hence, it can be concluded that  $H_1$  which states that sales growth has significant effect on tax avoidance is rejected. This shows that sales growth partially has no significant effect on tax avoidance in Property and Real Estate Companies listed on the Indonesia Stock Exchange during the period of 2019 - 2020.

The result of this research is supported by Mahdiana and Amin (2020) who found that sales growth does not have a significant effect on tax avoidance. The increase in income due to sales growth may be used by the company to increase productivity, hence increasing the profit. This shows that the higher the sales growth of a company, the less likely the company to do tax avoidance practices, because the company does not have to worry about making a profit and does not feel burdened by tax obligations as they can actually afford paying the tax.

##### **4.5.2 The Effect of Capital Intensity on Tax Avoidance**

The result of T-Test shows that the variable capital intensity has a significance value of 0.063 which is greater than 0.05. Hence, it can be concluded that  $H_2$  which states that capital intensity has significant effect on tax avoidance is rejected. This shows that capital intensity partially has no significant effect on tax avoidance in Property and Real Estate Companies listed on the Indonesia Stock Exchange during the period of 2019 - 2020.

The result of this research is consistent with the research done by Wiguna and Jati (2017) which states that capital intensity does not have a significant effect on tax avoidance. Each year, fixed assets experience a depreciation that can affect the tax burden the company must pay. As the depreciation mechanism is regulated in PSAK No.17, it is difficult for companies to take steps to manipulate fixed asset depreciation. The company depreciates and counts the assets it owns according to established rules. High capital intensity is not always intended by the company to carry out tax avoidance activities, but the company invests in fixed assets for its operational purposes such as to support the company's operational activities used for the supply of goods and services in order to achieve the desired profit.

## **5. CONCLUSION**

In accordance with the data analysis and discussion performed by multiple linear regression computed in Statistical Program Social Science (SPSS) 26.0 in analysing the effect of sales growth and capital intensity on tax avoidance in property and real estate companies listed on the Indonesia Stock Exchange during the period of 2019 – 2020, the results can be concluded as follows:

1. Sales growth has no significant effect on tax avoidance in property and real estate companies listed on the Indonesia Stock Exchange during the period of 2019 – 2020.
2. Capital Intensity has no significant effect on tax avoidance in property and real estate companies listed on the Indonesia Stock Exchange during the period of 2019 – 2020.

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