



## **LEVERAGE, ACCOUNTING CONSERVATISM, AND TAX AVOIDANCE: THE MODERATING ROLE OF SALES GROWTH CAPABILITY**

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### **Abstract**

*The majority of a nation's fiscal revenue comes from taxes, and both the academic and practical communities are paying close attention to tax evasion tactics. Nonetheless, a company's profitability and cash flows can be greatly impacted by tax charges in its accounting, which strongly encourages management to use tax evasion techniques. Understanding how these factors interact to influence a firm's financial decisions, especially with regard to tax tactics, requires analyzing the link between leverage, accounting conservatism, and tax avoidance with sales growth capability as a moderating variable. The study was conducted on all Food and Beverage Subsector Companies listed on the Indonesia Stock Exchange (IDX) between 2020 and 2022 using the IDX's official website. Purposive sampling was used to determine the study's sample. The statistical program SPSS for Windows is used in this study to analyze data using both Linear Regression and Moderated Regression Analysis (MRA). The findings support earlier studies by indicating that leverage has a favorable and significant impact on tax evasion. The study did discover, however, that tax evasion methods are not directly and significantly impacted by accounting conservatism. The findings show that the impact of leverage on tax evasion can be amplified by sales growth, indicating a compounding effect.*

**Keywords:** *Conservatism; Growth; Leverage; Tax Avoidance.*

### **Abstrak**

Sebagian besar pendapatan fiskal suatu negara berasal dari pajak, dan baik komunitas akademis maupun praktisi sangat memperhatikan taktik penghindaran pajak. Namun, profitabilitas dan arus kas suatu perusahaan dapat terpengaruh secara signifikan oleh beban pajak dalam pembukuan keuangannya, yang secara kuat mendorong manajemen untuk menggunakan teknik penghindaran pajak. Memahami bagaimana faktor-faktor ini berinteraksi untuk memengaruhi keputusan keuangan perusahaan, terutama terkait taktik pajak, memerlukan analisis hubungan antara leverage, konservatisme akuntansi, dan penghindaran pajak dengan kemampuan pertumbuhan penjualan sebagai variabel moderasi. Studi ini dilakukan pada semua Perusahaan Subsektor Makanan dan Minuman yang terdaftar di Bursa Efek Indonesia (BEI) antara tahun 2020 dan 2022 menggunakan situs web resmi BEI. Sampling purposif digunakan untuk menentukan sampel penelitian ini. Program statistik SPSS for Windows digunakan dalam penelitian ini untuk menganalisis data menggunakan Regresi Linier dan Analisis Regresi Moderasi (MRA). Temuan penelitian ini mendukung studi sebelumnya dengan menunjukkan bahwa leverage memiliki dampak yang menguntungkan dan signifikan terhadap penghindaran pajak. Penelitian ini menemukan, bagaimanapun, bahwa metode penghindaran pajak tidak secara langsung dan signifikan dipengaruhi oleh konservatisme akuntansi. Temuan menunjukkan bahwa dampak leverage

terhadap penghindaran pajak dapat diperkuat oleh pertumbuhan penjualan, menunjukkan efek yang saling memperkuat.

**Kata Kunci:** Konservatisme; Leverage; Penghindaran Pajak; Pertumbuhan.

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## INTRODUCTION

A country's fiscal revenue is mostly derived from taxes, and tax evasion has drawn a lot of attention from both academic and practical quarters. Due to a number of high-profile cases involving multinational companies (MNCs) operating in Indonesia, case tax evasion has been a matter of continuous concern. According to studies, many multinational companies (MNCs) operating in Indonesia participate in tax evasion methods, which has been a major problem (Sari & Ramli, 2023). The substantial reliance on tax revenues as a vital part of the country's fiscal revenue underscores the need of comprehending and controlling tax evasion conduct in the nation.

Actually, a company's profitability and cash flows can be greatly impacted by tax charges in its accounting, which strongly encourages management to use tax evasion techniques. Managing taxes to reduce tax payables within legal bounds is known as tax avoidance, which is sometimes compared to tax planning (Rizkiana & Suropto, 2022). Using tax shelters is one of the many tactics used in tax avoidance, which can increase profit margins and satisfy analyst expectations (Firmansyah et al., 2022). In addition, tax avoidance is a gauge of business strategic risk, and tax uncertainty is a key component of successful tax planning (Dyrenge et al., 2019).

