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Financial Determinants of Tax Avoidance: Evidence from Consumer Goods Companies

Faktor-Faktor Keuangan yang Mempengaruhi Tax Avoidance: Bukti Empiris pada Perusahaan Sektor Barang Konsumsi

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Abstract - This study aims to analyze tax avoidance based on financial factors, proxied by profitability, sales growth, and solvency, in manufacturing companies within the consumer goods sector listed on the Indonesia Stock Exchange during the 2019-2023 period. This study employs a quantitative approach using secondary data in the form of annual financial statements. The research sample was determined using purposive sampling from a population of 95 companies, resulting in 19 companies that met the selection criteria. Panel data regression analysis was conducted using the fixed effect model (FEM) with eviews 12. The results indicate that profitability and sales growth have a positive effect on tax avoidance, while solvency has no effect on tax avoidance. Simultaneously, all independent variables significantly affect tax avoidance. These findings suggest that companies with higher profitability and sales growth tend to engage in tax avoidance practices, highlighting the need for increased financial oversight and transparency. The novelty of this study lies in providing empirical evidence on tax avoidance behavior among consumer goods companies during the post-COVID-19 economic recovery period.

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

Abstrak - *Penelitian ini bertujuan untuk menganalisis tax avoidance berdasarkan faktor keuangan yang diproksikan oleh profitabilitas, sales growth, dan solvabilitas pada perusahaan manufaktur sektor barang konsumsi yang terdaftar di Bursa Efek Indonesia periode 2019-2023. Penelitian ini menggunakan pendekatan kuantitatif dengan data sekunder berupa laporan keuangan tahunan. Sampel penelitian ditentukan menggunakan teknik purposive sampling dari 95 perusahaan, sehingga diperoleh 19 perusahaan yang memenuhi kriteria. Metode analisis yang digunakan adalah regresi data panel dengan pendekatan fixed effect model (FEM) menggunakan eviews 12. Hasil penelitian menunjukkan bahwa profitabilitas dan sales growth berpengaruh positif terhadap tax avoidance, sedangkan solvabilitas tidak berpengaruh terhadap tax avoidance. Secara simultan, ketiga variabel independen berpengaruh signifikan terhadap tax avoidance. Temuan ini mengindikasikan bahwa perusahaan dengan tingkat profitabilitas dan pertumbuhan penjualan yang tinggi cenderung melakukan praktik tax avoidance, sehingga diperlukan peningkatan pengawasan dan transparansi keuangan. Kebaruan penelitian ini terletak pada memberikan bukti empiris mengenai perilaku tax avoidance perusahaan barang konsumsi dalam kondisi pemulihan ekonomi pascapandemi COVID-19*.

Kata Kunci*: Penghindaran Pajak, Pertumbuhan Penjualan, Profitabilitas, Solvabilitas.*

INTRODUCTION

Tax is one of the primary sources of state revenue and plays a crucial role in financing national development. However, from a corporate perspective, tax is perceived as an expense that reduces profit, thereby creating a conflict of interest between the government as the tax authority and companies as taxpayers. This condition encourages companies to engage in tax avoidance, which refers to legally minimizing tax liabilities by exploiting loopholes in existing tax regulations. Tax avoidance remains a critical issue in Indonesia as it has the potential to significantly reduce state revenue, particularly among large-scale and multinational corporations.

Indonesia adopts a self-assessment tax system, which grants taxpayers the authority to calculate, pay, and report their tax obligations independently. Although this system requires a high level of compliance, in practice it still provides opportunities for tax avoidance. Fiscal pressure following the COVID-19

pandemic has further strengthened the urgency of monitoring tax avoidance practices, considering that the government requires optimal tax revenue to maintain national economic stability.

Tax avoidance is influenced by various corporate financial characteristics, including profitability, sales growth, and solvency. Profitability reflects a company's ability to generate profit and is commonly measured using return on assets (ROA) (Matanari & Sudjiman, 2022). Studies by Dwiyanti et al., (2019) and Putri & Yuliafitri, (2024) found that profitability has a positive effect on tax avoidance, indicating that highly profitable companies have greater incentives to engage in tax planning strategies. However, these findings are inconsistent with those of Handayani et al., (2024) and Faradita, (2021), who reported that profitability does not have a significant effect on tax avoidance. These inconsistent findings indicate the existence of a research gap that requires further examination.

Sales growth reflects a company's ability to increase its sales volume over time and serves as an indicator of growth prospects. Hanum et al., (2024) and Ardhanareswari & Murtanto, (2023) found that sales growth negatively affects tax avoidance, suggesting that high-growth companies tend to be more compliant with their tax obligations. In contrast, Pravitasari & Khoiriawati, (2022) and Tendean & Febriani, (2022) reported a positive effect of sales growth on tax avoidance, arguing that companies attempt to maintain liquidity during growth phases. These inconsistent findings suggest that the relationship between sales growth and tax avoidance remains inconclusive.

