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THE EFFECT OF PROFITABILITY, SALES GROWTH,LEVERAGE AND COMPANY SIZE ON TAX AVOIDANCE WITH FOREIGN TRANSACTIONS AS A CONTROL VARIABLE IN PHARMACEUTICAL COMPANIES ON THE IDX 2019-2024

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ABSTRACT

This study aims to analyze the influence of profitability, sales growth, leverage, and company size on tax avoidance in pharmaceutical companies listed on the Indonesia Stock Exchange (IDX). The object analyzed in this study include pharmaceutical companies listed on the Indonesia Stock Exchange for the 2019–2024 period. The number of samples in this study consisted of 10 companies selected using purposive sampling techniques so that 60 observation data were obtained. Profitability is proxied by Return on Assets (ROA), sales growth is measured by sales growth ratio, leverage is represented by Debt to Total Assets Ratio (DAR), and company size is measured using the natural logarithm of total assets. Tax avoidance is measured using the Effective Tax Rate (ETR), while foreign transactions are used as a control variable.The research data was analyzed by applying multiple linear regression methods. The results of the study show that profitability, sales growth, leverage, and company size with foreign transactions as control variables simultaneously have a significant effect on tax avoidance. Partially, profitability, leverage, and company size have a significant negative effect on tax avoidance. Meanwhile, sales growth did not have a significant effect on tax avoidance. The findings of this study show that the internal characteristics of the company play an important role in influencing tax avoidance practices. The results of this study can be a consideration for company management, investors, and tax authorities in improving tax compliance and strengthening supervision of tax avoidance practices.

Keywords: Profitabilty, Sales Growth, Leverage, Company Size

INTRODUCTION

As the primary driver of state revenue, taxes play a critical role in funding national development. Indonesia's tax collections reached IDR 1,932.4 trillion in 2024, achieving 97.2% of the country's state budget target(Kemenkeu, 2024). The government implements *a self-assessment system* to optimize tax revenue through the implementation of tax obligations independently by taxpayers. Despite being implemented to encourage higher taxpayer compliance, this system also has the potential to give rise to tax avoidance practices that can reduce state revenue, so more effective supervision is needed (Wibowo et al., 2022).

But with increased tax oversight and the expansion of the tax base, companies are faced with a higher compliance burden and administrative costs. This has prompted some companies, especially in sectors with large profit margins and complex business structures, such as the pharmaceutical, banking, and mining industries, to carry out more aggressive tax management so that it has the potential to lead to *tax avoidance practices*.

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Indonesia still faces a tax gap of 6-8% of GDP, or equivalent to a potential loss of tax revenue of more than Rp900 trillion per year, most of which comes from Corporate Income Tax (Directorate General of Taxes & World Bank, 2024), this shows the existence of a gap in corporate tax compliance and potential tax avoidance practices. This condition can reduce state revenue, hinder development effectiveness and fiscal justice and weaken confidence in the tax system

The pharmaceutical industry is a sector that is vulnerable to tax avoidance practices because it has high profitability and a complex business structure. The growth of the pharmaceutical industry after the pandemic and the realization of tax revenue compared to its potential indicate that there is an opportunity for tax avoidance in this sector (Sihombing & Dalimunthe, 2022). Therefore, research on the factors that affect tax avoidance in pharmaceutical companies is important to be done.

Previous research on the influence of profitability, sales growth, leverage, and company size on tax avoidance still showed inconsistent results (Theresia & Hariyanti, 2023), (Sollekah et al., 2024), (Kurniasih & Hermanto, 2020). In addition, most of the studies used a limited observation period and did not cover post-pandemic conditions and the implementation of the latest tax regulations. Therefore, this study focuses on pharmaceutical companies for the period 2019–2024 to obtain more relevant empirical evidence regarding the factors that affect tax avoidance.