Prior studies have explored various determinants of tax avoidance, including firm-level factors such as leverage, accounting conservatism, and sales growth capabilities. Tax avoidance is a multifaceted phenomenon influenced by various factors at the firm level. Research has explored determinants such as leverage, accounting conservatism, and sales growth capabilities (Marfiana & Putra, 2021; Ekaristi et al., 2022; Samos et al., 2024; Syura et al., 2020). These practices often involve shifting income from high-tax countries to low-tax jurisdictions, such as tax haven countries, through subsidiaries (Dyrenge et al., 2019). Moreover, tax avoidance is influenced by various factors such as leverage, company size, risk, sales growth, capital intensity, and earnings management (Marfiana & Putra, 2021; Wahyuni et al., 2017; Damayanti & Wulandari, 2021; Nailufaroh et al., 2022).

A crucial financial choice that may have a big influence on a company's tax liability and the incentives for tax evasion is leverage. In order to maintain cash flows and boost profitability, highly indebted companies could be more motivated to use tax evasion techniques. Leverage has a big impact on how businesses avoid paying taxes. Leverage has a major impact on tax evasion, according to research by Kartadjuma & Muntazhar (2021), indicating that companies with larger debt levels are more prone to use aggressive tax evasion techniques. The tax advantages of debt financing, such as the interest tax shield, which enables businesses to lower their taxable income through interest

deductions, are the main drivers of this connection (Trihatmoko et al., 2025). Similarly, by emphasizing the beneficial effects of leverage on tax evasion, Widyastuti et al. (2022) and Marfiana & Putra (2021) further bolster this idea. Furthermore, the study by Shubita (2024) highlights that a major element affecting corporate tax evasion strategies is leverage, as determined by the debt-to-equity ratio.

A number of variables influence the practice of tax evasion, which is a major challenge for businesses. Leverage has been found to have a significant influence on tax avoidance techniques among these variables. The results of studies on how leverage affects tax evasion have been inconsistent. Leverage and tax avoidance are positively correlated, according to some research (Damayanti & Wulandari, 2021; Afrianti et al., 2022), while other studies (Nailufaroh et al., 2022; Sumantri et al., 2022) demonstrate that leverage has no discernible impact on tax avoidance. For instance, Damayanti & Wulandari (2021) discovered that leverage significantly reduced tax evasion. However, leverage does have an impact on tax evasion, according to Ilmiyono & Agustina (2020). Given that the link between leverage and tax avoidance is not always clear-cut, leverage may not significantly reduce tax evasion. Since a company's tax planning tactics may also be influenced by other factors including firm size, profitability, and industry characteristics, highly indebted enterprises may not necessarily have stronger incentives to participate in tax avoidance practices.

However, a number of factors, such as the firm's accounting procedures and financial structure, affect how much tax evasion a company engages in. Tax avoidance tactics may also be influenced by accounting conservatism, a crucial component of financial reporting. The inclination of accountants to demand more proof when identifying positive news as wins rather than negative news as losses is known as accounting conservatism. Because conservative accounting techniques might result in lower reported earnings and, hence, reduced tax obligations, this idea may have an effect on a company's tax evasion strategies. A key component of financial reporting, accounting conservatism has a variety of effects on tax evasion tactics. Furthermore, according to Bornemann's (2018) study, businesses may become more cautious in their financial reporting when they anticipate a tax rate reduction in order to move taxable revenue into lower-taxed periods. This illustrates how tax obligations can be deliberately managed by using accounting conservatism. Furthermore, according to study by Shen & Ruan, (2022), internal control and tax enforcement have an impact on the effectiveness of accounting conservatism as a deterrent to R&D manipulation. This demonstrates how accounting conservatism influences business practices outside of tax evasion in addition to financial reporting.

