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Profitability, Leverage, Sales Growth, Political Connections, and Tax Avoidance: Empirical Study on Energy Sector Companies

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ABSTRACT

The purpose of this research is to provide empirical evidence on the effect of profitability, sales growth leverage, and political connections on tax avoidance in energy sector companies listed on the Indonesia Stock Exchange (IDX) for the period 2018-2022. Through the purposive sampling technique, 230 observations were obtained, which became the research sample. In addition, this research uses quantitative methods with multiple linear regression analysis techniques as the research method. Based on the research conducted, the results obtained that profitability and sales growth have no effect on tax avoidance. Another case with leverage which has a positive effect, while political connections have a negative effect on tax avoidance. The implication of this research is that companies are not expected to abuse special facilities derived from political connections for tax avoidance efforts.

ABSTRACT

Tujuan dilakukannya penelitian ini untuk memberikan bukti empiris mengenai pengaruh profitabilitas, *leverage* pertumbuhan penjualan, dan koneksi politik terhadap penghindaran pajak pada perusahaan sektor energi yang terdaftar di Bursa Efek Indonesia (BEI) periode 2018-2022. Melalui teknik purposive sampling, diperoleh 230 observasi yang menjadi sampel penelitian. Selain itu, penelitian ini menggunakan metode kuantitatif dengan teknik analisis regresi linear berganda sebagai metode penelitiannya. Berdasarkan penelitian yang telah dilakukan, diperoleh hasil profitabilitas dan pertumbuhan penjualan tidak berpengaruh terhadap penghindaran pajak. Lain halnya dengan *leverage* yang berpengaruh positif, sedangkan koneksi politik berpengaruh negatif terhadap penghindaran pajak. Implikasi dari penelitian ini, yaitu perusahaan diharapkan tidak menyalahgunakan fasilitas khusus yang berasal dari koneksi politik untuk upaya penghindaran pajak.

1. Introduction

Taxes can be defined as one of the sources of government revenue whose share in the State Budget (APBN) is quite dominant, so it plays an important role in the country's economy. According to the State Budget Realization Report included in the Financial Report of Central Government (LKPP) for 2021 and 2022, Indonesia's tax revenue shows a positive trend and even exceeds the predetermined target, namely 107.15% and 114.05%. However, from the perspective of the tax-to-GDP ratio contained in the Revenue Statistic in Asia and the Pacific 2023 - Indonesia, it shows conditions below the Asia and Pacific average. Based on data on the tax-to-GDP ratio in 2021, Indonesia has a percentage of 10.9%. This percentage still shows conditions below the Asia and Pacific average with a difference of 19.8% as well as below the Organization for Economic Cooperation and Development (OECD) average of 23.2% with an average percentage of 34.1% (OECD, 2023).

The high and low tax ratio in Indonesia is influenced by several factors, including the effectiveness of tax collection, tax policy, incentives and exemptions given to economic actors and the community, as well as tax avoidance and evasion (Wulandari & Purnomo, 2021). Manihuruk & Novita (2023) define tax avoidance as an effort to minimize the tax burden by exploiting weaknesses in tax regulations so as not to violate tax rules. Tax avoidance is still a problem for many countries and is even a topic of discussion for the Group of Twenty (G20). The discussion includes that the revenue of the government is reduced due to the practice of tax avoidance, which is a form of obstacle in tax collection (Hidranto, 2023).

Looking at the case of tax avoidance carried out by PT Adaro Energy Tbk. in 2019, the company carried out such actions from 2009 to 2017 by carrying out transfer pricing. According to Global Witness (2019), in its report titled "Taxing Times for Adaro" published on July 4, 2019, it revealed that Adaro transferred some of its money to one of its subsidiaries in Singapore, Coaltrade Services International. As a result, the tax bill of PT Adaro Energy Tbk. amounting to nearly US$14 million every year was successfully reduced.