Investigating IDX-listed pharmaceutical firms, this paper analyzes how size, leverage, sales growth, and profitability drive tax avoidance. The study aims to expand current tax literature while offering insights to improve corporate tax compliance.

LITERATURE REVIEW

Agency Theory

Agency theory (Jensen & Meckling, 1976) highlights that information asymmetry often triggers conflicts of interest between managers (agents) and shareholders (principals).Managers can act according to their own interests because they have more information than shareholders, thus incurring agency costs. These conflicts can affect company policies, including taxation. To enhance corporate profits, management often utilizes diverse methods to lower tax liabilities, illustrating a key tactic in corporate tax avoidance.

Tax Avoidance

Legally permissible, tax avoidance refers to structured tax planning efforts intended to lower a company's tax burden by operating strictly within the boundaries of prevailing tax laws(Rahmadanti & Sayidah, 2021). Unliketax evasion which is carried out through violations of tax regulations, tax avoidance remains within the applicable legal corridor. Although legally permissible, tax avoidance can reduce state revenues and is often associated with corporate strategies to increase after-tax profits and meet the interests of shareholders, while tax compliance theory explains that this practice arises from loopholes and complexities in tax regulations.

Profitability

Profitability reflects a company's performance in generating net income from its operational sales, asset utilization, and equity base (Husnan, 2010 in(Jao & Holly, 2022)). High profitability indicates that the company has good financial performance as well as management effectiveness in managing the company's resources. High profitability can also encourage

companies to do tax planning to optimize the tax burden that must be paid(Darwis et al., 2022).

Sales Growth

Reflecting a firm's operational momentum, sales growth measures the year-over-year change in revenue value(Rahma & Dillak, 2021). High growth rates underscore a company's proficiency in expanding market share and maintaining commercial stability (Kurniasih & Hermanto, 2020). Because accelerated sales unlock higher profitability, they simultaneously create an incentive for corporations to deploy tax avoidance tactics to protect these earnings from heavy taxation.

Leverage

Leverage is a measure of a company's debt usage to fund its operational activities and asset growth (Frida & Kurnia, 2020). The higher the leverage, the greater the interest burden that the company bears, so that it can reduce profits and tax expenses that must be paid.

Company Size

Company size represents the structural scale of an organization, which researchers and analysts commonly operationalize using total assets, sales performance, or market value (Dewi et al., 2021). Large companies generally have more complex activities and more adequate resources, which allows companies to design tax strategies more effectively, including through the implementation of tax avoidance within permissible limits(Jao & Holly, 2022).

RESEARCH HYPOTHESIS

The Effect of Profitability, *Sales Growth*, *Leverage*, and Company Size on *Tax Avoidance*

To maximize tax efficiency and maintain corporate performance, management frequently utilizes tax avoidance practices, a behavior explained by agency theory. The inclination to adopt such strategies is often contingent upon key firm metrics: profitability, sales growth, leverage, and firm size. Since past empirical evidence confirms that these four characteristics simultaneously influence tax avoidance, the current study establishes the following hypotheses:
H1: Profitability, *sales growth*, *leverage*, and company size simultaneously affect *tax avoidance* in pharmaceutical companies listed on the IDX in 2019-2024.

The Effect of Profitability on *Tax Avoidance*

While high profitability signifies strong earnings performance, it simultaneously escalates corporate tax obligations. Viewed through the lens of agency theory, companies often engage in tax avoidance to minimize this fiscal pressure and maximize their after-tax profits (Jensen & Meckling, 1976). In the research of (Theresia & Hariyanti, 2023)based on the premise that profitability positively affects tax avoidance, we formulate the following hypothesis:
H2: Profitability affects *tax avoidance* in pharmaceutical companies listed on the IDX in 2019-2024.