In addition, solvency describes a company's ability to meet its long-term obligations and is generally measured using the debt to asset ratio (DAR) (Darya, 2019). Ramdiani et al., (2023) found that solvency has a positive effect on tax avoidance, whereas Nirwasita et al., (2024) and Sari & Cerya, (2023) reported no significant effect. Conversely, Rumbi & Syamsuddin, (2024) identified a negative effect of solvency on tax avoidance, indicating that debt pressure may encourage companies to adopt more conservative tax strategies. These differing results further highlight the need to re-examine the relationship between solvency and tax avoidance.

Although prior studies have examined the relationship between profitability, sales growth, solvency, and tax avoidance, the empirical findings remain inconsistent. Several studies report that profitability positively affects tax avoidance, while others find insignificant or even negative relationships. Similar inconsistencies are also found in studies examining sales growth and solvency as determinants of tax avoidance. Moreover, limited studies specifically analyze these relationships in the consumer goods manufacturing sector during the post COVID-19 period, which presents unique economic dynamics compared to normal conditions. Therefore, further investigation is necessary to clarify these inconsistencies and provide updated empirical evidence in the post-pandemic context.

Based on the research gap identified above, the research questions of this study are as follows: (1) does profitability affect tax avoidance?; (2) does sales growth affect tax avoidance?; (3) does solvency affect tax avoidance?; (4) do profitability, sales growth, and solvency simultaneously affect tax avoidance? accordingly, this study aims to examine the partial and simultaneous effects of these financial factors on tax avoidance in consumer goods manufacturing companies listed on the Indonesia Stock Exchange during 2019-2023.

The novelty of this study lies in its focus on the post-COVID-19 economic context, covering the pre-pandemic, pandemic, and post-pandemic periods, which provides a more comprehensive view of corporate tax behavior under crisis and recovery conditions. Theoretically, this study contributes to the development of tax avoidance literature by providing updated empirical evidence on financial determinants within a crisis-sensitive period. Practically, the findings offer insights for corporate management in designing responsible tax strategies and for policymakers in formulating adaptive tax regulations and supervision mechanisms in times of economic uncertainty.

LITERATURE REVIEW

Legitimacy Theory

Legitimacy theory explains that companies, as part of society, must conduct their activities in accordance with prevailing social values, norms, and expectations in order to obtain and maintain social legitimacy (Paridah & Rokhayati, 2022). Legitimacy is essential for corporate sustainability as it relates to corporate image, reputation, and public support. In the context of taxation, this theory emphasizes that overly

aggressive tax avoidance practices may be perceived as unethical and may reduce corporate legitimacy in the eyes of society. Companies with high levels of profitability and growth tend to be more sensitive to public perception and therefore more cautious in engaging in tax avoidance in order to preserve their reputation and positive image. Meanwhile, companies with lower solvency levels are still expected to demonstrate tax compliance to avoid negative perceptions regarding their financial condition and social responsibility.

Stakeholder Theory

Stakeholder theory posits that managerial decisions, including tax avoidance practices, are not solely intended to maximize shareholder wealth but must also consider the interests and expectations of all stakeholders (Freeman, 1984; Freeman & Phillips, 2002). Companies with high profitability and sales growth tend to attract greater public attention and are therefore more cautious in implementing tax avoidance strategies that may be perceived as unethical and potentially damage stakeholder trust. Furthermore, companies with lower solvency levels, although incentivized to reduce tax burdens in order to maintain cash flow, must still consider creditors' perspectives and maintain credibility to sustain long-term relationships with stakeholders.

Compliance Theory

Compliance Theory defines compliance as a condition in which individuals or organizations adhere to rules established by legitimate authorities (Milgram, 1963). In sociological literature, legal compliance is understood through two perspectives: instrumental and normative. The instrumental perspective views compliance as the result of rational consideration of benefits and risks, including potential sanctions and costs arising from violations. In contrast, the normative perspective emphasizes compliance as a moral obligation and recognition of the legitimacy of legal authority (Shintia Betra, 2021).

In the context of corporate taxation, this theory explains that tax avoidance decisions are influenced not only by economic incentives but also by legal compliance considerations and sanction risks that may affect business sustainability and corporate reputation (Hasanudin et al., 2020). Therefore, companies with certain financial conditions, such as high debt levels, are likely to more carefully consider their tax management strategies to ensure they remain within legal boundaries and avoid legal consequences.

