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Auditors Reputation Moderates the Determinants of Tax Avoidance

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A B S T R A C T

This research aims to analyse the impact of profitability, leverage, firm size, and sales growth on tax avoidance with auditor reputation as moderating variable of manufacturing companies that were listed on the Indonesia Stock Exchange (IDX) in the range of 2015-2020. The purposive sampling method obtained 100 data observation the meet with the criteria. The research used the secondary data taken from the Indonesia Stock Exchange website and other official websites. The data were analysed with multiple linear regression analysis. This research revealed that profitability, leverage, and firm size have a positive and significant impact on tax avoidance. However, sales growth does not have impact on tax avoidance. Additionally, auditor reputation was able to strengthen the impact of profitability, leverage, firm size, and sales growth on tax avoidance.

INTRODUCTION

Taxes have played a central role in the country's revenue generation to help economic growth and national development (Kimsen et al., 2018). Thus, all taxpayers are required to pay taxes to contribute to the country. The contribution of taxpayers has been confirmed in Law Number 28 of 2007. Based on the data on the 2019 Directorate General of Taxes (DJP) Performance Report, the state revenue was primarily derived from tax revenue and that tax contributions have continued to increase from 2014 to 2019, and now it is at 82.5 %. DJP also continuously improves its performance so that taxpayers are willing to allocate part of their income to pay taxes.

Nonetheless, the tax authorities cannot always collect high amount of tax revenue, because taxpayers, especially companies, do not always welcome them. The tax rates that are considered too high often makes the companies consider taxpaying as a burden that will deduct the profit generated by the company (Ngadiman & Puspitasari, 2014). Such condition serves as one of the factors to impede the maximum realization of tax revenue. The following table presents data on the realization of tax revenues for the period of 2016-2019:

Table 1. Realization of Tax Revenues

Year	2016	2017	2018	2019	2020	2021
Target	Rp 1.355,20*	Rp1.283,57*	Rp1.424,00*	Rp1.577,56*	Rp1.404,50*	Rp1.444.52*
Realization	Rp1.105,73*	Rp1.151,03*	Rp1.315,51*	Rp1.332,06*	Rp1.282,20*	Rp1.547,80*
Total Percentage	81,59%	89,67%	92,24%	84,44%	91,29%	107,15%

*In trillion Rupiah
Source: Directorate General of Tax 2021 Performance Reports

There has been an increasing trend in the realization of tax revenue despite a decrease in 2019. However, this amount has yet to reach the target, leading to the stigma of tax avoidance practices. In the DG Tax Performance Report in 2016, manufacturing companies and raw material companies are the type of companies that mostly reported zero tax value (H. Cahyono, 2017). Companies tend to do tax avoidance in order to streamline the tax burden to generate a low amount of tax paid. The increasing trend of tax avoidance will decelerate Indonesia's economic growth.

The company's financial statements will provide clear and accurate information when they have been audited. The auditor reputation serves as an added value to the company's performance, which increases the reliability and trustworthiness of the financial statements. According to Hayes et al. (2017), the auditors play a key role in enhancing the trustworthiness of financial statements through the audit process. The financial statements that have been audited by a professional and outstanding Public Accounting Firm (KAP), such as The Big Four, will boost the reputation of companies that use the KAP services. Therefore, the better the performance of a KAP, the better the presentation and disclosure of information on the company's financial statements.

The identification of tax avoidance strategies has been carried out in previous studies using a variety of independent variables, including profitability, leverage, firm size, and sales growth. Previous studies have resulted inconsistent results in the analysis, and thus the researcher will re-examine the previous studies using auditor reputation as a moderating variable. The novelty of this research is in the measuring the auditor reputation. Most of the previous research measured the auditor reputation with the dummy, when auditor is in the big four it is scored as 1 and 0 when these are not in the big four. This research measures the auditor reputation based on the rank of total annually fee of each auditor. The highest fee is scored 5 and the lowest fee is scored 1.

