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The Effect of Audit Committee, Leverage, Return on Assets, Company Size, and Sales Growth on Tax Avoidance

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ABSTRACT

The purpose of this research was to analyze the effect of the audit committee, leverage, return on assets, company size, and sales growth on tax avoidance. The population in this research were several manufacturing companies listed in the Indonesia Stock Exchange (IDX) from 2014 through 2016. The sample was determined by purposive sampling technique and then resulted in 60 companies as the sample. This research used multiple regression data analysis techniques. The results in this research were audit committee, leverage, return on assets, company size, and sales growth influence on tax avoidance.

INTRODUCTION

Taxes are a tool for the government in achieving its objectives to obtain revenues both directly and indirectly from the public to finance routine expenditures, national development, and economy of the community. The role of taxpayers in the tax collection system will determine the achievement of the tax revenue plan. Although the number of taxpayers increases over the years some inhibitions can hinder efforts to increase the tax ratio in which the obstacle is tax compliance. For the public, taxes are a burden because they reduce their income, even more, they do not get a direct reward when paying taxes. This is the factor causes many people and companies that do tax avoidance.

Tax avoidance is one of the ways to avoid tax legally that does not violate taxation regulations. The tax avoidance can be considered as a complex and unique problem because on one hand, it is permissible but not desirable. Jacob (2014) explains that tax avoidance is an action to reduce or minimize tax obligations by carefully regulating in such a way as to take advantage of the gaps in tax law provisions. Therefore, tax avoidance behavior includes tax planning activities that are legal or approaching the gray area. Indeed, there is no criminal element of tax avoidance behavior because the company deals properly, clearly, and it is accompanied by accurate evidence and does not violate the rules.

For companies, tax is an expense that will reduce net income, so the company seeks to make tax payments to a minimum. This raises a different interest between the tax authorities (tax collectors) who want maximum tax revenue from the company as a taxpayer who wants a minimum tax payment. The company's effort to minimize the tax burden is called tax planning. Tax planning carried out legally and not contrary to tax regulations is called tax avoidance, whereas tax planning that is carried out illegally and contrary to the regulations is called tax evasion (Agustina and Aris, 2017).

The existence of an audit committee in the company can play a role to support the board of commissioners in monitoring management in preparing the company's financial statements and also affect the company's tax avoidance practices (Guna and Herawaty, 2010). The audit committee also functions in controlling managers to increase company profits where a company manager who

later tends to reduce the tax cost, and this will encourage management to practice tax avoidance (Fadhilah, 2014). Based on this, the audit committee with its authority can prevent any deviant behavior or actions related to the company's financial statements.

Leverage (debt structure) is a ratio that shows the amount of debt owed by a company to finance its operating activities. Increasing the amount of debt will result in interest expense to be paid by the company. The interest expense component will reduce the profit before company tax, so the tax burden that must be paid by the company will be reduced (Adelina, 2012).

Profitability is one measurement of a company's performance. The profitability of a company shows the ability of a company to generate profits for a certain period at a certain level of sales, assets and share capital. Profitability consists of several ratios, one of which is the return on assets (ROA). ROA serves to measure the effectiveness of the company in the use of its resources (Siahian, 2004). ROA is used because it can provide an adequate measurement of the overall effectiveness of the company and take into account profitability. Chen *et al.*, (2010) state that companies that have high levels of profit have the opportunity to improve the efficiency of tax payment obligations through tax avoidance.

Large companies are more likely to utilize the resources they have than to use financing from debt. Large companies will be in the spotlight of the government so that there will be a tendency for company managers to act aggressively or obediently (Maria and Kurniasih, 2013). The greater the size of the company, then the company will consider more risks in terms of managing the tax burden. Companies that are included in big companies tend to have greater resources than companies that have a smaller scale to carry out tax management. Human resources who are experts in taxation are needed so that the tax management carried out by companies can be maximized to reduce the corporate tax burden. A small company cannot be optimal in managing the tax burden due to a lack of experts in taxation (Darmawan and Sukartha, 2014). The more resources owned by large-scale companies, the greater the tax costs that can be managed by the company.