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

Under agency theory, rising sales growth indicates expanding revenues and profits, which frequently prompts managers to engage in tax avoidance to lower the corporate tax burden. Concurrently, substantial sales growth serves as a reflection of the company's growing operational scale. Research by(Theresia & Hariyanti, 2023)and (Muadzimin & Murdiansyah, 2025)shows that there is a positive relationship between *sales growth* and *tax avoidance*, so the following hypotheses are formulated:

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Volume 11. Nomer 2. Oktober 2026

H3: Sales growth affects *tax avoidance* in pharmaceutical companies listed on the IDX in 2019-2024.

The Effect of Leverage on *Tax Avoidance*

High leverage indicates a heavy reliance on debt, which escalates a company's interest expenses. According to agency theory, highly leveraged firms are less likely to pursue tax avoidance because these interest costs naturally reduce their taxable income base and safeguard operational liquidity. In the research of (Mulyati et al., 2019)and (Rani et al., 2025)showed that leverage has a positive effect on *tax avoidance,* the following hypothesis was formulated:
H4: *Leverage* affects *tax avoidance* in pharmaceutical companies listed on the IDX in 2019-2024.

The Effect of Company Size on *Tax Avoidance*

Based on agency theory, large-scale companies generally have greater resource capacity and opportunities to perform *tax avoidance* through legal tax planning strategies. In addition, large-scale companies are better able to optimize tax regulation loopholes to improve tax efficiency in the midst of high competition and operational burdens. In research (Oktrivina et al., 2022) showing that the size of the company has a positive effect, the following hypothesis is formulated:
H5: Company size affects *tax avoidance* in pharmaceutical companies listed on the IDX in 2019-2024.

RESEARCH METHODS

Population and Sample

This quantitative study tests the relationships between independent and dependent variables using panel data. The initial population consists of 13 IDX-listed pharmaceutical companies from the 2019–2024 period. Through purposive sampling, a final sample of 10 pharmaceutical firms was selected for analysis based on the following predetermined criteria:

1. The company did not delist or suspend during the research period.
2. The company published its full annual financial statements during the years 2019, 2020, 2021, 2022, 2023, and 2024.
3. Financial statements are prepared using the Rupiah (IDR) currency to make the calculation more uniform.
4. The company did not suffer consecutive losses during the research period, so that the profitability variable could be reasonably measured.

Dependent Variable

To measure the dependent variable of tax avoidance, this research utilizes the Effective Tax Rate (ETR) as its proxy.The calculation formula is as follows.

$$Effective\ Tax\ Rate = \frac{\qquad\qquad}{\qquad\qquad}$$

$$P \quad i$$

Independent Variable

The independent variables in this study consist of 4 variables, namely Profitability, Sales Growth, Leverage, and Company Size. The following is the operational definition and measurement method of each of these variables.

1. Profitability

E-ISSN 2527-3264
Volume 11. Nomer 2. Oktober 2026

As stated by (Siswanto, 2019), a company's ability to produce profits from its operational assets, capital, and sales reflects its profitability. This financial performance is measured using the Return on Assets (ROA) proxy, with the calculation formula structured as follows:

$$Return\ On\ Assets = \frac{P \quad i}{l}$$

2. Sales Growth

To evaluate the year-over-year progression of a firm's revenue stream, researchers typically utilize the sales growth ratio. In this study, sales growth is operationalized using a standard mathematical formula, detailed below:

$$Sales\ Growth = \frac{E \quad - \quad -P \quad i \quad l \quad -E \quad l \quad l \quad i}{E \quad l \quad i \quad l}$$

3. Leverage

Leverage is a ratio used to measure how much borrowed capital is used to finance an asset or investment. *Leverage* can be measured using *the Debt to Total Assets Ratio (DAR).* The calculation formula is as follows.

$$Debt\ to\ Total\ Assets\ Ratio = \frac{l}{l}$$

4. Company Size

Company size reflects the operational scale of an entity that can be identified through the amount of economic resources it has, such as total assets, net sales value, and market capitalization. This variable is measured using the natural logarithm of the total assets owned by the company. The formula for the calculation is as follows.