Tax Avoidance

Tax avoidance refers to efforts by taxpayers to legally minimize tax burdens by exploiting loopholes in tax regulations without violating applicable laws (Janatin & Pardi, 2022). Although legally permissible, such practices may reduce state revenue. In this study, tax avoidance is measured using the cash effective tax rate (CETR), defined as the ratio of cash taxes paid to pre-tax income. A lower CETR value indicates a higher level of tax avoidance.

Profitability

Profitability reflects a company's ability to generate earnings from its total resources. This variable is measured using return on assets (ROA), defined as the ratio of net income to total assets (Matanari & Sudjiman, 2022). Companies with high profitability have greater earning capacity, which may encourage tax planning strategies. However, highly profitable firms are also subject to greater public and stakeholder scrutiny, which may limit aggressive tax avoidance behavior.

Sales Growth

Sales growth represents the rate of increase in a company's sales from one period to the next and reflects its operational performance and business prospects. This ratio is calculated based on the change in sales relative to the previous period's sales (Kasmir, 2019). Companies with high sales growth typically face greater expectations from stakeholders to maintain performance and reputation, which may influence managerial decisions in designing tax strategies. Empirical findings indicate that the effect of sales growth on tax avoidance remains inconsistent, showing positive, negative, and insignificant relationships (Hanlon & Heitzman, 2010).

Solvency

Solvency describes a company's ability to meet both short-term and long-term obligations related to its capital structure. In this study, solvency is measured using the debt to asset ratio (DAR), defined as the ratio of total debt to total assets (Kasmir, 2019). A high solvency ratio indicates greater reliance on debt financing, which may encourage companies to pursue tax efficiency strategies to maintain cash flow.

However, firms must also consider compliance risks and creditors' perceptions as key stakeholders. Consequently, prior research shows mixed results regarding the relationship between solvency and tax avoidance (Perdana & Jenni, 2024).

Hypothesis Development

The Relationship between Profitability and Tax Avoidance

Profitability reflects a company's ability to generate earnings from asset management and is measured using return on assets (ROA). A higher ROA indicates greater profitability, which consequently increases the corporate tax burden (Dewinta & Setiawan, 2016). This condition may encourage management to engage in tax planning strategies aimed at reducing tax expenses through tax avoidance practices. Dewinta, (2016, p. 1595) found that profitability has a positive effect on tax avoidance, as indicated by a lower cash effective tax rate (CETR) as corporate profits increase. This finding suggests that more profitable firms tend to adopt tax strategies to minimize their tax payments. Based on this reasoning, the following hypothesis is proposed:

H_1: Profitability affects tax avoidance.

The Relationship between Sales Growth and Tax Avoidance

Sales growth indicates an increase in sales volume that may lead to higher corporate earnings. High sales growth reflects strong operational performance and expanded business capacity, which in turn increases corporate tax obligations (Dewinta & Setiawan, 2016; Sinaga & Oktaviani, 2022). This situation may incentivize firms to engage in tax avoidance as a strategy to improve tax efficiency.

Budiman et al., (2012) provide empirical evidence that sales growth has a positive effect on tax avoidance. Accordingly, companies experiencing rapid growth may seek to manage their increasing tax burden through tax planning strategies. Therefore, the following hypothesis is formulated:

H_2: Sales Growth affects tax avoidance.

The Relationship between Solvency and Tax Avoidance

Solvency describes the proportion of corporate financing derived from debt relative to total assets. The use of debt provides tax advantages in the form of interest expense deductibility (tax shield) (Kania, 2016). This tax benefit may influence corporate decisions in managing tax expenses through tax avoidance strategies.

Angelina & Putri, (2019) found that solvency, measured by the debt to asset ratio (DAR), has a significant effect on tax avoidance. Thus, a company's capital structure may play a role in determining the intensity of its tax management strategies. Based on this argument, the following hypothesis is proposed:

H_3: Solvency affects tax avoidance.

The Simultaneous Effect of Profitability, Sales Growth, and Solvency on Tax Avoidance

Tax avoidance represents a corporate strategy to legally minimize tax burdens by exploiting gaps in tax regulations. Companies with high profitability and sales growth tend to face increased tax liabilities, while solvency levels influence tax management intensity through the tax shield benefits derived from debt financing.

Therefore, these financial factors collectively influence corporate decisions regarding tax avoidance practices. Accordingly, the following hypothesis is formulated:

H_4: Profitability, sales growth, and solvency simultaneously affect tax avoidance.