Sales have a strategic influence on the company because sales made by companies must be supported by assets in which if sales are increased then assets must be added (Weston and Brigham, 1991). The company can properly optimize existing resources by looking at sales from the previous year. Sales growth has an important role in working capital management. This research uses the measurement of sales growth because it can describe the good or bad level of sales growth of a company. Companies can predict how much profit will be obtained by the amount of sales growth. Increased sales growth will make the company get a large profit, therefore the company will tend to practice tax avoidance.

This research refers to previous research conducted by Agustina and Aris (2017) having two differences. The first difference is this research adds one variable that is sales growth. The second difference is this research replaces the object of research, namely the Manufacturing Companies in the Basic Industrial and Chemical Sectors Listed on the Indonesia Stock Exchange of the 2014-2016 period.

Based on the inconsistency of the above research, the researcher is interested in conducting research entitled "**THE EFFECT OF AUDIT COMMITTEE, LEVERAGE, RETURN ON ASSETS, COMPANY SIZE, AND SALES GROWTH ON TAX AVOIDANCE (Empirical Study of Manufacturing Companies Listed on the Indonesia Stock Exchange for the 2014-2016 Period)**".

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Agency Theory

Jensen and Meckling (1976) describe agency relationships as a contract between one or several people (employers or principals) who employ other people (agents) to perform some services and provide authority in decision making. Management as a company manager knows more internal information and going concern of the company than the owner and other stakeholders. Agency theory explains the conflict that will arise between the owner and management of the company called the agency problem.

Tax Management and Tax Planning

Tax Management is the whole effort to implement management functions so that the implementation of taxation rights and obligations runs efficiently and effectively (Pohan, 2013: 5). The management functions include planning, organizing, actuating, and controlling. Tax Planning is the initial stage of systematically analyzing various alternative tax treatments to achieve the fulfillment of minimum tax obligations.

Definition of Tax

The definition of tax according to the Law Number 16 Year 2009 concerning General Provisions and Tax Procedures in Article 1 paragraph 1 is a mandatory contribution to the state owned by individuals or entities that are forcing based on the law, with no direct compensation and use for the country's needs for the greatest prosperity of the people. Taxes are the most potent source of state revenue and occupy the highest percentage in the State Budget compared to other revenues.

Tax Avoidance

Pohan (2013: 23) explains tax avoidance as one of the efforts to fight active taxation in which all businesses and actions that are directly addressed to the tax authorities and aimed to avoid taxes. The method and technique used are to utilize the weaknesses (gray area) contained in the laws and tax regulations and to minimize the amount of tax owed. The amount of tax avoidance can be seen from the comparison between cash spent on tax costs and profit before tax (Cash Effective Rate/CETR).

Audit Committee

An audit committee is an effective tool for conducting supervision mechanisms, so it can reduce agency costs and improve the quality of company disclosures. The audit committee is in charge of controlling the process of preparing the company's financial statements to avoid management fraud. The functioning of the audit committee effectively enables better control of the company and financial statements and supports good corporate governance (Kurniasih and Sari, 2013).

Leverage

The leverage policy is the level of debt that the company uses to finance its operating activities. According to Sartono (2008), leverage or solvency is a measure of how much assets owned by companies are financed by debt. Adding a number of a company's debt will incur an interest expense that is a deduction from the company's tax burden (Kurniasih and Sari, 2013). Interest expense arising from the debt will be a deduction from the company's net profit which in turn will reduce tax payments so that maximum profit is achieved. Taxable income for companies that use debt as a source of funding tends to be smaller than the source of funding from the issuance of shares so that it can be classified.

Return On Assets

Return on assets (ROA) is one approach that can reflect a company's profitability. ROA approach shows the number of profits earned by the company using the total assets the company has. ROA also takes into account the company's ability to generate profits regardless of funding. The higher this ratio, the better the performance of the company by using assets in obtaining net income. The level of profitability of the company has a negative effect on effective tax rates because the more efficient the company, the less the company pays tax so that the company's effective tax rate is lower (Darmawan and Sukartha, 2014). Companies with a high level of efficiency and have a high income tend to face a low tax burden. The low tax burden is due to companies with high incomes successfully take advantage of tax incentives and other tax deductions.