Based on this problem, there are several factors that can influence companies to conduct tax avoidance, one of which is profitability. Profitability is defined as the company's ability to maximize its profits (Wulansari & Nugroho, 2023). If the company has a high level of profitability, the tax burden that the company must pay is also high. Therefore, many company managers reduce their corporate tax burden by using tax avoidance (Fadhila & Andayani, 2022). Based on the results of research by Wulansari & Nugroho (2023), profitability proxied by return on assets (ROA) has a positive effect on tax avoidance. Research conducted by Novriyanti & Dalam (2020), Pratomo et al. (2021), and Sofiamanan et al. (2023) also show similar results. However, the research conducted by Fadhila & Andayani (2022) shows different results, namely that profitability has a negative effect on tax avoidance, while according to Akbar et al. (2021), profitability actually has no effect on tax avoidance.

The second factor that can influence companies to engage in tax avoidance is leverage. Leverage can be defined as the company's efforts to cover its operating and investment needs through debt (Gunita & Oktaviani, 2023). The amount of corporate debt will cause high interest expenses, so the corporate tax burden will be reduced. Therefore, the company will increase its debt to avoid corporate taxes (Ainniyya et al., 2021). Referring to the research of Pamungkas & Fachrurrozie (2021), leverage has a positive effect on tax avoidance. Likewise with the research of Ainniyya et al. (2021) which shows similar results. However, the research of Maharani & Baroroh (2019) shows inconsistent results, namely that leverage has a negative effect on tax avoidance.

In addition to profitability and leverage, there are other factors that influence companies to avoid taxes, namely sales growth. Sales growth provides a picture of the changes in a company's sales from year to year. It is used by the company to monitor its ability to ensure the success of the company. A high level of sales growth will be directly proportional to the acquisition of large profits, so that the company's tax burden will also be affected. As a result, in order to reduce the tax burden, companies engage in tax avoidance (Wulandari & Purnomo, 2021). This statement is consistent with the research of Wulansari & Nugroho (2023), which states that sales growth has a positive effect on tax avoidance. However, the research of Ainniyya et al. (2021) and Wulandari & Purnomo (2021) shows different results, explaining that sales growth has a negative effect on tax avoidance.

In addition, there are political connections that help influence companies to engage in tax avoidance. Political connection is a description of the company's relationship with the government so that the company receives special facilities from the government (Pratomo et al., 2021). Companies are encouraged to engage in tax avoidance because of the protection from the government due to their political connections (Mu'minah et al., 2023). The results of Maharani & Baroroh (2019) research support this statement, showing that political connections have a positive impact on tax avoidance. However, the research conducted by Pratomo et al. (2021) shows different results, namely that political connections have a negative effect on tax avoidance. Another case with Ishak & Asalam (2023) which explains that political connections have no influence on tax avoidance.

Referring to various studies that have been conducted previously and applying the suggestions given by previous researchers, the differences between this research and previous research lie in: (1) adding the research period until 2022 (2) proxy measurement of political connections. Based on the suggestions given by previous researchers, namely Maharani & Baroroh (2019), this research will use other proxies from Adhikari et al. (2006) to measure political connections. Then the researchers took a research sample of energy sector companies because in 2019, there was a tax avoidance case that happened to an energy sector company, namely PT Adaro Energy Tbk. Furthermore, in 2023, there was a report on alleged tax evasion in mining companies that was submitted by Indonesia Audit Watch (IAW) to Mahfud Md as the coordinating minister for political, legal, and security affairs (Ayu & Wibowo, 2023). Since mining companies are included in one of the energy subsectors according to the new industrial classification introduced by IDX in 2021 under the name IDX Industrial Classification (IDX-IC), the researchers decided to conduct research on companies in the energy sector. Therefore, researchers will empirically examine the effect of profitability, leverage, sales growth, and political connections on tax avoidance in energy sector companies for the period 2018-2022.

2. Literature Review and Hypothesis Development

2.1. Signaling Theory

The involvement of signaling theory in this research can be seen when company management provides an overview to outsiders using financial accounts to signal expectations. In the context of signaling theory, managers who have good and neutral performance certainly have an urge to report positive news so as not to be suspected. Conversely, managers may have an urge to report bad news in order to maintain credibility in the real market where the company's shares are traded.

2.2. Efficient Contracting Theory

The efficient contract theory explains that firms should organize themselves in the most efficient way (Holthausen, 1990). These efforts will certainly have an impact on company growth. That is why, researchers chose to use the theory.