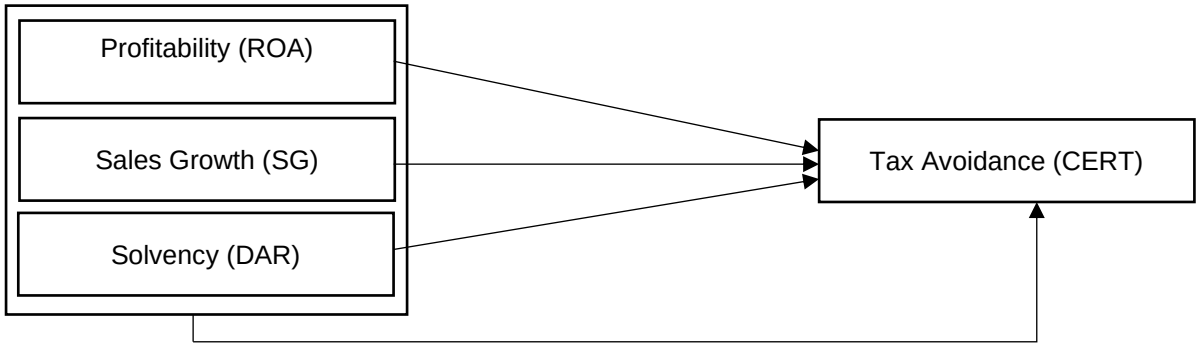

Figure 1. Conceptual Framework

Source: Developed by the author.

RESEARCH METHOD

This study employs an associative quantitative approach, a research method that emphasizes testing the relationships among variables using numerical data and statistical analysis. The quantitative approach aims to test hypotheses and explain phenomena objectively and measurably through numerical evidence Sugiyono, (2019), (Ghozali, 2018).

The data used in this study are secondary data, obtained indirectly from primary sources in the form of publicly available annual financial statements. The research objects include profitability (ROA), sales growth (SG), and solvency (DAR) as independent variables, and tax avoidance (CETR) as the dependent variable. The study focuses on manufacturing companies in the consumer goods sector-comprising the food and beverage, pharmaceutical, tobacco, household equipment, and cosmetics industries-listed on the Indonesia Stock Exchange (IDX).

Table 1. Operational Variable

Variable	Measurement	Scale
Profitability	ROA = Net Income / Total Assets	Ratio
Sales growth	SG = (Sales − Sales(t−1)) / Sales(t−1)	Ratio
Solvency	DAR = Total Debt / Total Assets	Ratio
Tax avoidance	CETR = Cash Tax Paid / Pre-Tax Income	Ratio

Source: Developed by author.

The population of this study consists of all manufacturing companies in the consumer goods sector listed on the Indonesia Stock Exchange (IDX) during the 2019-2023 period, totaling 95 companies. The sampling technique employed is purposive sampling, in which samples are selected based on specific criteria relevant to the research objectives (Sugiyono, 2019). Based on these criteria, 19 companies were selected as the research sample.

With a five-year observation period, this study utilizes a balanced panel dataset comprising 95 firm-year observations (19 companies × 5 years). The sample size is considered adequate for panel data regression analysis, particularly under the fixed effect model (FEM), which controls for unobserved heterogeneity across cross-sectional units. In panel data estimation, the total number of observations should exceed the number of estimated parameters to ensure reliable and consistent results. Moreover, the combination of cross-sectional and time-series dimensions increases degrees of freedom and improves estimation efficiency compared to purely cross-sectional analysis. Therefore, the dataset used in this study is statistically sufficient to generate consistent and unbiased parameter estimates.

The data analysis techniques include descriptive statistical analysis, classical assumption tests, panel data regression analysis, and hypothesis testing. All data processing and statistical analyses were conducted using eviews 12 software.

FINDINGS AND DISCUSSION

Findings

Descriptive Statistical Analysis

The following table presents the results of the descriptive statistical analysis of the research variables.

Table 2. Descriptive Statistics

	ROA	SG	DAR	CERT
Mean	0.102133	0.120614	0.379439	0.291655
Median	0.102003	0.097601	0.384570	0.211252
Maximum	0.311929	0.555178	0.696940	2.295040
Minimum	0.015077	-0.379026	0.053425	0.000916
Sum Sq. Dev.	0.307542	2.123347	2.743574	11.25216
Observations	95	95	95	95

Source: Author's calculation based on eviews 12 output (2025).