Company Size

Company size is a scale that can classify companies into large and small companies according to various ways such as total assets of the company, stock market value, average level of sales, and total sales. Company size is generally divided into 3 categories including large firm, medium firm, and small firm. The maturity stage of a company is determined based on total assets in which when the total assets are greater so the company has good prospects in a relatively long period. (Kurniasih and Sari, 2013).

Sales Growth

Sales have a strategic influence on the company because sales made by companies must be supported

by assets, if sales are increased then assets must be added (Weston and Brigham, 1991). The company can optimize the existing resources well by looking at sales from the previous year. Sales growth has an important role in working capital management. This research used a measurement of sales growth because it can describe the good or bad level of sales growth of a company. Companies can predict how much profit will be obtained by the amount of sales growth. Increased sales growth will tend to make the company get a large profit, and therefore the company will tend to practice tax avoidance.

Hypothesis Development

Effect of the Audit Committee on Tax Avoidance

The audit committee is the committee having responsible for overseeing the company's external audit and is the main contact between the auditor and the company (Dewi & Jati, 2014) in Handayani, *et al.* (2017), Agustina and Aris (2017), Asri and Suardana (2016), Maharani and Suardana (2014) states that the existence of an audit committee affects tax avoidance activities. The higher the presence of an audit committee in a company, it will improve the quality of corporate governance, so that it will minimize the possibility of tax avoidance activities undertaken. Different results revealed by Handayani, *et al.* (2017), Calvin and Sukartha (2015), Mahanani, *et al.* (2017), and Subagiastra, *et al.* (2016) that the existence of the audit committee has no effect on tax avoidance activities. The number of audit committee members at the company does not provide a guarantee that the company does not carry out tax avoidance activities. Based on this description, the hypothesis can be stated as follows:

H1: The audit committee affects tax avoidance

Effect of Leverage on Tax Avoidance

Leverage is the level of debt used by companies in financing. If a company uses debt in the financing composition, there will be interest expense to be paid. The tradeoff theory states that the use of debt by companies can be used for tax savings by obtaining incentives in the form of interest expense which will be a deduction from taxable income. Leverage describes the proportion of the company's total debt to the total assets owned by the company to find out the funding decisions made by the company (Darmawan and Sukartha, 2014). Based on this description, the hypothesis can be stated as follows:

H2: Leverage affects tax avoidance

Effect of Return On Assets on Tax Avoidance

Profitability is a measure of the ability of an individual or corporate company to generate profits concerning the capital used. Return on Assets (ROA) is a profitability ratio that can compare net income with total assets at the end of the period which is used as an indicator of a company's ability to earn profits. ROA is used because it can provide an adequate measurement of the overall effectiveness of the company and can calculate profitability. Austina and Aris (2017), Handayani, *et al.* (2017), Maharani and Suardana (2014) have empirically proven that ROA has a negative effect on tax avoidance. On the contrary, Dewinta and Setiawan (2016), Darmawan and Sukartha (2014), and Subagiastra, *et al.* (2016) prove that ROA has a positive effect on tax avoidance. Based on this description, the hypothesis can be stated as follows:

H3: ROA affects tax avoidance

Effect of Company Size on Tax Avoidance

The size of the company according to Riyanto (2008: 313) is the size of the company seen from the size of the equity value, sales value and assets value (in Dewinta and Setiawan (2016)). The results of empirical research Nurfadilah, *et al.* (2017), Agustina and Aris (2017), Mahanani, *et al.* (2017) find that there is no effect of company size on tax avoidance. In contrast, Asri and Suardana (2016), Sari, *et al.* (2017), Calvin and Sukartha (2015), Dewinta and Setiawan (2016), Darmawan and Sukartha (2014) find that company size affects tax avoidance. Based on this description, the hypothesis can be stated as follows:

H4: Company size affects tax avoidance

Effect of Sales Growth on Tax Avoidance

Sales growth is defined as an increase in the number of sales from over time or years (Kennedy *et al.*, 2013). Sales growth is an activity that has an important role in working capital management because the company can predict how much profit will be obtained by the amount of sales growth. The results of empirical research conducted by Calvin and Sukartha (2015), Mahanani, *et al.* (2017) prove that sales growth has no effect on tax avoidance. Different results revealed by Dewinta and Setiawan (2016) that sales growth has a positive effect on tax avoidance. Based on the description above, the hypothesis can be stated as follows:

H5: Sales growth affects tax avoidance

RESEARCH METHODOLOGY

Research Design

This research is a kind of quantitative research which means research that emphasizes testing theories through measurement of research variables. This research was conducted to examine the effect of the audit committee, leverage, return on assets, company size and sales growth on tax avoidance in companies listed on the Indonesia Stock Exchange in the 2014-2016 period.

Population and Sample

The population in this study were manufacturing companies listed on the Indonesia Stock Exchange of the 2014-2016 [period. The number of samples used was 60 companies. The samples were taken using a sampling technique with certain criteria called purposive sampling. The criteria for determining the research sample including:

- a. "go public" manufacturing companies listed on the Indonesia Stock Exchange and did not experience delisting from December 31, 2014, to December 31, 2016.
- b. The sample companies publish consecutive annual/ financial reports as of December 31 during the 2014-2016 period.
- c. The sample companies use consecutive Rupiah currencies so that the measurement criteria for their currencies are the same.
- d. Companies have consecutive positive profit values, so as not to cause the value of the Cash Effective Tax Rate (CETR) to be distorted (Richardson & Lanis, 2007).
- e. Manufacturing companies with positive commercial profits.

Data Collection Method

Data collection methods used in this study were documentation and library study. The documentation method required observations from researchers both directly and indirectly to the object under research using the instrument such as research guidelines in the form of a validation sheet or others. The literature review method reviews several sources such as books, journals, theses, and other sources related to research. The

method of data collection was carried out using documentation from the site www.idx.co.id.

Variable Operational Definition and Variable Measurement

Tax Avoidance (Dependent Variable)

The dependent variable in this research was tax avoidance. Tax avoidance measurement follows Dyring *et al.* (2010) with a Cash ETR (cash effective tax rate) proxy that takes into account cash payments to profit before tax. The use of this proxy is expected to reflect the short-term tax avoidance behavior that is paid in cash.

$$\text{Cash ETR} = \frac{\text{Payment of Taxes}}{\text{Profit before Taxes}}$$

Audit Committee (Independent Variable)

The audit committee is the committee responsible for overseeing the company's external audits and is the main contact between the auditor and the company. In this research, the measurement of the audit committee uses:

— *audit committee outside the independent commissioner*
entire audit committee of company

Leverage (Independent Variable)

Leverage is a ratio that measures the ability of both long-term and short-term debt to finance company assets. The leverage ratio used in this research was regarding Lanis and Richardson's (2012) research that measured using the model as follows:

$$\text{DER} = \frac{\text{total debt}}{\text{total asset}}$$

Return OnAssets (Independent Variable)

Return on Assets which is a proxy of profitability is a comparison between net income and total assets at the end of the period which is used as an indicator of a company's ability to generate profits (Subagiastra, *et al.* 2016) by using the following formula:

$$\text{ROA} = \frac{\text{net income}}{\text{total asset}}$$

Company Size (Independent Variable)

The maturity stage of a company is determined based on total assets in which the greater the

total assets, it shows that the company has good prospects in a relatively long period. (Cahyono *et al.* 2016). This research used measurements of company size using the formula:

$$\text{Company Size} = \log(\text{Total Asset})$$

Sales Growth (Independent Variable)

Sales growth is an activity that has an important role in working capital management because companies can predict how much profit will be obtained by the amount of sales growth (Purwanti and Sugiyarti, 2017).

$$\text{Sales growth} = \frac{P_t - (P_t - 1)}{P_t - 1}$$

Data Analysis Method

This research used multiple linear analysis methods. The effect of the independent variable in multiple linear analyses can be measured partially and simultaneously as indicated by the coefficients of multiple determination (R^2). Testing of multiple linear regression can be done after the study passes the classical assumption test.