2.3. Reputation Theory

Reputation theory emphasizes the representation of perceptions of past actions and prospects in the future. Companies with a good reputation will certainly increase credibility, thus making other parties more confident that they will get what they promise. This is certainly related to one of the variables in this study, namely political connections, so that researchers use reputation theory in this research.

2.4. Tax Avoidance

The definition of tax avoidance according to Suandy (2016), namely, engineering tax affairs that are still within the tax regulations. Therefore, tax avoidance is always interpreted as a legal activity (Faradiza, 2019). Sumarsan (2022) said that there are three ways of tax avoidance, namely (1) refraining from taking actions that can be taxed, (2) moving the place of business or residence to a place with a lower tax rate, (3) taking advantage of loopholes or vacancies so that the actions taken are not subject to tax.

2.5. Profitability

Profitability is defined as the ratio of the results of measuring the company's income or operating success in each period (Weygandt et al., 2019). This income will affect the company's ability to obtain debt financing, equity, liquidity position, and even in terms of the company's ability to grow. Certainly, companies with good profitability growth will easily adapt to changes in the environment, both internal and external. On the other hand, high profitability will also lead to high corporate tax burden. Therefore, high profitability will cause companies to have the intention to plan tax compliant behavior (Riskatari & Jati, 2020).

2.6. Leverage

Leverage has a definition as a ratio that provides an overview of the company's willingness to pay its obligations in the form of debt (Ramadhanti et al., 2021). According to Kasmir (2011), the leverage ratio is a ratio used by companies to determine the value of the company's assets financed by debt. The high debt of the company will also cause a high interest expense. This condition is one of the advantages to reduce corporate taxes (Ainniyya et al., 2021).

2.7. Sales Growth

According to Brigham & Houston (2022), sales growth reflects higher prices and strong sales. In addition, Wulansari & Nugroho (2023) define sales growth as a description of changes in company sales from year to year. A good sales growth rate indicates a good company growth rate, which allows the company to improve its operations (Heryana et al., 2022). In addition, higher company sales growth will have an impact on increasing taxable income. As a result, the company's tax burden will be higher (Ainniyya et al., 2021). Therefore, the company will reduce the corporate tax burden by engaging in tax avoidance (Wulansari & Nugroho, 2023).

2.8. Political Connections

Faccio et al. (2006) define a politically connected company as a company where one of its top officers is the CEO, COB, president, vice president, or secretary of the company's board of directors, or a major shareholder (anyone who controls at least 10% of the company's voting shares) is a head of state (such as a president, king, or prime minister), a government minister, or a member of the national parliament since the beginning of 1997. In general, politically connected companies receive special treatment or privileges from the government (Manihuruk & Novita, 2023). Adhikari et al. (2006) found that there are two proxies that can be used to identify political connections in a company, namely the percentage of government ownership in a company and whether or not a company director or major shareholder has an informal relationship with a prominent politician.

2.9. The Effect of Profitability on Tax Avoidance

Profitability reflects the company's ability to maximize its profits. With profitability, companies can monitor their performance in manifesting their wealth (Wulansari & Nugroho, 2023). A high level of profitability is directly proportional to the company's tax burden. In connection with the signaling theory that company managers who have good and neutral performance will have an urge to report positive news so that they are not suspected of having bad results. Therefore, managers present the company's financial statements in accordance with the actual conditions that are not so deviant and make managers cautious in carrying out tax avoidance practices because of the high risks that must be borne (Fadhila & Andayani, 2022). This means that the higher the profitability value of a company, the lower the tax avoidance efforts will be. The above opinion is consistent with the results of research conducted by Mayndarto (2022) and Dilasari et al. (2021) that profitability has a negative effect on tax avoidance. Therefore, from the above description, the research hypothesis can be formulated as follows:

H_1: Profitability has a negative impact on tax avoidance.