LITERATUR REVIEW

Agency theory describes the relationship or contract between the principal and the agent in a business activity. The principal is the party owner of the business, while the agent is the party who provides services at the request of the principal. Agency theory mainly focuses on the notion that describes differences in ownership interests or conflicts of interest. This conflict of interest is attributed to different views and desires of each party. On this basis, the statement of Melisa & Tandean (2017) assumes that every human being is selfish in nature and is more concerned with his own interests than others' interest.

Law Number 28 of 2007 defines tax as a compulsory contribution to the state, which are indebted forcefully by individuals or bodies on the basis of law, without obtaining compensation directly. In this case, taxes are taxpayers' obligation to pay part of their assets to the government to improve state development and community welfare which is managed by the government. Meanwhile, tax management is an effort to implement management functions so that the implementation of tax rights and obligations of the company can be managed efficiently and effectively (Pohan, 2016). The functions of tax management cover tax planning, tax administration/tax compliance), tax audit/inspection, and other tax functions.

Pohan (2016) defined tax avoidance as the taxpayers' effort to reduce tax costs using weaknesses or loopholes in taxation regulations legally. Companies can avoid tax by moving tax subjects and/or tax objects to countries that provide special tax treatment or light tax rates, making transactions with transfer pricing, thin capitalization, treaty shopping, and controlled foreign corporations (CFCs), and conducting transactions that are not business-related.

Profitability is one way to measure a company's ability to earn profits from sales, total assets and certain share capital during a period (Rosyada, 2018). Profitability is the main goal and an important factor for a company because it is a measuring tool that reflects the company's financial condition during a certain period. The measure of profitability consists of several ratios, one of which is return on assets (ROA).

Leverage or solvency ratio is one measure of a company to finance all of its liabilities compared to its total assets (Permatasari & Mukaram, 2019). This ratio can also be used for creditors or potential creditors because it requires information about shareholder funds in determining the level of creditor security. Debt obtained by the company from third parties will incur a fixed expense called interest. Interest on debt borne by a company can reduce taxable income so that it allows the company to streamline its tax burden.

Firm size is the scale of a company that is determined by looking at its total assets, total sales, number of workers and others (Ngadiman & Puspitasari, 2014). A large size company will tend to require large funds in its operational activities. The greater the funding needed, the larger the income target of the company.

Sales growth reflects the company's achievement in realizing its future targets and predictions for the sales of the goods. According to Oktamawati (2017), sales growth is an increase in the number of sales of a company's products from time to time. The greater the sales growth, the greater the company's operating activities in a certain period (Wahyuni et al., 2017).

Auditor reputation is a professional achievement for an auditor and proves his/her reliable skills and experience. The information presented in the financial statements will have an added value after being audited, especially for shareholders. The reputation of the auditors or the reputation of the Public Accounting Firm that audit the financial statements will enhance the trustworthiness of the financial statements for users. The professional services provided by KAP as the professional auditors guarantee the quality of the financial statements and enhances users' trust on the financial statements.

Profitability is the primary goal for the company. Given the company's objective to obtain a high profit or profitability, the company usually minimizes its tax burden. The large profitability of a company requires the company to pay large taxes. This fact is in contrast to the company's target to acquire high net income. The huge amount of tax costs that must be paid encourages taxpayers to reduce the tax burden to the lowest possible level. This fact was stated in Jasmine's (2017) study, which concluded that profitability had an impact on tax avoidance. The higher the profitability received by the company, the more likely the company does tax avoidance.

H_1: Profitability has a positive impact on tax avoidance

Leverage is used to measure the ability of a company to pay all of its liabilities compared to its total assets (Permata et al., 2018). In order to ensure the smooth operation in business, the company will incur debts to other parties. The low level of debt in a company, the little involvement of creditors, and even the absence of outstanding debt will lead to the low level of interest expense to be paid by the company. Wardani & Purwaningrum (2018) stated that the amount of interest expense reduces the amount of profit before tax so that companies pay lower taxes. In this case, a low interest expense will increase the company's tax burden which can lead to a high level of tax avoidance. This notion was stated by Oktamawati (2017), who concluded that leverage had a positive impact on tax avoidance.