Classic assumption test

According to Imam Ghazali (2011: 115-116), there are three deviations of classical assumptions that quickly occur in the use of regression models including the normality test, multicollinearity test, heteroscedasticity test, and autocorrelation. For more details as follows:

Normality Test

The normality test aims to test whether the confounding or residual variables in the regression model are normally distributed (Ghazali, 2012: 160). A good regression model has a normal or near-normal distribution of residuals. The data normality test in this research used Kolmogorov Smirnov (K-S) non-parametric statistical analysis to determine whether the sample is from a normal distribution population or not (Widarjono, 2010: 111). Testing is done by comparing the probability value with a significance level of 5% or 0.05. Data is considered normally distributed if the probability value is > 0.05 (Sunjoyo *et al.*, 2013; 65).

Multicollinearity Test

Multicollinearity test aims to test whether the regression model finds a relationship (correlation) between independent variables. A good regression model should not find a correlation between independent variables. To test whether in the regression model contains multicollinearity or not, it can be seen from the tolerance value and the inflation factor variant (VIF). Data is considered no multicollinearity if the tolerance value ≥ 0.10 or equal to the VIF value ≤ 10 (Ghozali, 2012: 105-106).

Heteroscedasticity Test

The heteroscedasticitytest in this research aims to see the differences in each independent variable on the dependent variable in one observation period to another observation period. This research tested the presence or absence of heteroscedasticityusing the Spearman Rank test. The results of the heteroscedasticitytest are if a significant value is obtained > 0.05 , there is no heteroscedasticityproblem. Conversely, if a significant value is obtained < 0.05 , there is a heteroscedasticityproblem.

Autocorrelation Test

The purpose of the autocorrelation test is to find out whether there is a correlation between two observations ordered by time. The emergence of autocorrelation resulted from consecutive observations that take place all the time related to one another. To find out whether there is or there is no autocorrelation was performed, the Durbin Watson (DW) test was performed. Santoso (2010) says that the Durbin Watson standard is with the following criteria:

- Durbin Watson number below 2 means a positive autocorrelation.
- Durbin Watson's number between -2 to +2 means there is no autocorrelation.
- Durbin Watson's number above +2 means a negative autocorrelation.

Multiple Linear Test

In this research, multiple linear analysis is carried out to determine whether there is or there is not an effect of size. Multiple linear regression

analysis is used to test the effect of more than one independent variable on one dependent variable using a metric measurement scale (interval or ratio) for both variables (Ghozali, 2012: 7). The model used in multiple linear regression aims to examine the effect of the audit committee, leverage, return on assets, company size, and sales growth on tax avoidance behavior in which the proposed regression model is as follows:

$$TAV = \alpha + \beta_1 KOA + \beta_2 LEV + \beta_3 ROA + \beta_4 UKP + \beta_5 SAG + \epsilon$$

Significance Test of Individual Parameters (t-test)

The statistical t-test in this research is used to show the ability of each independent variable individually in explaining the dependent variable or in other words to show how far the effect of one independent variable is partially in explaining the variation of the dependent variable. The independent variable is considered to affect the dependent variable partially if (Ghozali, 2011: 98-99):

- If the sign value > 0.05 , the hypothesis is rejected. So the independent variable does not affect the dependent variable.
- If the sign value < 0.05 , the hypothesis is accepted. This shows that the independent variable affects the dependent variable.

Simultaneous Significant Test (f-test)

The f-test shows whether all independent variables included in the model affect simultaneously on the dependent variable (Ghozali, 2012: 98). The f-test can be explained using an analysis of variance (ANOVA). The independent variable is considered to influence the dependent variable simultaneously if F obtained $>$ F table with a significance value of < 0.05 (Widarjono, 2010: 22).

Coefficient of Determination (R2)

The coefficient of determination (R^2) is used to measure how well the regression line matches the actual data (goodness of fit) and measures the percentage of the total variation of the dependent variable explained by the independent variables in the regression line (Widarjono, 2010: 19). The coefficient of determination is between 0 and 1 ($0 \leq R^2 \leq 1$). The more R^2 approaches 1, the better

the regression line which means the independent variables provide almost all the information needed to predict the variation of the dependent variable, and the more R² approaches the 0, the less the regression line means the ability of the independent variables in explaining the variation of dependent variables is very limited.