2.10. The Effect of Leverage on Tax Avoidance

According to Dilasari et al. (2021), leverage is a description of the amount of debt financing of the company's operating activities. The high level of corporate debt will also have an impact on the high interest expense to be borne. However, this interest expense can be an advantage to reduce corporate taxes (Ainniyya et al., 2021). According to Pamungkas & Fachrurrozie (2021), the

involvement of signal theory is shown when companies that have higher debt are considered companies that have good prospects in the future. Debt will provide a positive signal to outsiders regarding the company's ability to meet its obligations in the future. As a result, managers can take advantage of this gap by preferring to use debt to fund the company's operations. Therefore, the higher the leverage of the company, the higher the tendency of the company to engage in tax avoidance. This statement is supported by the results of the research of Fadhila & Andayani (2022) and Akbar et al. (2021), which state that leverage has a positive influence on tax avoidance. Thus, the hypotheses in this study are as follows:
H_2: Leverage has a positive impact on tax avoidance.

2.11. The Effect of Sales Growth on Tax Avoidance

Sales growth is defined as a description of changes in company sales from year to year (Wulansari & Nugroho, 2023). The higher the company's sales growth, the higher the profit will be. In connection with the efficient contract theory that companies must organize themselves in the most efficient way (Holthausen, 1990). Due to the high sales growth that is directly proportional to the profit that will be obtained by the company and the efficient organization of the company, the company will be able to make tax payments. As a result, tax avoidance practices are also minimal. This opinion is supported by the results of research by Ainniyya et al. (2021) and Wulandari & Purnomo (2021) which state that sales growth has a negative effect on tax avoidance. Based on the description above, the hypothesis is proposed as follows.
H_3: Sales growth has a negative effect on tax avoidance.

2.12. The Effect of Political Connections on Tax Avoidance

Political connection is a relationship between a company and the government that makes the company get special facilities from the government (Pratomo et al., 2021). In connection with reputation theory, which assumes that there are four factors that help companies build their reputation, namely credibility, reliability, trust, and responsibility, companies do not take risks because they get special facilities from the government. The risk can be in the form of a deterioration of the company's image, thus reducing public trust in the company, to losses that may occur. As a result, politically connected companies are less likely to engage in tax avoidance. This statement is supported by the research of Pratomo et al. (2021) and Manihuruk & Novita (2023), which show that political connections have a negative effect on tax avoidance. Therefore, the following hypothesis is proposed.
H_4: Political connections have a negative impact on tax avoidance.

Based on the explanation above, the research model is shown in Figure 1 below:

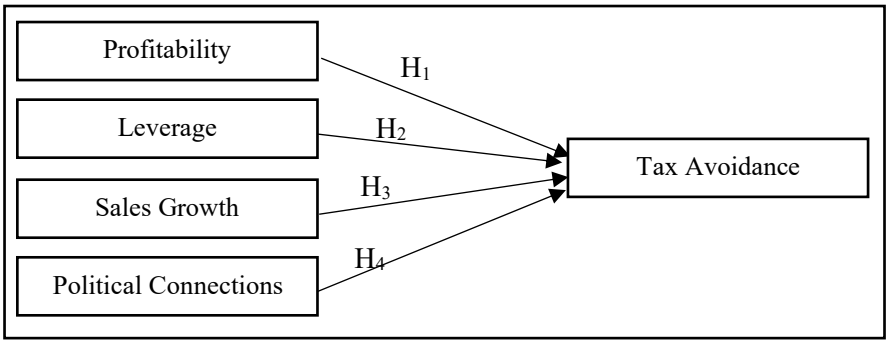

Figure 1 Research Model

3. Research Methods

This research uses quantitative methods with secondary data as the research data source. The data is obtained through the annual reports of the companies listed on the IDX by accessing the official IDX website, namely www.idx.co.id or the website of each company.

3.1. Population and Sample

The population used by the researchers, namely the energy sector companies listed on IDX for the period 2018-2022 with purposive sampling technique. The following are the criteria established in accordance with the research problem and objectives:

1. Companies that publish their annual reports consecutively during the period 2018-2022.
2. Companies with complete data.

3.2. Operational Definition and Measurement of Variables

Table 1 below is an operational definition of each variable and its measurement.