H_2: Leverage has a positive impact on tax avoidance

The firm size is determined by the total assets, total sales, number of workers and others (Ngadiman & Puspitasari, 2014). Small size companies commonly have minimal resources so that its tax management is far from optimal. Some components, such as the number of employees, shareholders, and other components, need to be considered in order to be fair and equal, thus requiring the company to manage its financial flows. This indicates that a large-scale company with more complex corporate activities and more parties involved tend to have better efficiency of the tax burden. In line with the previous hypothesis, a research by Irianto et al. (2017) concluded that Firm size had a positive impact on tax avoidance.

H_3: Firm size has a positive impact on tax avoidance

Oktamawati (2017) defined sales growth as an increase in the number of sales of a company's products from time to time. The existing sales growth challenges the companies to find other alternatives to make changes to its income. This condition occurs due to the unstable level of customer consumption and the strength of competitors affecting sales growth. The company maintains revenue from sales and tries to keep it from falling so that it implements a tax avoidance strategy. This practice was demonstrated in Dewinta & Setiawan (2016) research, which concluded that sales growth had a positive impact on tax avoidance.

H_4: Sales growth has a positive impact on tax avoidance

The company primarily aims to raise the prosperity of shareholders and attract investment in the company. For decision making, shareholders require clear and accurate financial statements to provide a clear understanding of the financial position of the company. A good financial statement contains reliable information, especially when it has been audited by professional auditors, which will add value to the information presented, particularly for shareholders. In this case, the reputation of the auditor or the reputation of the public accounting firm (KAP) encourages users' trust of financial statements. This trust is gained from the professional services of professional auditors given their reliable experience and insight, in addition to their proficient opinions on the financial statements to avoid the risk of misstatement. This research proposes the following hypothesis for auditor reputation as the moderating variable:

$H_{5.1}$: Auditor reputation moderates the impact of profitability on tax avoidance
$H_{5.2}$: Auditor reputation moderates the impact of leverage on tax avoidance
$H_{5.3}$: Auditor reputation moderates the impact of firm size on tax avoidance
$H_{5.4}$: Auditor reputation moderates the impact of sales growth on tax avoidance

RESEARCH METHODS

The research population included all manufacturing companies listed on the Indonesia Stock Exchange (BEI) for the period of 2015-2019. This study used purposive sampling method to generate samples, based on the following criteria: 1) manufacturing companies were listed and published their financial statements on the Indonesia Stock Exchange (BEI) for the 2015-2019 period; 2) manufacturing companies that presented annual financial statements using the Rupiah currency; 3) manufacturing companies having a value of 0 <CETR <1 (Astuti & Fitria, 2019); 4) manufacturing companies that did not suffer from losses during the 2015-2019 period; 5) manufacturing companies having positive sales growth; and 6) manufacturing companies having complete data related to the variables understudy.

This research used a quantitative approach on the secondary data originated from the annual financial statements of manufacturing companies listed on the Indonesia Stock Exchange (BEI) for the 2015-2019 period. The data were collected using the documentation method by retrieving from the official IDX website (www.idx.co.id), the official website of the sample companies, and similar official websites that provided information on company financial statements data, as well as literature related to research issues. The data understudy included data on total assets, total liabilities, total equity, total net income, total sales, total income before tax and the amount of taxes paid by the company.