The results presented in table 2 indicate that the Profitability variable (ROA) has a minimum value of 0.015 observed at SKBM in 2020 and a maximum value of 0.860 at STTP in 2021. The mean ROA is 0.102 with a standard deviation of 0.057, suggesting that ROA data are relatively homogeneous and not widely dispersed from the mean value. The sales growth (SG) variable records a minimum value of −0.379 at

CPIN in 2020, indicating a decline in sales, and a maximum value of 0.555 at STAA in 2019. The mean SG is 0.120 with a standard deviation of 0.150, reflecting a relatively high level of variation across firms.
The solvency variable (DAR) shows a minimum value of 0.053 at ICBP in 2021, indicating low reliance on debt financing. Meanwhile, the maximum value of 0.697 is observed at TBLA in 2020, reflecting a relatively high level of debt dependency. The mean DAR is 0.379 with a standard deviation of 0.170, suggesting a relatively stable dispersion of data.
The tax avoidance variable (CETR) has a minimum value of 0.0009 at TGKA in 2019, indicating a very low level of cash tax payment. The maximum CETR value of 0.696 is observed at SKBM in 2020, reflecting relatively high cash tax payments. The mean CETR is 0.379 with a standard deviation of 0.345, indicating considerable variation in tax avoidance levels across firms.

Panel Regression Model Selection

In panel data analysis, selecting the appropriate regression model requires several testing procedures. First, the chow test, hausman test, and lagrange multiplier (LM) test are conducted to determine the most suitable model for the regression analysis.
The estimation results of the panel data regression models in this study are presented as follows:

Chow Test

Table 3. Chow Test

Effects Test	Statistic	d.f	Prob
Cross-section F	3.035836	(18,73)	0.0004
Cross-section chi-square	53.085423	18	0.0000

Source: Author's calculation based on eviews 12 output (2025).

The chow test is used to determine the most appropriate regression model between the common effect model (CEM) and the fixed effect model (FEM). The test is conducted using a likelihood ratio test with the following decision criteria: if the cross-section probability value is less than 0.05, the fixed effect model (FEM) is preferred; otherwise, the common effect model (CEM) is selected.
Table 3 presents the results of the Chow test, which show a probability value of 0.0000 (< 0.05). Therefore, the fixed effect model (FEM) is selected as the preferred model. Consequently, further testing using the hausman test is required to determine whether the FEM or the random effect model (REM) is more appropriate.

Hausman Test

The hausman test is employed to determine the most appropriate regression model between the fixed effect model (FEM) and the random effect model (REM). The test is conducted using the hausman specification test with the following decision criteria: if the cross-section probability value is greater than 0.05, the random effect model (REM) is selected; however, if the probability value is less than 0.05, the fixed effect model (FEM) is preferred.

Table 4. Hausman Test

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f	Prob
Cross-section random	8.103652	3	0.0439

Source: Author's calculation based on eviews 12 output (2025).

Based on table 4, the results of the hausman test indicate a probability value of 0.0439, which is less than 0.05. Therefore, the fixed effect model (FEM) is selected as the appropriate regression model. Accordingly, the FEM is considered the most suitable model to capture the characteristics of the panel data used in this study. Since the Hausman test confirms that the FEM is more appropriate than the random effect model (REM), further testing using the lagrange multiplier (LM) test is not required.

Classical Assumption Tests

Normality Test

The normality test aims to examine whether the residuals (error terms) in the regression model are normally distributed. Violation of this assumption may lead to biased or invalid statistical inference.
Figure 2 below presents the results of the normality test.

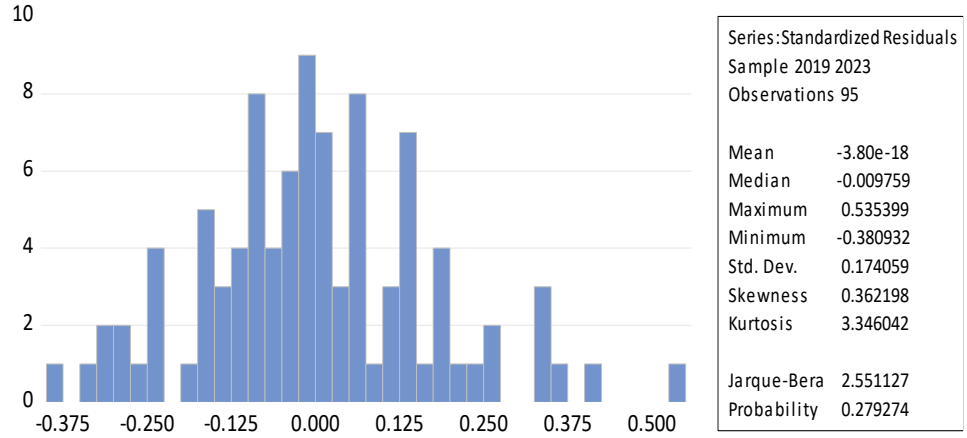

Figure 2. Normality Test

The jarque–bera probability value in this study is 0.279, which is greater than 0.05. Therefore, it can be concluded that the data are normally distributed and the analysis can proceed to the next stage.