Table 1. Operational Definition and Measurement of Variables

No.	Variables	Operational Definition	Measurement of Variables
1.	Tax avoidance	Tax avoidance as a dependent variable in this study is proxied by the Cash Effective Tax Rate (CETR). If the company's CETR is low, then the level of tax avoidance is even higher, and vice versa. The following is the CETR calculation formula proposed by (Hanlon & Heitzman, 2010).	$CETR = \frac{Pretax\ accounting\ income}{cash\ tax\ paid}$ In this study, the CETR value is multiplied by -1 to show the same direction as the hypothesis.
2.	Profitability	As an independent variable, profitability is measured by the Return on Assets (ROA) ratio. The higher the ROA value, the higher the level of profitability of the company. The following is the formula for calculating the ROA of a company (Weygandt et al., 2019).	$ROA = \frac{Net\ income}{Total\ assets}$
3.	Leverage	Leverage as an independent variable in this study is calculated using the Debt to Asset Ratio (DAR) proxy. If the percentage of total liabilities to total assets is higher, the risk of the company not being able to fulfill its obligations is also greater. The following is the DAR calculation formula according to (Weygandt et al., 2019).	$DAR = \frac{Total\ Debt}{Total\ assets}$
4.	Sales growth	Sales growth reflects an overview of the level of sales from one period to the next (Ramadhani et al., 2020). The level of sales growth can indicate the amount of profit earned by the company. Harahap (2011) said that the formula for calculating the sales growth of a company is formulated as follows.	$Sales\ growth = \frac{Sales_t - Sales_{t-1}}{Sales_{t-1}}$
5.	Political connections	Political connection is defined as a special relationship between a company and the government, so that the company receives special treatment. Following the suggestions of previous researchers, namely Maharani & Baroroh (2019), the measurement of political connections in this study is based on the research of (Adhikari et al., 2006).	The measurement is based on whether or not a company director or major shareholder has an informal relationship with a prominent politician. In addition, this study uses dummy variables to measure political connections by giving a value of 0 for companies that do not have political connections and a value of 1 for companies that have political connections.

3.3. Model and Data Analysis Techniques

The researchers used multiple linear regression analysis as a data analysis technique to process the research data. According to Lind et al. (2018), multiple linear regression analysis is a way to interpret the relationship between the independent variable and the dependent variable. However, before conducting a regression test, a study must first meet statistical requirements, namely the classic assumption test. The classical assumption test is used to obtain a regression model with unbiased estimates so that the test can be trusted. The classical assumption test performed in this study consists of multicollinearity test, autocorrelation test, and heteroscedasticity test. The multiple linear regression analysis in this study is formulated with the following equation:

$$CETR = \alpha + ROA + DAR + SG + POLCON + e \quad (1)$$

Explanation:

CETR	: cash effective tax rate
α	: constant value
ROA	: return on asset
DAR	: debt to asset ratio
SG	: sales growth
POLCON	: political connections
e	: error/residual

4. Results and Discussion

Data Description

Table 2 below is the result of sample withdrawal based on predetermined sampling criteria.

Table 2 Determination of the Number of Samples and Observation Data

No	Criteria	Total
1	Population of energy sector companies listed on the Indonesia Stock Exchange for the period 2018 - 2022	66
2	Energy sector companies that do not publish consecutive annual reports for the period 2018 - 2022	(6)
3	Energy sector companies that do not have complete data for the period 2018 - 2022	(10)
Total sample		50
Research observation period (2018 - 2022)		5
Total observation		250
Outlier data		(20)
Number of observations after removing outliers (2018 - 2022)		230

Based on Table 2, the research sample was obtained as many as 50 companies in the energy sector with an observation period of 5 years, so the number of observations was 250. However, because there are outlier data that are discarded, so the number of observations is 230.

Descriptive Statistics

This research uses descriptive statistics with the aim of knowing the minimum, maximum, average and standard deviation of each variable in the period 2018-2022 with 230 observations. The results of the descriptive statistical analysis are described in Table 3 below.