Pohan (2016) defined tax avoidance as an effort to reduce tax costs that must be paid by taxpayers using weaknesses or loopholes in tax regulations in a legal way. The practice of tax avoidance is measured using the Cash Effective Tax Rate (CETR). CETR reveals the amount of tax actually paid by the company. Kovermann & Wendt (2019) formulated the CETR as follows:

$$\text{CETR} = \frac{Tax\ Paid}{Profit\ before\ tax}$$

Profitability is one way to measure a company's ability to earn profit from sales, total assets and own capital during a period (Rosyada, 2018). One of the profitability measuring tools is Return on Assets (ROA). Measuring profitability using ROA as done by Cahyono et al. (2016) is formulated as follows:

$$\text{ROA} = \frac{Net\ Profit}{Total\ Asset}$$

Leverage is one measure of a company being able to finance all of its liabilities compared to its total assets (Permata et al., 2018). Companies need money through debt financing from creditors for the smooth business operation apart from revenue and share sales. Leverage is measured using the debt-to-equity ratio (DER) with the formula of total liabilities divided by total equity.

$$\text{DER} = \frac{Total\ Liabilities}{Total\ Equity}$$

Firm size measures the scale of a company as indicated by its total assets, total sales, number of workers and others (Ngadiman & Puspitasari, 2014). The formula for calculating Firm size is as follows:

$$\text{SIZE} = Ln\ (\text{Total Asset})$$

Oktamawati (2017) defined sales growth as an increase in the number of sales of a company's products from time to time. Sales growth will trigger companies to avoid tax because of higher revenues. Sales growth will be measured using the following Sales growth formula.

$$Sales\ Growth = \frac{Sales\ in\ t\ period - Sales\ in\ t-1\ period}{Sales\ in\ t-1\ period}$$

Auditors' reputation indicates their achievement on the quality of professional performance. Some reputable professional auditors are KAP listed in The Big Four, including Deloitte Touche Tohmatsu, Pricewaterhouse Cooper, Ernst and Young and Klynveld Peat Marwick Goerdeler. The auditor's reputation is generally measured based on the Public Accounting Firm (KAP) revenue. Companies that use the KAP listed in The Big Four will be scored with 5 for the highest performance and 2 for the lowest, while the companies using the KAP outside The Big Four will be scored 1. The measurement on the income and auditor reputation is listed in the followings:

Table 2. Measurement of Auditor Reputation

Public Accounting Firm	Income per year	Score
Deloitte Touche Tohmatsu	46.2 billion US dollars	5
PricewaterhouseCoopers	42.4 billion US dollars	4
Ernst and Young	36.4 billion US dollars	3
Klynveld Peat Marwick Goerdeler	29.75 billion US dollars	2
Public Accounting Firm outside The Big Four		1

Source: www.statista.com year 2020

This research analysed the data using the general regression equation by testing hypotheses. Data analysis was conducted using Statistical Product and Service Solution (SPSS) software using multiple linear regression analysis. Hypotheses were tested using multiple linear regression analysis to determine the impact of the independent variable and the dependent variable. The analysis model is as follows:

$$\mathbf{Y = \alpha + \beta_1.X_1 + \beta_2.X_2 + \beta_3.X_3 + \beta_4.X_4 + \beta_5.X_1.X_5 + \beta_6.X_2.\ X_5 + \beta_7.X_3.\ X_5 + \beta_8.X_4.\ X_5 + \varepsilon}$$

Y = Tax Avoidance
α = constant
$\beta_1 \ldots \beta_8$ = Regression Coefficient
X1 = Return on Asset (ROA)
X2 = Debt to Equity Ratio (DER)
X3 = Firm Size
X4 = Sales Growth
X5 = Auditor Reputation
ε = Error

The descriptive statistics, classic assumption tests, and hypothesis testing were used as the tools to analyse the data. The classical assumption test consists of four testing tools which include the normality test, multicollinearity test, heteroscedasticity test, and autocorrelation test. Hypothesis testing was done through three data analysis tools, namely the significance test (F test), the coefficient of determination (R^2), and the T test.