RESULTS AND DISCUSSION

Based on the sampling criteria that have been determined in this research, it was obtained a sample of 180 company data. The classical assumption test found 13 outlier data so that the sample used in multiple linear regression tests amounted to 167 company data.

Table IV.1 Sample Selection Process

Manufacturing companies listed on the Indonesia Stock Exchange in 2014-2016	386
Subtracted by:	
1. No annual/ financial reports for 2015-2016	(56)
2. Companies that use currencies other than Rupiah	(72)
3. Companies with negative earnings	(78)
Samples that meet the criteria	180
Subtracted by: Data Outlier	(13)
Number of Samples after outlier	167

Source: www.idx.co.id

Descriptive Statistic

Table IV.2 Descriptive Statistic

Variable	Minimum	Maximum	Mean	Std. Deviation
TAV	0,0290	5,5490	0,312311	0,4169927
KOA	0,0000	1,0000	0,653989	0,1168825
LEV	0,0660	0,8380	0,385428	0,1816980
ROA	0,0000	0,4310	0,096967	0,0895828
UKP	5,1260	7,9630	6,32643	0,6708756
SAG	-0,500	1,371	0,07324	0,166373

Source: processed data 2019.

Data about tax avoidance obtained the highest value of 5.5490 and the lowest value of 0.0290 with an average value of 0.312311 and a standard deviation of 0.4169927. This means that the standard deviation from the average value of tax avoidance is 0.4169927.

Data about the audit committee obtained the highest total value of 1.00 and the lowest value of 0 with an average value of 0.653989 and a standard deviation of 0.1168825. This means that the standard deviation from the average value of the audit committee is 0.1168825.

Data on leverage obtained the highest total value of 0.8380 and the lowest total value of 0.0660 with an average value of 0.385428 and a

standard deviation of 0.1816980. This means that the standard deviation from the average value of leverage is 0.1816980.

Data on return on assets obtained the highest total value of 0.4310 and the lowest total value of 0 with an average value of 0.096967 and a standard deviation of 0.0895828. This means that the standard deviation from the average return on assets is 0.0895828.

Data on company size obtained the highest total value of 7.9630 and the lowest total value of 5.1260 with an average value of 6.32643 and a standard deviation of 0.6708756. This means that the standard deviation from the average value of company size is 0.6708756.

Data on sales growth obtained the highest total value of 1,371 and the lowest total value of -0,500 with an average value of 0.07324 and a standard deviation of 0.166373. This means that the standard deviation from the average value of sales growth is 0.166373.

Classic assumption test

Normality test

To test the normality of the data, this research used the Nonparametric-test with Kolmogorov-Smirnov one-sample. The normality test results in the regression model are presented in table IV.3

Table IV.3 Normality Test Results

Kolmogorov- Smirnov Z	p-value	Description
1,227	0,099	Data is normally distributed

Source: processed data 2019.

The normality test results in Table IV.3 show a probability value of more than 5% so that the data are declared normally distributed.

HeteroscedasticityTest

The heteroscedasticitytest in this study uses the Rank Spearman test. Heteroscedasticitytest results are presented in table IV.4.

Heteroscedasticity test results in Table IV.4 related to the absolute value of the residual data used in the regression resultsshow that all research variables in the three regression equations in this research are free from heteroscedasticity problems because they have a probability value greater than 5%.

Table IV.4 Heteroskedasticity Test results

Variable	Sig.	Description
Audit Committee	0,255	No Heteroscedasticity
Leverage	0,251	No Heteroscedasticity
Return On Assets	0,956	No Heteroscedasticity
Company Size	0,731	No Heteroscedasticity
Sales Growth	0,606	No Heteroscedasticity

Source: processed data 2019.

Multicollinearity Test

Multicollinearity tests in this research can be seen from the value of tolerance and variance inflation factor (VIF). Both of these measurements indicate that each independent variable is explained

by other independent variables or in short, each independent variable becomes the dependent variable (bound) and is regressed against other independent variables. Multicollinearity test results are presented in table IV.5.