Table 3. Descriptive Statistics Test Results

	N	*Min*	*Max*	*Mean*	*Std. Deviation*
CETR	230	-1.25	0.79	-0.2134	0.29828
ROA	230	-9.58	1.14	0.0120	0.66241
DAR	230	0.05	5.55	0.5775	0.48275
SG	230	-1.00	67.66	0.7684	4.74186
POLCON	230	0	1	0.5200	0.50100
Valid N (listwise)	230				

Explanation:

CETR	: cash effective tax rate

ROA : return on asset
DAR : debt to asset ratio
SG : sales growth
POLCON : political connections

Based on the descriptive statistical test results in Table 2, tax avoidance (CETR) has an average value of -0.2134 with a standard deviation of 0.29828. Since the standard deviation value is higher than the average value, the observation data of tax avoidance is heterogeneous or varied. The maximum value of this variable is 0.79, while the minimum value is -1.25. Profitability (ROA) has a mean of 0.0120 with a standard deviation of 0.66241. Based on the above two values, the profitability data is heterogeneous because the standard deviation value is higher than the average value. In addition, the maximum value is 1.14 and the minimum value is -9.58.

Leverage (DAR) as an independent variable has a mean value of 0.5775 with a standard deviation of 0.48275, which indicates that the data is homogeneous. The maximum value of this variable is 5.55 while the minimum value is 0.05. Sales growth (SG) has heterogeneous data because the standard deviation of this variable has a value greater than the mean, which is 4.74186 and the mean is 0.7684. The maximum and minimum values of this variable are 67.66 and -1.00. Political connection (POLCON) has an average value of 0.52 with a standard deviation of 0.51, which means that this variable has homogeneous data. The maximum value is 1, while the minimum value is 0.

Normality Test

The normality test is carried out with the aim of knowing whether the confounding or residual variables are normally distributed or not in the regression model. Residuals are said to be normally distributed if the significance level resulting from the Kolmogorov-Smirnov test ≥ 0.05 (Ghozali, 2021). Table 4 below presents the results of the Kolmogorov-Smirnov normality test.

Table 4. Normality Test Results

One-Sample Kolmogorov-Smirnov Test	
	Unstandardized Residual
N	230
Test Statistic	0.138
Asymp. Sig. (2-tailed)	0.000

Table 4 is the result of the normality test after removing outlier data as a form of treatment because the data is not normally distributed. Although this step was performed using Casewise Diagnostics, the results show that the sig. value is ≤ 0.05, indicating that the data is not normally distributed. Therefore, this study applies the assumption of the Central Limit Theorem, which states that for large sample sizes, the sampling distribution is close to normal, regardless of the shape of the population distribution. Typically, the sample size can be said to be large when the number is greater than or equal to 30 (Mann & Lacke, 2010).

Classic Assumption Test

The classic assumption test aims to determine whether or not the regression model contains multicollinearity, autocorrelation, and heteroscedasticity.

Table 5. Classic Assumption Test Results

Test	**Result**		
Multicollinearity		Tolorance	VIF
	ROA	0.974	1.027
	DAR	0.986	1.015
	SG	0.985	1.015
	POLCON	0.969	1.032
Autocorrelation	Durbin-Watson		2.037
Heteroscedasticity			Sig.
	ROA		0.956
Heteroscedasticity	DAR		0.586
	SG		0.605
	POLCON		0.185

Researchers conducted a multicollinearity test with the intention of knowing whether there is a correlation between independent variables in the regression model. According to the test results shown in Table 5, the tolerance value of each variable is ≥ 0.10 and the VIF value is ≤ 10. This means that there are no symptoms of multicollinearity in the regression model.

In addition to the results of the multicollinearity test, Table 5 also shows the results of the autocorrelation test. According to Ghozali (2021), the autocorrelation test is conducted to test whether there is a correlation between the confounding error in period t and the confounding error in period t_{-1} (previous) in a linear regression model. In addition, to detect the presence or absence of autocorrelation, this study uses the Durbin-Watson (DW) test based on the decision dU < d < 4 - dU. With a sample size of 230 and 4 independent variables, the dL value is 1.75 and the dU value is 1.82. According to these data, based on the decision making dU < d < 4 - dU (1.82 < 2.04 < 2.25), it can be interpreted that there is no autocorrelation problem in this regression model.

