THE EFFECT OF FINANCIAL PERFORMANCE, SOLVABILITY AND REVENUE GROWTH ON TAX AVOIDANCE OF FOOD AND BEVERAGE COMPANIES LISTED ON THE INDONESIA STOCK EXCHANGE

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ABSTRACT

This study aims to analyze the relationship between financial performance, solvency, and revenue growth with tax avoidance practices in Food and Beverage companies listed on the Indonesia Stock Exchange (IDX). Using a quantitative approach, this study relies on secondary data obtained from company annual reports for the period 2019 to 2023. Company financial performance is measured using Return on Assets (ROA), while solvency is analyzed using the Debt to Equity Ratio (DER). Revenue growth is calculated based on annual changes in sales volume. For the dependent variable, tax avoidance is measured using the Effective Tax Rate (ETR), which reflects how efficiently a company manages its tax obligations.

The results of this study indicate that financial performance has a significant relationship with tax avoidance. Companies that demonstrate high levels of financial performance, as reflected in strong ROA, tend to be more careful and planned in managing their tax obligations to maintain optimal profit margins. Solvency has a significant influence on tax avoidance. Meanwhile, revenue growth shows a significant influence, where companies that experience consistent sales increases are more likely to adopt structured and efficient tax avoidance strategies to maximize the management of the company's fiscal burden.

Keywords: Financial performance, Solvency, Revenue growth, Tax avoidance

INTRODUCTION

The food and beverage industry plays a strategic role in supporting the Indonesian economy. In addition to being a major contributor to Gross Domestic Product (GDP), this sector also creates significant employment, making it a crucial foundation for national economic development. Thanks to Indonesia's abundant natural resources, this sector is able to provide high-quality raw materials that support global competitiveness. Meanwhile, domestic demand for food and beverage products continues to increase, driven by population growth and increasingly modern lifestyle changes, making this sector increasingly relevant and resilient.(Tanapuan, 2022)

The food and beverage industry plays a vital role in the Indonesian economy. This sector is not only a major contributor to Gross Domestic Product (GDP), but also creates numerous jobs, making it a crucial pillar of the country's economic development. With abundant natural resources, Indonesia is capable of producing high-quality raw materials that support the industry's global competitiveness. Furthermore, domestic demand for food and beverage products is increasing, driven by population growth and shifts in modern lifestyles, making this sector increasingly relevant and resilient to economic challenges.(Hidayah & Santosa, 2022).

The food and beverage industry has become an attractive sector for investors in the capital market, with many companies listed on the Indonesia Stock Exchange (IDX) because this sector is considered to provide stable investment opportunities.(Dilla et al., 2024)Despite economic fluctuations, demand for food and beverage products remains consistent, making them a popular choice for investors. However, in addition to focusing on financial performance, these companies are also expected to comply with various regulations, including tax obligations, as a way of contributing to national development.

On the other hand, tax avoidance remains a significant issue in this sector. While distinct from illegal tax evasion, tax avoidance exploits regulatory loopholes to legitimately reduce tax liabilities. Many companies employ complex financial strategies, such as exploiting solvency to reduce taxes or managing revenue growth without significantly increasing tax liabilities. If these practices are not properly managed, they can potentially harm state tax revenues and create inequities among taxpayers.

Tax avoidance practices are often influenced by strategic policies established by company management, and although legally acceptable, this remains a controversial topic because it can affect potential state revenues. As explained byHarahap & Khair, (2019)Tax avoidance is a complex and paradoxical phenomenon. To measure the extent of tax avoidance, the Cash Effective Tax Rate (CETR) ratio is used, which compares the amount of cash paid for taxes to pre-tax profit. A CETR lower than 25% indicates that a company is likely engaging in tax avoidance; a higher CETR indicates a lower likelihood of tax avoidance.