RESULT AND DISCUSSION

The research population based on the collected data was 137 manufacturing companies in the range of 2015 - 2020. The research sampling using the purposive sampling method based on the sample criteria generated 100 data observations to be examined. Descriptive statistics analysis is needed to provide an overview or description of the research data understudy. The results of descriptive statistical analysis are presented in Table 3 as follows:

Table 3. Descriptive Statistics

Variable	n	Minimum	Maximum	Mean	Std. Deviation
CETR	100	0,00	0,76	0,2855	0,13800
ROA	100	0,01	0,45	0,1163	0,08187
DER	100	0,08	2,91	0,6996	0,58541
SIZE	100	25,86	32,20	29,4035	1,54859
GROWTH	100	0,00	0,53	0,1020	0,08850
RA	100	1	5	2,00	1,110

Source: Data Processed 2021

The series of classical assumption tests, including the normality test, indicated that the data were normally distributed, while subsequent tests, including the multicollinearity test, heteroscedasticity test and autocorrelation test revealed that the data were suitable for processing. This fact implied the feasibility to conduct the next research testing phase.

The result of regression analysis is presented in the following table:

Table 4. Multiple Linear Regression Analysis

Model	Unstandardized Coefficients		t	Sig.
	B	Std. Error		
(Constant)	-0,322	0,183	-1,758	0,082
ROA (X_1)	0,502	0,157	3,206	0,002
DER (X_2)	0,077	0,038	2,015	0,047
Size (X_3)	0,016	0,006	2,695	0,008
Growth (X_4)	0,081	0,135	0,596	0,552
Moderation X_1*X_5	0,138	0,057	2,401	0,018
Moderation X_2*X_5	0,047	0,016	2,920	0,004
Moderation X_3*X_5	0,001	0,000	4,150	0,000
Moderation X_4*X_5	0,108	0,016	6,790	0,000

a. Dependent Variable: Tax Avoidance (Y)
Source: Data Processed, 2021

From the multiple linear regression analysis in the table above, the regression equation can be written as follows:

$$\mathbf{Y = -0{,}322 + 0{,}502X_1 + 0{,}077X_2 + 0{,}016X_3 + 0{,}081X_4 + 0{,}138X_1X_5 + 0{,}047X_2X_5 + 0{,}001X_3X_5 + 0{,}108X_4X_5}$$

The Impact of Profitability on Tax Avoidance

The results of multiple linear regression analysis indicate that profitability has a positive and significant impact on Tax avoidance. This statement is based on the results of data processing indicating the regression coefficient value (value B) for profitability of 0.502, which implies a positive influence and a significant value of t 0.002 <0.05, so that H_1 is accepted. In other words, an increase in profitability will lead to a significant increase in Tax avoidance.

Profitability is an essential business objective for the company. Gaining profit from high profitability has become one of the benchmarks for the successful business operation of a company as measured by one of its ratios, namely return on assets (ROA). The higher the profitability received by the company, the higher the ROA level, and the greater the likelihood for the company to do tax avoidance because the company also has to pay large taxes. This fact is contrary to the research of Cahyono et al. (2016) and Wahyuni et al. (2017). However, this finding is in line with the finding of Dewinta & Setiawan (2016); Jasmine (2017); Kurniasih & Sari (2013); and Oktamawati (2017) that the high profitability had a positive impact on tax avoidance, while Irianto et al. (2017) revealed that it had a negative impact.

The Impact of Leverage on Tax Avoidance

The results of multiple linear regression analysis indicate that leverage has a positive and significant impact on tax avoidance. This statement is based on the regression coefficient (value B) of leverage of 0.077, which indicates a positive impact and a significance value of t 0.047 <0.05, so that H_2 is accepted. In other words, an increase in leverage will generate a significant increase in tax avoidance.