Finally, the heteroscedasticity test is performed to test whether there is an inequality of variance of residuals or observations with respect to other observations in the regression model (Ghozali, 2021). To determine the presence or absence of heteroscedasticity in this study, the Glejser test was used with the test results of all independent variables in this study having a sig. > 0,05. Therefore, the regression model is said to be good because there are no symptoms of heteroscedasticity in the regression model.

Multiple Linear Regression Analysis

According to Lind et al. (2018), multiple linear regression analysis is defined as the way to interpret the relationship between several independent variables and the dependent variable.

Table 6 Hypothesis Test Results

Test	Results		
Coefficient of determination	Adjusted R Square		0.039
F statistical test		F	Sig.
	Regression	3.301	0.012
T statistical test		B	Sig.
	(Constant)	-0.210	0.000
	ROA	-0.038	0.200
	DAR	0.081	0.046
T statistical test	SG	-0.007	0.095
	POLCON	-0.086	0.030

Based on Table 6, the results of multiple linear regression analysis are obtained with the following regression equation:

$$\text{CETR} = -0{,}210 - 0{,}038ROA + 0{,}081DAR - 0{,}007SG - 0{,}086POLCON \quad (1)$$

The constant value of -0.210 means that if each independent variable, namely ROA, DAR, SG, and POLCON, is considered constant, then CETR is -0.210. The regression coefficient value of profitability variable is -0.038 with significance > 0.05 (0.200), which means that profitability has no effect on tax avoidance. Another case with the regression coefficient value of leverage is 0.081, which means that for every 1 (one) unit increase in leverage, tax avoidance will increase by 0.081. In line with profitability, sales growth also has no effect on tax avoidance. This is because the significance is > 0.05 (0.095) with a regression coefficient value of -0.007. For political connections, the regression coefficient value is -0.086, which means that if each political connection increases by 1 (one) unit, then tax avoidance will decrease by -0.086.

Hypothesis Test

Hypothesis testing is used to provide an overview of the magnitude of the model's ability to explain variations in the dependent variable (coefficient of determination), to test whether the regression model is fit or not (F statistical test), and to determine how far the influence of an independent variable is in explaining the dependent variable (t statistical test). The coefficient of determination (R^2) is used to measure the ability of the model to explain variations in the dependent variable (Ghozali, 2021). In this research, the adjusted R^2 value is used to measure the coefficient of

determination because the independent variables in this research are more than one. According to Table 6, the adjusted R^2 value is 0.039 or 3.9%, which means that the variables of profitability, leverage, sales growth, and political connections affect tax avoidance by 3.9%. While the remaining 96.1% (100% - 3.9%) is explained by other causes outside the model.

The F statistical test is used to test whether the regression model is fit or not (Ghozali, 2021). Based on Table 6, the results show that the F statistical test shows a significance value of 0.012 <0.05, which means that the regression model in this study is said to be fit or feasible. The t-statistical test provides an overview of how far the influence of an independent variable is in explaining the dependent variable (Ghozali, 2021). If the significance is < 0.05, then the independent variable has a significant effect on the dependent variable on an individual basis. The following are the results of the t statistical test and its discussion.

4.1. The Effect of Profitability on Tax Avoidance

Based on the t-statistical test related to the effect of profitability on tax avoidance, the significance value is 0.200 > 0.05 with a coefficient value of -0.038. This means that H_1 is not supported, and the variable of profitability individually does not have a significant effect on the variable of tax avoidance. A company with high profitability is certainly able to pay various costs imposed on the company, including tax costs, because it manages its assets well. Therefore, companies prefer to pay their taxes rather than engage in tax avoidance, which is not necessarily approved by the tax authorities and may even result in sanctions from the tax authorities. In addition, the descriptive statistical test results in Table 3 also show that the maximum value of the profitability variable is 1.14 and the minimum value is -9.58 with an average of 0.0120 (1.2%). This means that on average, the energy sector companies in the research sample have a low level of profitability, so they have no effect on tax avoidance. The results of this study have the same findings as the research conducted by Akbar et al. (2021) and Manihuruk & Novita (2023) who found that profitability has no effect on tax avoidance.