Company Size = Ln (Total Assets)

Variable Control

Control variables are variables that are controlled during the research process to minimize the influence of factors outside the research model, so that the relationship between independent variables and dependent variables can be analyzed more objectively and accurately. In this study, foreign transactions are the control variable in this study. This variable is measured using a dummy ratio, with the following conditions:

1. Code 1 is given to companies that have international activities.
2. Code 0 is assigned to companies that do not have international activities.

RESULTS OF RESEARCH AND DISCUSSION

Table 1 Descriptive Statistics

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Profitability	6	-	.3	.1053	.07773
Sales Growth	6	.0	.7	.1510	.16244
Leverage	6	.1	.8	.3982	.21705
Company Size	6	20.92	31.01	26.5025	3.48762
Tax Avoidance	6	-	.3	.2332	.07739
Foreign Transactions	6	.0	1.0	.8667	.34280
Valid N	6				

Source: SPSS

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Volume 11. Nomer 2. Oktober 2026

Descriptive statistics for the study's 60 observations reveal a mean profitability of 0.1053, confirming that the pharmaceutical companies are generally profitable. Revenue momentum is positive, with sales growth averaging 0.1510. The average leverage ratio stands at 0.3982, indicating steady reliance on debt financing, while the mean company size of 26.5025 reflects wide variations in organizational scale. Tax avoidance displays a mean value of 0.2332, showing diverse levels of tax mitigation strategies across the sample. Additionally, the control variable for foreign transactions averages 0.8667, proving that international business activities are highly prevalent among most listed pharmaceutical firms.

Normaly Test

The Kolmogorov-Smirnov test was employed as a diagnostic tool to assess data normality, ensuring the dataset's suitability for subsequent statistical testing. The results presented in Table 1 reveal a significance level of 0.200. Since this p-value is greater than the established alpha level of 0.05 (5%), it provides statistical verification that the underlying research data follows a normal distribution.

Table 2One-Sample Kolmogorov-Smirnov Test

One-Sample Kolmogorov-Smirnov Test

			Unstandardized Residual
N			60
Normal Parameters[a,b]	Mean		.0000000
	Std. Deviation		.04842002
Most Extreme Differences	Absolute		.099
	Positive		.071
	Negative		-.099
Test Statistic			.099
Asymp. Sig. (2-tailed)[c]			.200[d]
Monte Carlo Sig. (2-tailed)[e]	Sig.		.147
	99% Confidence Interval	Lower Bound	.138
		Upper Bound	.156

Source : SPSS 27 Output

Multicollinearity Test

Table 3 Multicollinearity Testing with Tolerance and VIF values

Coefficientsa

Model		Collinearity Statistics	
		Tolerance	VIF
1	Profitability	.581	1.722
	Sales Growth	.909	1.100
	Leverage	.690	1.450
	Company Size	.803	1.245
	Foreign Transactions	.586	1.707

a. Dependent Variable: Tax Avoidance

Source : SPSS 27 Output

To ensure the regression model satisfies the classical assumption of independent predictors, a multicollinearity test was applied using Tolerance and VIF metrics as benchmarks. Typically, severe multicollinearity is present when the tolerance value is lower than or equal to 0.10, or when the VIF value is 10 or higher. Because all independent and control variables in this study achieved tolerance values higher than 0.10 and VIF values lower than 10, it can be concluded that the independent variables are not highly correlated with one another, validating the model for further statistical analysis.

Autocorrelation Test

Table 4Model Durbin-Watson

Model Summaryb

Durbin-Watson
1.538

a. Predictors: (Constant), Foreign Transactions, Sales Growth, Company Size, Leverage, Profitability

b. Dependent Variable: Tax Avoidance

Source : SPSS 27 Output

To evaluate residual independence over time, an autocorrelation test is performed by assessing the relationship between the error value in the current period and the previous period. The empirical output of the Durbin-Watson test shows a figure of 1.538. Given that the research framework used 60 samples and 5 independent predictors, the Durbin-Watson statistic met the practical criteria because it was between minus two and positive two-2 < 1,538 < 2. These results conclude that the regression model successfully escaped the autocorrelation disorder.