Leverage is used to measure the ability of a company to pay all of its liabilities compared to its total assets (Permata et al., 2018). To ensure the smooth operation of its business activities, companies raise money through debt financing from third parties or creditors. Debt incurred by the company has an interest expense. Thus, the company with a lot of debt have to pay the large interest expense. The higher rate of interest expense on debt will affect the tax burden because the company receives tax incentives, thus providing opportunities for companies to streamline its tax burden. The results of this study are in line with the findings by Wahyuni et al. (2017), Kurniasih & Sari (2013); Dharma & Ardiana (2016); Suwandani et al. (2017); Jasmine (2017); Oktamawati (2017), and Swingly & Sukartha (2015). Nonetheless, these findings contradicted Irianto et al. (2017), who denoted that it had a negative and insignificant impact on tax avoidance. Similarly, the research of Dewinta & Setiawan (2016); and Cahyono et al. (2016) also stated contradictory results.

The Impact of Firm Size on Tax Avoidance

The results of multiple linear regression analysis indicate that firm size has a positive and significant impact on tax avoidance. The statement is based on the regression coefficient (value B) of firm size of 0.016, which indicates a positive influence and a significance value of t 0.008 <0.05, so that H_3 is accepted. In other words, an increase in firm size will lead to a significant increase in tax avoidance.

The size of the company, whether it is classified as a large size or small size company, is determined based on its total assets, number of sales, number of workers and other factors (Ngadiman & Puspitasari, 2014). According to the Agency theory, the agent maximizes the management of resources owned by the company in order to get a large reward. In this case, small size companies generally have minimal resources, which leads to less optimal tax management, while, large companies have more complex corporate activities and more involvement of many parties, which allows greater possibility for companies to streamline the tax burden. The results of this study are consistent with the research of Dharma & Ardiana (2016); Dewinta & Setiawan (2016); Oktamawati (2017); Irianto et al. (2017); Jasmine (2017); Kurniasih & Sari (2013); and Swingly & Sukartha (2015), which highlighted the impact of firm size on tax avoidance. However, this result contradicts Suwandani et al. (2017) and Cahyono et al. (2016).

The Impact of Sales Growth on Tax Avoidance

The results of multiple linear regression analysis data imply that Sales growth has no impact on tax avoidance. The statement is resulted from data processing in hypothesis testing. It obtained the Sales growth regression coefficient value of 0.081 indicating a positive direction, but the significance value of t is 0.552> 0.05, so that H_4 is rejected. In other words, an annual increase or decrease in Sales growth will not affect the practice of tax avoidance.

Sales growth describes an increase in the number of sales of a company's products over time. Based on logical estimation, the higher the sales growth, the greater the company revenue. However, in this study, the allegations regarding the attempt to maintain the increase in the number of sales each year and to look for alternatives with the practice of tax avoidance were not proven. The constantly growing high revenue from sales still requires the company to pay all received taxes such as VAT, PPnBM and other taxes. In addition, the focus of tax objects on corporate income tax in Law Number 36 Year 2008 paragraph 4 (1) is outside of sales activities, so that sales growth does not have a significant impact on tax avoidance. The results of this study are in line with the findings revealed by Oktaviyani & Munandar (2017) and Swingly & Sukartha (2015). However, Oktamawati (2017); Dewinta & Setiawan (2016); and Wahyuni et al. (2017) showed the opposite result.

Auditor Reputation Moderates the Impact of Profitability on Tax Avoidance

The data processing in hypothesis testing revealed the interaction regression coefficient between profitability and auditor reputation of 0.138, and thus indicating a positive impact and a significance value of t 0.018 <0.05, so that $H_{5.1}$ is accepted. The conclusion from the results of this indicator is that the auditor reputation (X_1*X_5) is able to strengthen the impact of profitability on tax avoidance (CETR).

Auditor reputation is able to strengthen the impact of profitability on tax avoidance. This fact indicates that the company is considering to hire the reputable external auditors when the company earns high income and tries to minimize the taxes that must be paid in the future. An independent auditor with a good reputation can raise a better view of profitability for potential investors. Moreover, a company that has high profitability, which is strengthened by the reputation of the auditor, will lead to the assumption that the company concerned has good prospects, both now and in the future.