An analysis of the effective tax avoidance ratio (ETR) in the food and beverage manufacturing sector from 2019 to 2022 reveals variations in tax avoidance patterns. Some companies, such as PT HOKI, showed a significant decrease in their tax burden in 2023, possibly due to tax efficiencies or specific tax policies. Conversely, large companies like PT INDF, despite their high profits, did not consistently show an increase in their effective tax ratio (ETR). A low ETR often indicates legitimate tax avoidance through tax planning or the use of government incentives. Furthermore, tax fluctuations are also influenced by the pandemic and economic recovery, which alter a company's operational performance and tax policies.

A company's financial performance is one factor that can influence tax compliance levels. Companies with high financial performance are expected to have a greater capacity to meet their tax obligations. However, in reality, many companies with significant profits choose to use various mechanisms to reduce their tax burden, such as delaying revenue recognition or shifting operating expenses to future periods. This indicates that the relationship between financial performance and tax compliance is often complex and requires closer scrutiny.(Anggraini & Asyik, 2022)

Solvency, or the use of debt as a source of funding, is also often used to reduce tax liabilities. By utilizing debt interest as a legitimate tax deduction, companies can improve their tax efficiency. However, excessive use of solvency can pose financial risks, such as high interest expenses and pressure on cash flow. Therefore, companies must be able to balance the use of solvency for tax efficiency purposes with the potential risks to their financial stability.(Khoeriyah, 2020).

Revenue growth also plays a crucial role in corporate tax management. Although revenue growth indicates successful business expansion, companies often focus more on allocating resources to expand market share. This often results in tax compliance becoming a secondary priority. This phenomenon often occurs in companies seeking to demonstrate impressive financial performance to maintain their attractiveness to investors.(Anindya & Yuyetta, 2020)

It's important to remember that while tax avoidance is a legally permissible practice, government oversight is still necessary. Taxes are a major source of state revenue, and any loopholes in tax regulations can harm potential state revenue. With stricter regulations and ongoing oversight, loopholes that allow for tax avoidance can be minimized.(Santosa, 2024).

This research focuses on food and beverage companies listed on the Indonesia Stock Exchange (IDX). This sector was chosen due to its significant contribution to the national economy and the challenges it faces in tax practices. The phenomenon of tax avoidance in this sector reflects the need for better management and policies to ensure its optimal contribution to development and state revenue.

Theoretical basis

Tax avoidance

*Tax avoidance*is a legitimate strategy taken by taxpayers to reduce their tax obligations. Suandy (n.d.) describes tax avoidance as an action taken within legal boundaries, but exploiting loopholes or weaknesses in regulations to reduce the tax burden.Jamaludin, (2020)reveals that tax avoidance involves the use of legal tactics to reduce tax liabilities without breaking applicable laws.(Hama, 2020)highlights two main approaches to this practice: first, by reducing reported income, and second, by increasing expense claims in financial statements. This strategy often exploits regulatory ambiguity to create tax efficiencies. While not directly illegal, tax avoidance can have a significant impact on state revenues if not strictly regulated, given its significant impact on reducing tax revenues.(Santosa, 2024)

Financial performance

Financial performance is the primary benchmark for assessing how effectively a company manages resources to achieve its business goals. According to Irianto et al. (2017), financial performance evaluation encompasses the management of a company's assets, liabilities, and equity, as well as compliance with applicable regulations. Noviyani and Muid (2019) emphasize the importance of measuring financial performance in designing long-term strategies oriented toward achieving optimal profits. One key indicator, Return on Assets (ROA), reflects a company's efficiency in utilizing assets to generate profits.(Krisnando & Sakti, 2019)explains that a high ROA indicates optimal asset utilization, while a low ROA indicates potential problems in resource management. Good financial performance is often directly proportional to tax liabilities, as high profits typically result in higher taxes, so companies need to manage their tax burden strategically to maintain financial performance.(Bilbi & Nurhayati, 2024)

Solvency

Solvency refers to the extent to which a company relies on debt to fund its operations and investments. Kurniasih and Sari (2020) state that solvency plays a crucial role in shaping a company's capital structure. They add that utilizing debt allows companies to expand their operations, but this also increases fixed liabilities in the form of interest payments.(Hama et al., 2019)Solvency is viewed as a tool to increase shareholder value, even though this comes with higher financial risks. In the tax realm, solvency is often used as a strategy to reduce the tax burden, given that debt interest can be used as a tax deduction.(Rahadatulaisy & Haryana, 2024)However, overusing solvency can strain a company's cash flow, creating financial challenges that must be managed wisely to maintain operational stability.