Table IV.5 Multicollinearity Test Results

Variable	Tolerance	VIF	Description
Audit Committee	0,934	1,070	No Multicollinearity
Leverage	0,911	1,097	No Multicollinearity
Return On Assets	0,939	1,066	No Multicollinearity
Company Size	0,902	1,108	No Multicollinearity
Sales Growth	0,971	1,029	No Multicollinearity

Source: processed data 2019.

The results of the multicollinearity test are presented in Table IV.5 and only carried out in equation 2b. Tolerance values greater than 0.1 (> 0.1) and VIF below 10 (< 10) indicate that there is no multicollinearity problem in the regression equation.

Autocorrelation Test

The autocorrelation test in this research used the Durbin-Watson test (DW test). The Durbin-Watson test is only used for the first-degree autocorrelation and requires an intercept in the regression model and there are no lag variables between the independent variables. The results of the autocorrelation test can indicate a Durbin-Watson value of 1.894. The Durbin-Watson value of the data model is between -2 and 2, indicating that there is no autocorrelation in the regression equation.

Hypothesis Testing

In this research, to test the hypothesis it used multiple regression analysis by regressing the independent variables (Audit Committee, Leverage, Return On Assets, Company Size and Sales Growth) to the dependent variable of Tax Avoidance. This hypothesis testing is assisted by using the SPSS 16 program.

Table IV.6 Hypothesis testing results

Variable	Regression Coefficient	t-obtained	Significance
Constant	0,469	6,436	0,000
Audit Committee	-0,153	-2,914	0,004
Leverage	0,136	3,975	0,000
Return On Assets	-0,229	-3,199	0,002
Company Size	-0,021	-2,224	0,028
Sales Growth	-0,118	-2,512	0,013

Source: processed data results, 2019.

From the table above, it is obtained multiple linear regression equation as follows:

$$TAV = 0,469 - 0,153KOA + 0,136LEV - 0,229ROA - 0,021UKP - 0,118SAG + \epsilon$$

Discussion

Hypothesis 1 (Effect of the Audit Committee on Tax Avoidance)

The results show that the audit committee variable has a significance value of 0.004 < 0.05 .

Determination Coefficient Test (R^2)

The calculation results for the adjusted R^2 value used the SPSS program in which in multiple regression analysis, the coefficient of determination or adjusted R^2 amounted to 0.193. This means that 19.3% of the variation in the Tax Avoidance variable is explained by the Audit Committee, Leverage, Return On Assets, Company Size, and Sales Growth variables while the remaining 80.7% is explained by other factors outside the model studied.

Goodness of Fit Test

Based on the results, it was obtained F_{table} (8,935) with significance value(0,00) $< \alpha$ (0,05). This shows that the variables of Audit Committee, Leverage, Return On Assets, Company Size, and Sales Growth simultaneously affects Tax Avoidance. This also means that the regression model used is fit of goodness.

t-test

the t-test is used to determine the effect of each independent variable on the dependent variable. The test results of each hypothesis are presented in table IV.6.

This means that H1 is accepted which means the audit committee affects tax avoidance. Accordingly, the number of members of the audit committee provides a guarantee to be able to intervene in determining the effective tax rate policy of the company. This shows that companies that have an audit committee will be more responsible and open in presenting financial statements because the audit committee will monitor all activities that take place in the company. The results of this study are supported by previous studies conducted by Asri

and Suardana (2016), Agustina and Aris (2017), Maharani and Suardana (2014) that the Audit Committee affects Tax Avoidance.

Hypothesis 2 (Effect of Leverage on Tax Avoidance)

The results show that the leverage variable has a significance value of $0,000 < 0.05$. This means H2 is accepted which means leverage affects tax avoidance. Based on the results, the higher the value of the leverage ratio means the higher the amount of funding from third party debt used by the company and the higher the interest costs incurred. Due to the higher interest costs that will give effect to the reduced profit before tax, the company will have an impact on the lower corporate tax burden. So that the use of debt by companies can be used for tax savings by obtaining incentives in the form of interest expenses which will be a deduction from taxable income. The results of this study are in line with previous studies conducted by Putri and Putra (2017), Oktamawati (2017) and Marfu'ah (2015) that leverage affects tax avoidance.