It has been shown that accounting conservatism has a big impact on businesses' tax evasion strategies. According to research, tax evasion activities may be impacted by accounting conservatism (Rizkiana & Suropto, 2022). The beneficial effects of conservative tactics in tax problems have been highlighted by studies that indicate accounting conservatism can actually minimize tax evasion techniques (Suleiman, 2020). Additionally, businesses that follow the principles of accounting conservatism are less likely to be tax aggressive, suggesting that reduced levels of tax evasion may result from conservative accounting methods (Budyastuti et al., 2023). Corporate tax avoidance has also been demonstrated to be impacted by credit rating conservatism, especially in companies with strong tax-planning skills and lax external monitoring systems (Chen et al., 2021). Additionally, the relationship between business risk measures like tax

avoidance and top management conservatism, which is impacted by personal political inclination, has been investigated.

Businesses are encouraged to improve accounting conservatism in financial reporting in order to shift taxable revenue into lower-taxed periods, which has been linked to tax evasion (Bornemann, 2018). According to other research, accounting conservatism has little impact on tax evasion (Rizkiana & Surtpto, 2022). Accounting conservatism, however, might not necessarily be linked to a rise in tax evasion. According to certain research, conservative accounting methods may actually discourage businesses from using aggressive tax planning techniques. Because it restricts the capacity to move taxable income into lower-tax periods, accounting conservatism's emphasis on the prompt recognition of losses and a greater level of verification for gains can serve as a deterrent to tax evasion. Conservative accounting rules also encourage openness and lessen knowledge asymmetry, which may deter businesses from engaging in dangerous or immoral tax evasion practices. Accounting conservatism and tax evasion have a complicated relationship that can be influenced by a number of firm-specific variables as well as the overall regulatory landscape.

Leverage, accounting conservatism, and tax avoidance interact in complex and varied ways. This link is complicated by the fact that a number of factors, including corporate characteristics, CEO influence, and tax uncertainty, are important in determining corporations' tax strategies. Understanding the subtleties of this dynamic requires a thorough analysis of the interaction between leverage, accounting conservatism, and tax evasion, with sales growth capability as a possible moderating element. A company's financial decisions, particularly its tax avoidance tactics, can be significantly influenced by sales growth. The link between leverage, accounting conservatism, and tax avoidance may be impacted by the capacity to create sales growth since companies with higher sales growth may have greater resources and flexibility to participate in tax avoidance activities. The intricate relationship between leverage, accounting conservatism, and tax avoidance can be better understood by taking into account the moderating role of sales growth capability. This knowledge can add to the body of existing literature and guide managerial decision-making in the context of corporate tax planning.

Determining how these factors interact to influence a firm's financial decisions, especially with regard to tax tactics, requires analyzing the link between leverage, accounting conservatism, and tax avoidance with sales growth capability as a moderating variable. Using legal means to lower tax responsibilities is known as tax avoidance, and it may lead to higher profit margins and the ability to meet or exceed analyst forecasts (Khan et al., 2017). Businesses that engage in tax evasion frequently face greater tax uncertainty than those with higher tax rates, especially those with lower cash effective tax rates (Dyrenge et al., 2019).

By restricting earnings management and reducing information asymmetry, accounting conservatism plays a critical role in financial reporting. This helps identify financial crisis early on and facilitates debt renegotiations to avoid bankruptcy liquidations (Biddle et al., 2020). Additionally, although internal control and tax enforcement may have an impact on this benefit, accounting conservatism can discourage manipulative techniques like R&D manipulation (Shen & Ruan, 2022). Sales growth is a key factor affecting tax evasion strategies, according to research demonstrating that it has a positive impact on tax avoidance (Ilmiyono & Agustina, 2020).

Additionally, business governance and profitability may mitigate the effect of sales increase on tax avoidance (Iwanty & Surjandari, 2022). Numerous research have demonstrated that leverage, another important element in this interaction, positively affects tax evasion (Sari & Ramli, 2023; Damayanti & Wulandari, 2021; Afrianti et al., 2022). Businesses strategically manage these variables to maximize their tax strategies while taking into account the impact of leverage, sales growth, and accounting procedures on their decisions to evade taxes.

The purpose of this study is to investigate the impact of accounting conservatism and leverage on tax evasion, as well as the moderating function of sales development capability in enhancing or diminishing these associations.