Multicollinearity Test

The multicollinearity test is conducted to determine whether there is a correlation among the independent variables. This test identifies the presence or absence of high correlations between independent variables. The decision criterion states that if the correlation coefficient between independent variables is less than 0.90, the model does not suffer from multicollinearity; otherwise, multicollinearity is indicated.

The results of the multicollinearity test in this study are presented in:

Table 5. Multicollinearity Test

	ROA	SG	DAR
ROA	1	0.1344636536	-0.4334836804
SG	0.1344636536	1	-0.0504124879
DAR	-0.4334836804	-0.05041248795	1

Source: Author's calculation based on eviews 12 output (2025).

Based on table 5, it can be observed that the correlation values among all independent variables are below 0.90. Therefore, it can be concluded that the regression model in this study does not exhibit multicollinearity.

Heteroskedasticity Test

The heteroskedasticity test in this study was conducted using the glejser test to detect the presence of heteroskedasticity in the regression model. The test was performed by regressing the absolute value of the residuals (ABS_RES) as the dependent variable on all independent variables.

The decision criterion is based on the probability value (p-value) of each independent variable. If the p-value is greater than 0.05, it can be concluded that heteroskedasticity is not present, and the model satisfies the homoskedasticity assumption. The results of the heteroskedasticity test in this study are presented in:

Table 6. Heteroskedasticity Test

Variable	Coefficient	Std. Error	t-Statistic	Prod
C	0.038292	0.059970	0.638517	0.5251
ROA	-0.049036	0.016468	-2.977704	0.2039
SG	-0.070895	0.058346	-1.215084	0.2282
DAR	-0.065283	0.118254	-0.552057	0.5826

Source: Author's calculation based on eviews 12 output (2025).

Based on the results of the heteroskedasticity test using the Glejser method, all independent variables in the regression model-profitability, sales growth, and solvency-have probability values (p-values) greater than 0.05. Profitability shows a p-value of 0.2039, sales growth 0.2282, and solvency 0.5826. These probability values indicate that none of the independent variables have a statistically significant effect on the absolute residual values (ABS_RES). Therefore, it can be concluded that the regression model does not exhibit heteroskedasticity and satisfies the homoskedasticity assumption.

Multiple Linear Regression Analysis

To examine the relationship between the independent variables and the dependent variable, this study applies multiple linear regression analysis based on panel data. The regression model selected is the fixed effect model (FEM), which captures the influence of profitability, sales growth, and solvency on tax avoidance. The regression equation formed under the FEM specification is presented as follows:

CETR = 0,4912 + 0,3955 ROA + 0,4314 SG - 0,5136 DAR (1)

Based on the results of the multiple linear regression estimation, the constant value is 0.4912. This indicates that when profitability (ROA), sales growth (SG), and solvency (DAR) are held constant, the level of tax avoidance (CETR) is 0.4912. The regression coefficient of profitability (ROA) is positive at 0.3955, suggesting that an increase in a company's ability to generate profits is associated with an increase in tax avoidance practices. This may occur because higher profitability leads to a greater tax burden, thereby encouraging firms to engage in tax planning strategies.

Similarly, the regression coefficient of sales growth (SG) is positive at 0.4314, indicating that higher sales growth increases the likelihood of tax avoidance as companies seek to improve tax efficiency amid expanding business activities. In contrast, the regression coefficient of solvency (DAR) is negative at –0.5136. This implies that firms with higher solvency levels tend to engage less in tax avoidance. Companies with healthier financial structures and stronger long-term debt management capabilities are more likely to comply with tax regulations.

Hypothesis Testing

T-Test

The partial effect of each independent variable on tax avoidance is examined using the t-test. This test aims to determine whether each independent variable individually has a statistically significant effect on the dependent variable. The results of the t-test are presented in:

Table 7. T-Test Results

Variable	Coefficient	Std. Error	t-Statistic	Prod
C	0.491292	0.154719	3.175386	0.0022
ROA	0.395535	0.042486	9.309871	0.0000
SG	0.431491	0.150530	2.866472	0.0054
DAR	-0.513632	0.305089	-1.683550	0.0965

Source: Author's calculation based on eviews 12 output (2025).

First Hypothesis (H_1)

Based on the t-test results, profitability has a positive regression coefficient with a probability value of 0.000 (< 0.05). Therefore, profitability has a positive and significant effect on tax avoidance, and H_1 is accepted. This finding indicates that companies with higher profitability tend to face a greater tax burden, thereby encouraging management to engage in tax planning strategies to legally minimize tax liabilities. In addition, profitable firms generally possess sufficient resources and expertise to manage tax strategies more effectively without violating existing regulations. This result is consistent with prior studies which state that higher profitability increases the likelihood of tax avoidance as firms seek to maintain net income and meet shareholders' expectations.