Revenue growth

*Revenue growth*is a key indicator that describes changes in a company's sales over time.(Nugroho et al., 2022)explains that revenue growth is calculated by comparing sales from one period to another, which provides an overview of the effectiveness of the marketing strategy and market expansion implemented.) also emphasizes that increased sales reflect the company's response to market demand and its competitiveness. Stable and significant revenue growth is often seen as a positive indicator for investors, as it illustrates the potential for higher earnings in the future. In practice, companies with high revenue growth rates usually allocate resources to expand markets, increase production capacity, and invest in innovation. However, sometimes companies that focus too much on market expansion can neglect the aspect of tax compliance, which can be a challenge for the company's overall financial management.(Khoeriyah, 2020)

RESEARCH METHODS

This research uses a quantitative approach that aims to explore existing patterns and test previously developed theories and hypotheses.(Sugiyono, 2021)The quantitative approach relies on the collection of numerical data obtained from a specific population or sample using systematically designed instruments. Data analysis in this approach is conducted using statistical techniques to ensure the validity of the findings and support hypothesis testing in an objective and measurable manner.

This study focuses on the financial statements of food and beverage manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the period 2019 to 2023. The analyzed population consists of 15 companies. A purposive sampling technique was used in sample selection, where the sample was selected based on criteria relevant to the research objectives. These criteria include companies that consistently report annual financial statements during the period and show an increasing trend in tax avoidance. This approach ensures that the selected sample represents characteristics that align with the research focus, allowing for a more in-depth and relevant analysis.

For data analysis, this study adopted the multiple linear regression method, which is designed to measure the simultaneous impact of multiple independent variables on a single dependent variable within a structured model. This approach allows for the detection of more complex relationships between existing variables. The t-test was used to evaluate the significance of each independent variable's influence on the dependent variable individually, while the F-test was applied to evaluate the extent to which the overall regression model can explain variation in the dependent variable. The combination of these two tests allows for a more comprehensive understanding of the quality of the relationships between the variables examined in this study.

Hypothesis testing is conducted using two main approaches: the F-test and the t-test. The F-test aims to evaluate the overall fit of the regression model, with significant results indicating that the model adequately describes variations in the dependent variable. Meanwhile, the t-test is used to examine the specific impact of each independent variable on the dependent variable. An independent variable is considered significant if its probability value is less than 0.05. This approach provides statistical validity to the research findings and ensures the relevance of the results within the context of the research being conducted.

RESULTS AND DISCUSSION

Research result

Multiple Regression Analysis

This study applies multiple regression analysis to examine the relationship between three independent variables—Financial Performance, Solvency, and Revenue Growth—and the dependent variable, Tax Avoidance. This method allows for the assessment of each variable's contribution, both collectively and separately, to a company's tax avoidance practices.

Simultaneous Test (F Test)

The F-test was used to assess whether the three independent variables—Financial Performance, Solvency, and Revenue Growth—simultaneously have a significant impact on Tax Avoidance. The test results show that the significance value obtained is less than 0.05 (5%), which leads to the rejection of the null hypothesis (H0), which states that there is no simultaneous influence between the independent and dependent variables. This finding indicates that the interaction between the three variables contributes significantly to corporate decision-making in managing their tax obligations.