Auditor Reputation Moderates the Impact of Leverage on Tax Avoidance

The results of data processing in hypothesis testing revealed the interaction regression coefficient between leverage and auditor reputation of 0.047, indicating a positive impact and a significance value of t 0.004 <0.05, so that $H_{5.2}$ is accepted. The results of this indicator indicate that the auditor reputation (X_2*X_5) is able to strengthen the influence of leverage on tax avoidance (CETR).

Auditor reputation strengthens the impact of leverage on tax avoidance. This fact indicates that the better the auditor reputation the company selected, the better the results of the audit of the company's financial statements. A good reputation of an auditor strengthens the leverage impact of a company as seen from the opinion of an independent auditor. The opinion is concluded based on various aspects that have been considered and authenticated by independent auditors, so that creditors or prospective creditors can determine the level of creditor security and increasing their trust on the ability of the company to repay its debt.

Auditor Reputation Moderates the Impact of Firm Size on Tax Avoidance

Based on the data processing in hypothesis testing, the interaction regression coefficient between firm size and auditor reputation is 0.001, indicating a positive impact and a significance value of t 0.000 <0.05, so that $H_{5.3}$ is accepted. The results of this indicator concludes that the auditor reputation (X_3*X_5) is able to strengthen the impact of firm size on tax avoidance (CETR).

Auditor reputation strengthens the impact of firm size on tax avoidance. This fact indicates that the larger the size of the company, the higher the need to finance the professional service of a reputable auditor and public accounting firm (KAP). Auditor reputation is needed by companies, especially the large-scale companies to get special offers for its revenue, since external parties consider the reputation of the auditors of the company concerned.

Auditor Reputation Moderates the Impact of Sales Growth on Tax Avoidance

Based on the results of data processing in hypothesis testing, the interaction regression coefficient value between sales growth and auditor reputation is 0.108, indicating a positive impact and a significance value of t 0.000 <0.05, so that $H_{5.4}$ is accepted. The results of this indicator concludes that the auditor reputation (X_3*X_5) is able to strengthen the impact of sales growth on tax avoidance (CETR).

The constantly soaring sales denotes the good performance of a company. In fact, the continuously growing sales and the selection of a reputable auditor are used to improve the quality of a good company and to enhance the confidence of potential investors in the company. This attempt is intended to present the financial statement information that is free from any misstatement due to the increasing sales growth.

CONCLUSION

The research examines the impact of profitability, leverage, firm size and sales growth on tax avoidance. Auditor reputation is also examined whether it moderates those variables to the tax avoidance. Manufacturing companies listed in Indonesia Stock Exchange in the range of 2015 - 2020 are observed, and analysed by a multiple regression.

This research concludes that profitability has a positive impact on tax avoidance. The higher the profitability received by the company, the higher the ROA level, and the greater the likelihood for the company to do tax avoidance because the company also has to pay large taxes.

This research also revealed that leverage has a positive impact on tax avoidance. Debt incurred by the company has an interest expense. Thus, the company with a lot of debt have to pay the large interest expense. The higher rate of interest expense on debt will affect the tax burden because the company receives tax incentives, thus providing opportunities for companies to streamline its tax burden.

This research proved that firm size has a positive impact on the tax avoidance. Small size companies generally have minimal resources, which leads to less optimal tax management, while, large companies have more complex corporate activities and more involvement of many parties, which allows greater possibility for companies to streamline the tax burden.

However, This research did not prove that sales growth has a positive impact on tax avoidance. This argues that the sales growth might not result in the profitability, since it is also increasing the operating expenses. Therefore, increasing in sales growth will not drive the increasing in the intensity of tax avoidance.

Finally, this research revealed that auditor reputation moderates the impact of profitability, leverage, firm size, and sales growth on tax avoidance. It looked like that the higher auditor reputation will tend to advise the manager to conduct the tax avoidance when those variable increase. However, it needs the future research to re-examine this finding. The next research might use the auditor reputation as an independent variable instead of moderating variable.

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