Second Hypothesis (H_2)

The t-test results show that sales growth has a positive regression coefficient with a probability value of 0.0054 (< 0.05). Thus, sales growth has a positive and significant effect on tax avoidance, and H_2 is accepted. Sales growth reflects an increase in business activities that potentially leads to higher profits and, consequently, higher tax expenses. Under such conditions, management may implement tax management strategies to optimize after-tax income. This finding aligns with previous research suggesting that increased sales and revenue growth may enhance a company's tendency to engage in tax avoidance as part of financial efficiency strategies.

Third Hypothesis (H_3)

Based on the t-test results, solvency has a negative regression coefficient with a probability value of 0.0965 (> 0.05). Therefore, solvency does not have a statistically significant effect on tax avoidance, and H_3 is rejected. This finding indicates that a company's ability to meet its long-term obligations is not a primary factor influencing management decisions regarding tax avoidance. The insignificant effect of solvency may

be attributed to differences in debt management efficiency among firms, as well as the presence of other more dominant factors affecting tax policies. This result supports previous studies which argue that both high and low solvency levels do not directly determine tax avoidance practices, since tax obligations are primarily governed by prevailing tax regulations.

Simultaneous Test (F-Test)

The f-test is conducted to determine whether all independent variables simultaneously have a significant effect on tax avoidance. The results of the f-test are presented in:

Table 8. F-Test Results

Root MSE	0.173141	R-squared	0.746903
Mean dependent var	0.291655	Adjusted R-squared	0.674094
S.D. dependent var	0.345982	S.E. of regression	0.197515
Akaike info criterion	-0.206265	Sum squared resid	2.847887
Schwarz criterion	0.385159	Log likelihood	31.79758
Hannan-quinn criter.	0.032715	F-statistic	10.25843
Durbin-watson stat	1.932260	Prob (f-statistic)	0.000000

Source: Author's calculation based on eviews 12 output (2025).

Fourth Hypothesis (H_4)

Based on the f-test results presented in table 8, the probability value is 0.000 (< 0.05). Therefore, it can be concluded that profitability, sales growth, and solvency simultaneously have a significant effect on tax avoidance, and thus H_4 is accepted. This finding indicates that tax avoidance practices are not determined by a single financial factor in isolation, but rather by the combined influence of a company's profitability, sales growth, and overall financing structure.

Coefficient of Determination (Adjusted R^2)

The adjusted R-squared value is 0.674, or 67.4%. This result indicates that profitability, sales growth, and solvency collectively explain 67.4% of the variation in tax avoidance. The remaining 32.6% is explained by other variables not included in this study, such as corporate governance mechanisms, firm size, capital intensity, institutional ownership, or other relevant factors.

Discussion

The findings of this study indicate that profitability and sales growth have a positive and significant effect on tax avoidance, while solvency does not have a significant effect. These results provide important insights into managerial tax behavior, particularly in the context of economic recovery following the COVID-19 pandemic. The results also indicate that corporate financial performance plays an important role in shaping tax management strategies among firms in the consumer goods sector.

The positive effect of profitability on tax avoidance indicates that firms with higher earnings tend to engage more actively in tax planning strategies. Higher profitability increases taxable income and consequently raises corporate tax liabilities, which may encourage firms to legally minimize their tax burden through tax avoidance practices. This finding is consistent with previous studies that report a positive relationship between profitability and tax avoidance, such as Dwiyanti et al. (2019) and Putri & Yuliafitri (2024), which explain that highly profitable firms possess stronger incentives and greater resources to conduct tax planning. Similarly, Dewinta & Setiawan (2016) argue that firms with higher profitability tend to implement tax strategies to maintain their net income and improve financial efficiency. From the perspective of agency theory, this behavior reflects managerial efforts to maximize shareholders' wealth by increasing after-tax income. Managers, acting as agents of shareholders, are motivated to implement tax efficiency strategies that enhance firm value while remaining within legal boundaries. In the context of post-pandemic economic recovery, companies that successfully restored profitability may seek to strengthen liquidity and financial resilience, thereby increasing the intensity of tax efficiency strategies.

Similarly, the positive relationship between sales growth and tax avoidance reflects strategic financial management during periods of business expansion and economic recovery. Sales growth signals improved operational performance and increased business activities, which potentially lead to higher profits and consequently greater tax obligations. Under such circumstances, companies may adopt tax planning strategies to optimize financial resources and support further expansion. This finding supports prior empirical evidence provided by Pravitasari & Khoiriawati (2022) and Tendean & Febriani (2022), who found

that companies experiencing rapid sales growth tend to engage more actively in tax avoidance practices as part of financial efficiency strategies. Dewinta & Setiawan (2016) also emphasize that increasing sales growth leads to higher tax exposure, thereby encouraging companies to manage tax expenses strategically. From the perspective of stakeholder theory (Freeman, 1984; Freeman & Phillips, 2002), managerial decisions regarding tax management must consider the expectations of various stakeholders, including shareholders, regulators, and society. Companies experiencing high growth are required to maintain strong financial performance while simultaneously ensuring that tax management strategies remain acceptable to stakeholders and do not undermine corporate credibility.