Table 5 Heteroscedasticity Testing with Glycerine Test

Coefficientsa

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-7.119	3.754		-1.896	.063
	Profitability	-4.082	7.032	-.096	-.581	.564
	Sales Growth	4.990	2.690	.244	1.855	.069
	Leverage	3.034	2.311	.198	1.313	.195
	Company Size	-.050	.133	-.052	-.374	.710
	Foreign Transactions	-2.178	1.587	-.225	-1.372	.176

a. Dependent Variable: Tax Avoidance

Source : SPSS 27 Output

To evaluate the presence of heteroscedasticity, the Glejser test examined the relationship between the absolute values of the residuals and each independent predictor through regression analysis. The decision rule dictates that a significance value greater than 0.05, indicates the absence of heteroscedasticity in the model. Based on the output table, all investigated variables exhibit significance levels that surpass this standard benchmark, confirming that the regression model successfully meets the homoscedasticity assumption. This shows that all independent variables and control variables do not experience symptoms of heteroscedasticity.

***Table 6*Multiple Linear Regression Test**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.639	.052		12.367	.000
	Profitability	-1.060	.097	-1.065	-10.954	.000
	Sales Growth	.052	.037	.109	1.404	.166
	Leverage	-.153	.032	-.430	-4.819	.000
	Company Size	-.006	.002	-.276	-3.335	.002
	ForeignTransactions	-.091	.022	-.403	-4.166	.000

Source : SPSS 27 Output

The results of the test on the multiple linear regression calculation are as follows:
ETR = 0,639 - 1,060ROA + 0,052SalesGrowth – 0,153DAR – 0,006LN – 0,091DTLN + *e*

Uji Hypothesis

Table 7 F Test Result with (ANOVA)

ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	.249	5	.050	25.656	.000b
Residual	.105	54	.002		
Total	.353	59			

a. Dependent Variable: Tax Avoidance

b. Predictors: (Constant), Foreign Transactions, Sales Growth, Company Size, Leverage, Profitability

Source : SPSS 27 Output

The empirical output of the simultaneous test demonstrates a significance level of 0.000. Given that this value is less than zero point zero five (< 0,05), the first hypothesis receives statistical support. The findings thus confirm that profitability, sales growth, leverage, and company size, when combined with the control variable of foreign transactions, collectively and significantly affect the company's tax avoidance strategy.

Table 8 Test Result t

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.639	.052		12.367	.000
	Profitability	-1.060	.097	-1.065	-10.954	.000
	Sales Growth	.052	.037	.109	1.404	.166
	Leverage	-.153	.032	-.430	-4.819	.000
	Company Size	-.006	.002	-.276	-3.335	.002
	Foreign Transactions	-.091	.022	-.403	-4.166	.000

Source : SPSS 27 Output

To examine how each independent variable individually operates within the model, a partial significance test was conducted, where an effect is deemed significant only if the significance value is less than zero point zero five (<0,05). The empirical data provides clear outcomes for the proposed framework:

1. Profitability has a value of Sig. 0.000 < 0.05, with an oefficient of -1.060. So **H2 is accepted**, so profitability has a significant effect on tax avoidance.
2. Sales growth has a value of Sig. 0.166 > 0.05, with a coefficient of 0.052. So **H3 was rejected**, so that sales growth did not have a significant effect on tax avoidance.
3. Leverage has a Sig. value of 0.000 < 0.05, with a coefficient of -0.153. So **H4 is accepted**, so leverage has a significant effect on tax avoidance.
4. The size of the company has a Sig. value of 0.002 < 0.05, with a coefficient of -0.006.So **H5 is accepted**, so that the size of the company has a significant effect on tax avoidance.