Hypothesis 3 (Effect of Return On Assets on Tax Avoidance)

The results show that the work environment variable has a significance value of $0,002 > 0.05$. This means that H3 is accepted which means the return on assets (ROA) affects tax avoidance. Based on the results, it can be said that ROA is an indicator of a company's ability to generate profits so ROA is an important factor in the imposition of income tax for companies. Tax with corporate profits is directly proportional if when ROA increases, it indicates the better performance of the company and the greater the profits generated by the company, it will affect the higher the tax burden. Thus the high value of ROA will result in careful tax planning to produce optimal tax so that the tendency to conduct tax avoidance activities will decrease. In other words, companies that make a profit are assumed not to do tax avoidance because they can manage their income and tax payments. Companies that operate with high efficiency will get tax subsidy in the form of lower effective tax rates compared to companies operating with low efficiency (Meilinda & Cahyonowati, 2013). The results of this research are supported by the results of previous studies conducted by Agustina and Aris (2017), Kurniasih

and Sari (2013), Handayani, Aris and Mujiyati (2015), Putri and Putra (2017), and Maharani and Suardana (2014).

Hypothesis 4 (Effect of Company Size on Tax Avoidance)

The results show that the work conflict variable has a significance value of $0,028 > 0.05$. This means that H4 is accepted, which means that company size affects tax avoidance. This means that the greater the size of the company, then the company management's effort to maintain the image will tend not to avoid tax avoidance. Besides, the larger the size of the company, the lower the company will avoid. This is possible because the company does not use its power to do tax planning because of the limitations in the possibility of being highlighted and targeted by regulator decisions. The greater the size of the company, the more complex the transactions. So, it allows companies to take advantage of existing gaps to take higher tax avoidance actions. Besides, companies operating across countries tend to take higher tax avoidance measures, because they can transfer profits to companies in other countries, where the country levies lower tax rates than other countries. The results of this study are in line with the results of previous studies conducted by Kurniasih and Sari (2013), Sari, Kalbuana and Jumadi (2016), Oktamawati (2017), Putri and Putra (2017), and Mar'fuah (2017) that Company Size affects Tax Avoidance.

Hypothesis 5 (Sales Growth affects Tax Avoidance)

The results show that the work conflict variable has a significance value of $0,013 > 0.05$. This means that H5 is accepted, which means that sales growth affects tax avoidance. Based on the results, sales growth in a company shows that the greater the sales volume, the better the company's performance. The company's profit tends to increase so that tax payments will also be high. Based on agency theory, the agent (management) will try to manage his tax burden or make tax savings through tax avoidance so as not to reduce agent performance compensation as a result of increased company profits that come from increasing sales growth. This will lead to greater tax burdens. The results of this research are supported by the results of previous research conducted by Dewinta and

Setiawan (2016), Mahanani, Titisari and Nurlaela (2017), and Oktamawati (2017) that Sales Growth affects Tax Avoidance.

CONCLUSION

Conclusion

The results show that the audit committee affects tax avoidance. This is proven by looking at the significance value of $0,004 < 0,05$ which means H_1 is accepted. Leverage affects tax avoidance. This is proven by looking at significance value of $0,000 < 0,05$. Accordingly, H_2 is accepted. Return on assets affects tax avoidance. This is proven by looking at the significance value of $0,002 < 0,05$ which means H_3 is accepted. Company size affects tax avoidance. This is proven by looking at significance value of $0,028 < 0,05$. Accordingly, H_4 is accepted. Sales growth affects tax avoidance. This is proven

by looking at significance value of $0,013 < 0,05$. Accordingly, H_5 is accepted.

Suggestion

1. To reduce the opportunity for companies to do tax avoidance, the tax authorities should increase monitoring and supervision of the implementation of corporate tax obligations, especially for companies that report losses. Companies that suffer losses can take advantage of the fiscal loss compensation facility to reduce the company's tax burden in the future. It is expected that the path for providing fiscal loss compensation is not used as an effort to avoid corporate tax.
2. For further research, it needs to add research samples with different periods and also add other variables that can predict tax avoidance activities.

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