In contrast, solvency does not have a statistically significant effect on tax avoidance. This finding suggests that a company's capital structure was not the primary determinant of tax strategy during the observed period. Although leverage theoretically provides tax advantages through interest deductibility, companies in the consumer goods sector may have maintained relatively stable capital structures during the post-pandemic recovery period. Consequently, profitability and operational growth appear to play a more dominant role than financing structure in influencing managerial tax decisions. This result is consistent with prior studies by Nirwasita et al. (2024) and Sari & Cerya (2023), which also reported that solvency does not significantly influence tax avoidance. These studies suggest that debt levels do not necessarily determine tax avoidance behavior because corporate tax decisions are influenced by broader managerial considerations beyond capital structure alone. From the perspective of compliance theory (Milgram, 1963; Shintia Betra, 2021), firms may prioritize regulatory compliance and legal risk mitigation when determining their tax strategies, particularly when debt obligations require maintaining credibility with creditors and regulators.

Furthermore, the results of this study can also be interpreted through the lens of legitimacy theory. Legitimacy theory explains that companies must ensure their actions align with societal norms and expectations in order to maintain legitimacy and public trust (Paridah & Rokhayati, 2022). During the post-pandemic recovery period, public attention toward corporate responsibility, including tax compliance, increased significantly as governments relied heavily on tax revenue to support economic stabilization. Companies with strong financial performance may face reputational risks if aggressive tax avoidance practices are perceived as unethical or socially irresponsible. Consequently, firms are likely to implement tax planning strategies cautiously in order to maintain a balance between financial efficiency and social legitimacy.

In addition, stakeholder theory further explains that corporate tax decisions are influenced by the expectations of multiple stakeholders, including shareholders, regulators, creditors, and the public. While shareholders expect profit maximization and improved financial performance, governments require compliance to support fiscal recovery and economic stability. The findings of this study indicate that firms attempt to optimize tax efficiency while maintaining stakeholder trust and corporate reputation. This balance becomes particularly important in the post-COVID-19 recovery period, when corporate transparency and accountability are subject to increased scrutiny.

Overall, this study contributes to the literature on tax avoidance by providing empirical evidence that clarifies the inconsistent findings reported in prior studies. The results demonstrate that profitability and sales growth are important determinants of tax avoidance, while solvency plays a less significant role in influencing corporate tax behavior in the consumer goods sector. By examining the post-pandemic economic recovery context, this study provides a deeper understanding of how corporate financial performance influences tax management strategies under conditions of economic uncertainty and stabilization.

CONCLUSION

This study aims to examine the influence of profitability, sales growth, and solvency on tax avoidance in manufacturing companies within the consumer goods sector listed on the Indonesia Stock Exchange during the 2019-2023 period, encompassing the pre-pandemic, pandemic, and post-pandemic phases of COVID-19. The results demonstrate that profitability and sales growth have a positive and significant effect on tax avoidance, indicating that firms with stronger financial performance tend to engage more actively in legal tax management strategies to enhance financial efficiency and maintain liquidity during

periods of economic uncertainty and recovery. Conversely, solvency does not significantly influence tax avoidance, suggesting that capital structure was not the primary determinant of tax strategy in this sector during the observed period. Simultaneously, the findings confirm that overall financial conditions significantly shape corporate tax behavior, particularly in crisis-sensitive environments. Theoretically, this study strengthens the perspective of legitimacy and stakeholder theories by showing that tax avoidance decisions during economic recovery reflect not only profit-maximization motives but also strategic efforts to maintain corporate legitimacy and stakeholder trust amid heightened public scrutiny. Practically, the findings imply that companies should implement transparent and responsible tax planning aligned with sustainability objectives, while policymakers may consider adaptive supervisory approaches in post-crisis economic conditions. Nevertheless, this study is limited to one industrial sector and relies solely on secondary financial statement data, which may not fully capture managerial intentions or corporate governance dynamics influencing tax decisions. Therefore, future research is encouraged to incorporate additional variables such as corporate governance mechanisms, institutional ownership, or ESG performance, extend the observation period to capture long-term post-pandemic adjustments, and conduct cross-sector or cross-country comparisons to obtain a more comprehensive understanding of tax avoidance behavior under varying economic contexts.

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