R2 Test

Table 9Coefficient of Determination

Model Summaryb

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.839a	.704	.676	.04403	1.538

a. Predictors: (Constant), Foreign Transactions, Sales Growth, Company Size, Leverage, Profitability

b. Dependent Variable: Tax Avoidance

Source : SPSS 27 Output

The determination coefficient test assesses the joint capacity of all independent variables to explain the variance of the dependent variable. As shown in the results, the R Square value reaches zero point seven zero four (0,704), meaning that seventy point four percent (70,4%) of tax avoidance is explained by profitability, sales growth, leverage, company size, and foreign transactions as a control metric. The remaining twenty-nine point six percent (29,6%) is attributed to other variables outside the scope of this research model.

Discussion of Data Analysis Results

The Influence of Profitability, *Sales Growth*, *Leverage* and Company Size on Tax Avoidance

Based on the test results, the F value was calculated as 25.656 with a significance level of 0.000, which is smaller than 0.05, so that **H1 was accepted**. This means that profitability, sales growth, leverage, and company size simultaneously affect tax avoidance.

The findings of this research are in line with the research (Putri, 2023) which states that these four variables have a significant influence. Theoretically, profitability, leverage, company size, and sales growth together influence management policies and decisions in determining tax strategies, including tax avoidance practices.

The Effect of Profitability on Tax Avoidance

The partial significance test reveals that profitability holds a coefficient -1.060 of and a significance level of 0.000. Given that this value sits safely below the 0.05 limit, **statistical support is established for the second hypothesis**. This outcome proves that profitability has a significant negative impact on tax avoidance, implying that higher corporate returns on assets tend to reduce the likelihood or intensity of tax avoidance strategies within the firm.Firms with superior profit generation appear capable of managing their income and tax obligations effectively, reducing their inclination to engage in aggressive tax planning. Interestingly, this outcome contradicts agency theory, which posits that high profitability drives firms to avoid taxes to minimize fiscal burdens and maximize corporate wealth. Within this specific sector, intense regulatory oversight, stringent compliance frameworks, and robust corporate governance structures among highly profitable firms effectively curb tax avoidance tendencies.

The results of this study are in line with research (Fabyola & Susanti, 2024)showing that the higher the company's profitability, the greater its tendency to meet tax obligations in accordance with applicable provisions so that the tax avoidance rate decreases.However, this result contradicts (Theresia & Hariyanti, 2023)which found that high profitability actually encourages companies to do tax avoidance to reduce tax burden.

The Effect of Sales Growth on Tax Avoidance

Based on the t-test outputs, sales growth carries a coefficient of 0.052 and a significance value of 0.166, which is higher than the 0.05standard. Therefore, **the third hypothesis is not supported**. This indicates that sales growth does not have a significant connection to tax avoidance; hence, whether a firm's sales increase or decrease, it does not fundamentally alter its corporate decisions regarding tax management. The underlying reason is that sales growth is not a definitive measure of a firm's profitability, which serves as the actual base for taxation.

These results present a contradiction to agency theory, given that a rise in sales growth fails to impact the corporate tendency toward tax avoidance. Empirically, this study is consistent with research by (Sollekah et al., 2024), confirming that sales growth has an insignificant role in tax avoidance and that expanding sales channels is not necessarily the chief element in tax planning. However, this conclusion stands in contrast to the findings of (Theresia & Hariyanti, 2023), who stated that sales growth positively influences tax avoidance because rapid sales development can expand overall profits and tax duties, thus pushing firms to adopt aggressive tax strategies.

The Effect of Leverage on Tax Avoidance

Results from the partial regression analysis reveal that leverage has a coefficient -0.153 and a significance of 0.000, satisfying the under 0.05 criterion for the acceptance of the fourth

hypothesis. This indicates that leverage has a significant negative effect on tax avoidance, meaning that greater leverage leads to a lower probability of tax avoidance. This shift is driven by heavy debt liabilities and external creditor oversight, which force management to be more risk-averse.