## **LITERATURE REVIEW**

### **Agency Theory**

According to agency theory, there is a conflict of interest between managers (agents) and owners (principals). Managers may engage in tax avoidance to maximize their own benefits, such as bonuses or job security, at the expense of shareholders' interests. Agency theory posits that conflicts of interest can arise between managers (agents) and owners (principals) within a firm. Agency theory, a fundamental concept in corporate governance, elucidates the dynamics between principals (owners) and agents (managers) within a firm, highlighting potential conflicts of interest that may arise (Khamisan & Astuti, 2023). These conflicts often stem from divergent objectives between shareholders seeking to maximize wealth and managers pursuing personal goals or interests (Damayanti & Wulandari, 2021).

### **Trade-off Theory**

Trade-off theory focuses on the balance between benefits and costs associated with corporate finance decisions. Trade-off theory in corporate finance highlights the balance between the advantages and drawbacks of financial decisions (Shubita, 2024). Tax avoidance is a strategy that can help reduce the tax burden on a company, but it also comes with risks such as increased audit scrutiny and potential fines from tax authorities (Guo et al., 2018). Firms need to carefully weigh the costs and benefits associated with tax avoidance strategies (Hsu et al., 2018). Tax avoidance can be influenced by various factors such as sales growth, profitability, and corporate governance (Wahyuni et al., 2019; Khamisan & Astuti, 2023). Companies that experience high sales growth may be more inclined to engage in tax avoidance practices to minimize their tax liabilities (Biddle et al., 2020). Additionally, the presence of financial experts on the audit committee can play a crucial role in monitoring and advising on tax planning activities (Hsu et al., 2018). Accounting conservatism is another important aspect to consider in the context of tax avoidance (Budyastuti, 2023). Conservative accounting practices can impact tax avoidance strategies, as firms that apply conservative principles may not engage in aggressive tax avoidance but rather exercise caution in managing risks (Hidayat, 2022).

### **Leverage**

Leverage is a ratio that measures the degree to which a company is financing its operations through debt versus equity. Leverage, as a financial metric, plays a crucial role in determining how a company funds its operations, whether through debt or equity. Leverage is a key factor in tax avoidance strategies, as it can provide tax benefits through



the deductibility of interest payments. Companies with higher leverage may be more inclined to engage in tax avoidance practices to maximize the tax benefits associated with debt financing. The solvency ratio, also known as the leverage ratio, is utilized to assess the extent to which a company's assets are financed by debt (Oktaviyani & Munandar, 2017). Studies have shown that there is a relationship between accounting conservatism and leverage, where more conservative financial reporting is associated with a higher degree of financial leverage in a firm's capital structure (Salama & Putnam, 2015). This association can be further influenced by factors such as sales growth, profitability, and institutional ownership. Additionally, high debt levels can lead to increased risks for companies, potentially resulting in practices like tax avoidance (Sari & Ramli, 2023).

### **Accounting Conservatism**

Accounting conservatism refers to the practice of adopting a prudent approach in financial reporting, favoring lower asset values and higher liability values. Accounting conservatism, a fundamental concept in financial reporting, involves the practice of adopting a cautious approach that favors lower asset values and higher liability values (Bolgorian & Mayeli, 2020). This approach leads to a downward bias in accounting net asset value compared to economic net asset value. The benefits of accounting conservatism extend to debt contracting and cash accessibility by mitigating earnings management (Biddle et al., 2020). Moreover, accounting conservatism enhances the reliability of financial reporting by improving managerial supervision and contract enforcement (Suleiman, 2020). It is considered a bedrock precept of financial reporting due to its role in resolving conflicts between shareholders and creditors over dividend policies (Atwa et al., 2022). Despite the importance of accounting conservatism, empirical evidence on its relationship with a firm's reliance on debt covenants is limited (Nikolaev, 2010). Furthermore, accounting conservatism has been linked to various financial decisions such as cash distribution, investment, capital structure, and debt maturity horizon (Li et al., 2019).