4.2. The Effect of Leverage on Tax Avoidance

According to the research results in Table 6 of the t-statistical test related to the effect of leverage on tax avoidance, the results obtained a significance value of 0.046 <0.05 with a coefficient value of 0.081. This means that H_2 is supported, and the leverage variable has a positive effect on tax avoidance. Kasmir (2011) defines leverage as a ratio that shows the extent to which the company's assets are financed by debt. The higher the value of the leverage ratio, the higher the amount of debt financing used by the company. The higher the leverage ratio, the higher the interest expense on the company's debt. The interest expense incurred can be an advantage to reduce corporate taxes (Ainniyya et al., 2021). This statement is in line with the Income Tax Law No. 36 of 2008, Article 6, Paragraph 1a, which states that interest is a deductible expense against taxable income. Therefore, the company takes advantage of this gap to conduct tax avoidance by increasing the company's leverage ratio. With high leverage, companies can use the interest expense incurred as a deduction from taxable income. This result is consistent with the findings of Dilasari et al. (2021) and Maharani & Baroroh (2019), who found that leverage has a positive effect on tax avoidance.

4.3. The Effect of Sales Growth on Tax Avoidance

Referring to the results of the t-statistical test related to the effect of sales growth on tax avoidance, the significance value is 0.095 > 0.05 with a coefficient value of -0.007. These results mean that sales growth has no effect on tax avoidance, so H_3 is not supported. The results of this study prove that relatively increasing sales growth allows companies to continue to grow and increase their capacity and operational activities. However, higher sales growth does not always generate profits for the firm. Therefore, management does not need to engage in tax avoidance to minimize the tax burden. In addition, based on the results of the descriptive statistical test in Table 3, the maximum value owned by this variable is 67.66 with a minimum value of -1.00 and an average value of 0.7204. Based on these results, it can be concluded that the average company in the energy sector in the research sample experienced only a small increase in sales, so it had no effect on tax avoidance. The results of this study are not consistent with the research conducted by Ainniyya et al. (2021), Wulandari & Purnomo (2021), and Wulansari & Nugroho (2023), who found that sales growth affects tax avoidance.

4.4. The Effect of Political Connections on Tax Avoidance

Based on the tests conducted on the effect of political connections on tax avoidance, the results obtained a significance value of 0.030 <0.05 with a coefficient value of -0.086. These results indicate that political connections have a negative effect on tax avoidance, so H_4 is supported. The results of this research prove that although the company receives special facilities from the government, it does not take advantage of them because it thinks about the long-term consequences. The consequences or risks that can be obtained if the company uses special facilities from the government, such as a deterioration of the company's image and can reduce public trust in the company to losses that can occur. As a result, companies will choose not to engage in tax avoidance to avoid these risks. Therefore, politically connected firms are less likely to engage in tax avoidance. The results of this research are consistent with a previous study conducted by Maharani & Baroroh (2019), which found that political connections have a negative effect on tax avoidance.

5. Conclusion and Suggestion

Referring to the results of research and discussion, there are several conclusions that can be drawn, including profitability has no effect on tax avoidance. This means that the level of profitability of the company does not influence the company to avoid taxes. Likewise with sales growth, which shows similar results, namely no effect on tax avoidance, so the level of sales growth of the company does not affect the company to avoid taxes. Another case is leverage, which has a positive effect on tax avoidance. This means that the higher the leverage of the company, the higher the tax avoidance practices of the company. Beside that, political connections have a negative effect on tax avoidance. This means that companies with political connections are less likely to engage in tax avoidance.

As for the limitations of this research, first, there are 16 companies that do not meet the criteria, such as incomplete data and company annual reports that are not found, so that the research results are not maximized. Second, the effect of the independent variable on the dependent variable in the study is very small, only 3.9%. This means that tax avoidance can be explained by 3.9% by the independent variables, namely profitability, leverage, sales growth, and political connections. While the remaining 96.1% is influenced by other causes outside the model. According to the results of the study, the suggestions for future researchers are to add other variables, such as corporate governance, that are relevant to tax avoidance. The addition of variables is based on the adjusted R^2, which shows the high number of other factors outside the model.

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