This finding is consistent with research conducted by (Aprilia & Budi, 2026), which established that leverage severely curtails tax avoidance. The alignment suggests that companies utilizing substantial debt financing choose to maintain their creditworthiness and honor their debt icovenants rather than engaging in risky tax minimization. However, these findings contradict (Mulyati et al., 2019)who found that leverage has a positive effect on tax avoidance, as companies can leverage debt interest costs to reduce tax burden and improve tax efficiency.

The Effect of Company Size on Tax Avoidance

The empirical analysis supports H5, confirming that corporate scale has a significant negative relationship with tax avoidance, as shown by a coefficient of -0.006 and a significant p-value below 0.05. These findings indicate that as a pharmaceutical company grows in size, its involvement in tax avoidance strategies decreases. This pattern diverges from the expectations of agency theory, which argues that the substantial tax liabilities of large-scale firms push managers to seek out aggressive tax shelters. Instead, the reality of this sector suggests that the heightened regulatory oversight, complex compliance demands, and transparent governance frameworks typical of major corporations serve as natural deterrents against tax avoidance.

The results obtained in this study are in line with(Kurniasih & Hermanto, 2020)which states that large companies tend to be more cautious in tax policies because they are under stricter supervision and strive to maintain the company's reputation. However, these findings contradict (Theresia & Hariyanti, 2023)which states that large companies have more complex tax resources and planning so they are more likely to carry out tax avoidance.

The Influence of Profitability, Sales Growth, Leverage, Company Size and Foreign Transactions as Control Variables on Tax Avoidance

According to the joint hypothesis testing, the calculated F-value stands at 25.656 with a significance level of 0.000. Because this value is less than 0.05, H1 is supported, proving that profitability, sales growth, leverage, and company size collectively affect corporate tax avoidance. Together with the foreign transactions control variable, this combination explains 70.4% of the changes in tax avoidance, leaving 29.6% to be explained by omitted variables not captured in this study. The findings underline that tax mitigation strategy is a multifaceted issue driven by both internal structural scales and global transaction networks. Utilizing foreign transactions as a control metric is crucial; it helps stabilize the model against statistical bias, allowing the authentic, baseline relationships between the primary independent variables and tax avoidance to emerge more transparently.

CONCLUSIONS AND ADVICE

Conclusion

In summary, the findings of this study lead to the following key conclusions:

1. Profitability, sales growth, leverage, and company size simultaneously affect corporate tax avoidance when foreign transactions are controlled.
2. Profitability exerts a significant negative effect on tax avoidance practices.
3. Sales growth does not possess a statistically significant influence on tax avoidance.
4. Leverage displays a significant negative impact on tax avoidance behaviors.
5. Corporate size maintains a significant negative relationship with the rate of tax

Research Limitations

This research still has a number of limitations. The scope of the research object is limited to pharmaceutical companies listed on the Indonesia Stock Exchange (IDX), so the research results cannot be generalized to other industrial sectors that have different characteristics. In addition, this study only uses the variables of profitability, sales growth, leverage, and the size of companies with foreign transactions as control variables, so there are still other factors that have the potential to affect tax avoidance but are not yet part of the research model. And this study only uses measurements on tax avoidance using the Effective Tax Rate (ETR) so that it cannot describe all forms of tax avoidance practices carried out by companies.

Researchers are further advised to:

1. Expand the scope of research by adding other industry sectors so that the research results have a better level of generalization.
2. Adding other variables that are suspected of affecting tax avoidance, such as corporate governance, capital intensity, liquidity, audit quality, independent commissioners, institutional ownership, and profit management.
3. Using different tax avoidance measures, such as Cash Effective Tax Rate (CETR), Book Tax Difference (BTD), or Long-Run Cash ETR, can be considered to obtain more comprehensive results and enrich research findings

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