Table 1. Simultaneous Test Results (F Test)

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	809,593	3	269,864	2,826	.047a
	Residual	5347.740	56	95,495		
	Total	6157.333	59			

Source: SPSS data processing, 2024

Based on the F-test results recorded in the table above, the F-statistic value obtained is 2.826 with a significance level of 0.047. Since this significance value is lower than the threshold of 0.05 ($p < 0.05$), it can be concluded that simultaneously, the three independent variables—Financial performance, Solvency, and Revenue growth—have a significant influence on the dependent variable, namely Tax avoidance. This finding indicates that the interaction between these three variables plays a significant role in determining the tax avoidance policy implemented by the company. Therefore, effective management of these factors has the potential to influence the efficiency of tax liability management by the company as a whole.

t-Test (Partial)

The t-test was conducted to evaluate the influence of each independent variable—Financial Performance, Solvency, and Revenue Growth—individually on the dependent variable, namely Tax Avoidance. In this analysis, the significance level used was 0.05. If the significance value for an independent variable is greater than 0.05, then its influence on the dependent variable is considered insignificant. Conversely, if the significance value is lower than 0.05, then the variable is considered to have a significant contribution to tax avoidance. The results of the t-test provide a more detailed picture of the contribution of each independent variable, allowing for a more in-depth analysis of the factors influencing tax decisions in the companies studied. Interpretation of the t-test results can be found in the provided table, which facilitates further analysis of the relationship between the tested variables.

Table 2 Results of the Significance Test of Individual Parameters (t-Test)

Model	UnstandardizedCoefficients		StandardizedCoefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	15,811	22,792		.694	.491
ROA	1,598	.524	.344	3,049	.035
DER	-1.015	.312	-.220	-3.253	.032
UP	1,605	.798	.252	2.011	.049

Source: SPSS data processing, 2024.

Based on the results of the t-test analysis presented in the table, several main findings can be identified regarding the influence of independent variables on tax avoidance, as follows:

a) The significance value for the Financial Performance variable was recorded at 0.035, which is lower than the threshold of 0.05. Therefore, the first hypothesis is accepted. This indicates that a company's financial performance, as measured by Return on Assets (ROA), has a significant influence on its tax avoidance practices.
b) For the Solvency variable, the significance value was recorded at 0.032, which is also less than 0.05. Therefore, the second hypothesis is accepted. These results indicate that a company's solvency, as measured by the Debt-to-Equity Ratio (DER), has a significant influence on tax avoidance. Companies with high solvency tend to be more likely to utilize debt in their tax planning.
c) The revenue growth variable showed a significance value of 0.049, which is below the 0.05 threshold, thus accepting the third hypothesis. This finding indicates that corporate revenue growth has a significant influence on tax avoidance. Companies with high revenue growth tend to strive to manage their tax obligations more efficiently to reduce their tax burden.

Discussion of Test Results

The influence of financial performance on tax avoidance

This study shows that financial performance, particularly in the Food and Beverage industry, has a significant influence on tax avoidance practices. Companies with strong financial performance, reflected in high levels of financial performance, tend to be more prudent in managing their tax obligations. This approach focuses not only on achieving profits but also on legal and efficient tax planning. The results of this study indicate that companies with strong financial performance have greater capacity to design structured and efficient tax strategies, thereby reducing their tax burden without violating legal regulations.

Companies with high financial performance often have greater access to resources such as experienced tax consultants and information technology that support more efficient tax management. Therefore, these companies are more likely to choose legitimate tax planning rather than engaging in tax avoidance practices that can carry legal risks. This finding aligns with research by(Simanjuntak et al., 2021)which found that companies with stable financial performance prefer to engage in legitimate and structured tax planning. The results of this study are consistent with findings from(Hasanah, 2023)which shows that the level of financial performance has a significant influence on tax avoidance.

The Effect of Solvency on Tax Avoidance

The results of this study indicate that companies with high debt levels tend to be more active in tax avoidance practices. This phenomenon can be explained by the concept of solvency, where the use of debt in a company's capital structure can provide tax advantages. Using debt interest as a tax deduction or tax shield allows companies to reduce their tax liabilities. In this case, the debt interest paid by the company can be considered a tax-deductible expense, thereby directly reducing the company's tax burden. This encourages companies with high solvency levels to more actively seek legitimate ways to reduce tax liabilities, including through more aggressive tax planning.

This is in line with the findings(Rifai & Atiningsih, 2019)This indicates that companies with higher solvency are more likely to use debt as a tax avoidance instrument. In this context, solvency provides an opportunity for companies to maximize tax benefits through legitimate tax deductions through debt interest. Therefore, the higher the debt level in the capital structure, the more likely a company will utilize this mechanism to reduce its tax liabilities.

However, it is important to note that while solvency can be an efficient tool for tax avoidance, there are a number of financial risks that companies should be aware of. Research by(Stawati, 2020)Studies have shown that excessive use of solvency can pose significant risks to a company's financial health. One major risk is increased interest expense, which can potentially burden a company's cash flow. High interest expenses can reduce a company's liquidity, thus affecting its ability to meet other operational obligations. If companies fail to manage debt wisely, they could face financial difficulties and even risk bankruptcy.

Furthermore, companies that rely too heavily on debt can experience reduced financial flexibility. This is because a significant portion of the company's cash will be used to pay debt obligations, limiting their room for investment or business development. Therefore, while solvency can be used for tax efficiency, companies need to consider the balance between the use of debt and the potential risks that may arise from increased interest expenses. The decision to use solvency as a tax avoidance strategy must be based on a careful calculation of the potential tax benefits versus the financial risks faced.

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The influence of revenue growth on tax avoidance

This study identified that revenue growth significantly impacts tax avoidance practices in food and beverage companies. When sales increase, profits typically increase, which in turn increases tax liabilities. To address this increased tax burden, companies tend to take more aggressive and proactive measures to plan for tax avoidance.

The increase in profits resulting from revenue growth motivates companies to take advantage of various legitimate tax incentives or design more effective and efficient tax strategies. In this regard, revenue growth is a key driver for companies to formulate more prudent and planned tax liability management plans.

The results of this study strengthen the relationship between revenue growth and tax avoidance, where companies experiencing a surge in sales tend to develop tax strategies designed to minimize their tax liabilities. These results align with previous research by(Sholeha, 2019),(Aprianto & Dwimulyani, 2019)which also found that companies with high levels of revenue growth are more likely to engage in tax avoidance as an effort to reduce the tax burden they have to bear.

CONCLUSION AND SUGGESTIONS

Research conducted on Food and Beverage manufacturing companies listed on the Indonesia Stock Exchange during the 2019-2023 period revealed several important findings:

1. Simultaneously, the three variables—financial performance, solvency, and revenue growth—have a significant influence on corporate tax avoidance. This indicates that these three factors play a significant role in influencing corporate decisions to engage in tax avoidance.
2. Partially, financial performance, as measured by Return on Assets (ROA), has a significant influence on tax avoidance practices. Companies with good financial performance are more likely to use legitimate tax planning strategies to manage their tax liabilities.
3. Solvency, as measured by the Debt-to-Equity Ratio (DER), also significantly influences tax avoidance. Companies with high solvency tend to be more proactive in reducing their tax liabilities by utilizing debt interest as a tax deduction.
4. Revenue growth has a significant impact on tax avoidance. Companies experiencing rapid revenue growth are more motivated to seek more efficient ways to plan their taxes to reduce their tax liabilities.

Suggestion:

1. Companies in any sector, especially those experiencing rapid revenue growth and a sound financial structure, need to consider designing an efficient and legal tax planning strategy. Wisely managing tax obligations can improve tax efficiency without creating legal or reputational risks.
2. The government needs to consider tax policies that can encourage better tax compliance, especially in companies with strong financial performance and high revenue growth. Policies that support transparency in tax planning and legitimate tax avoidance can increase state revenue.
3. Further research could be conducted by adding other variables that might influence tax avoidance, such as macroeconomic factors or more detailed tax regulations. Researchers could also delve deeper into how specific industry dynamics may influence tax avoidance decisions.

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