### **Sales Growth**

Sales growth is a critical metric that reflects a company's ability to generate revenue and expand its business. Robust sales growth can enhance a firm's capacity to meet debt obligations and reduce its financial risk. Sales growth is a fundamental driver of a company's financial performance, as it reflects the firm's ability to generate revenue and expand its operations. Sales growth is a fundamental metric for evaluating a company's financial performance and potential. It serves as an indicator of a firm's revenue generation capability and its capacity for business expansion (Iwenty & Surjandari, 2022). Various studies have explored the relationship between sales growth and tax avoidance. For example, Shubita (2024) conducted an analysis across different industries and regions to investigate how sales growth influences a firm's approach to tax avoidance and its subsequent impact on profitability. Additionally, Astrina et al. (2022) highlighted the significant effect of sales growth on tax avoidance, indicating a relationship between these variables.

### **Hypothesis Development**

Tax avoidance strategies can be understood through the lens of agency theory, which suggests a conflict of interest between managers (the agent) and shareholders (the principal) in achieving desired levels of profitability. This agency conflict can incentivize

the use of tax avoidance measures. Furthermore, tax avoidance may involve the utilization of tax loopholes and shelters, providing companies with immediate benefits such as higher profit margins and an increased likelihood of meeting or exceeding analyst forecasts. Tax avoidance is a multifaceted issue influenced by a combination of financial, governance, and strategic factors. Agency theory suggests that firms may use leverage to reduce taxes, while institutional ownership can act as a control mechanism to prevent excessive tax avoidance (Damayanti & Wulandari, 2021; Khan et al., 2017). Leverage has been consistently found to have a positive effect on tax avoidance in various studies (Afrianti et al., 2022; Widyastuti et al., 2022; Sari & Ramli, 2023). Additionally, sales growth identified as factors positively associated with tax avoidance (Wahyuni et al., 2017; Ilmiyono & Agustina, 2020; Sumantri et al., 2022). Based on the theoretical and empirical evidence, the following hypotheses are proposed:

**H<sub>1</sub>:** Leverage is positively associated with tax avoidance.

Accounting conservatism is a crucial element in influencing tax avoidance practices within firms, particularly in the context of agency theory. Recent research has shown that accounting conservatism acts as a contracting mechanism that helps mitigate information asymmetries and agency conflicts Bornemann (2018). This indicates that firms may use accounting conservatism to address agency issues and enhance transparency in financial reporting, subsequently impacting tax avoidance strategies. Furthermore, studies have found that accounting conservatism is associated with a reduction in tax avoidance practices (Suleiman, 2020). The presence of accounting conservatism is linked to lower levels of tax avoidance, suggesting that conservative accounting practices may deter aggressive tax planning within organizations. Additionally, accounting conservatism interacts with factors such as capital intensity, influencing the level of tax aggressiveness in firms (Budyastuti et al., 2023). Based on the selected references, it can be inferred that the relationship between accounting conservatism and tax avoidance is nuanced. While some studies indicate that accounting conservatism is associated with lower levels of tax avoidance practices, as suggested by Suleiman (2020). Based on the theoretical and empirical evidence, the following hypotheses are proposed:

**H<sub>2</sub>:** Accounting conservatism is negatively associated with tax avoidance.

The relationship between sales growth capability, leverage, and tax avoidance is a complex interplay that can be moderated by firms' sales growth potential. Research suggests that firms with higher sales growth capability may exhibit a stronger positive association between leverage and tax avoidance. This implies that as firms experience increased sales growth, the impact of leverage on tax avoidance becomes more pronounced. While the direct relationship between leverage and tax avoidance has been established in various studies Afrianti et al. (2022), the moderating effect of sales growth capability on this relationship adds a new dimension to the understanding of tax planning strategies within organizations. Firms with higher sales growth potential may have greater incentives to engage in tax avoidance practices, especially when leveraging financial resources to capitalize on growth opportunities. Astrina et al. (2022) emphasized the significant effect of sales growth on tax avoidance, aligning with the notion that sales growth is a key factor in tax planning strategies. In the context of tax avoidance, Riguen et al. (2020) pointed out that firms with higher sales growth tend to benefit more from tax planning, thereby increasing their incentives to engage in tax avoidance practices. This underscores the importance of sales growth as a driver for tax-related decisions. Additionally, Wahyuni et al. (2017) and Khamisan & Astuti (2023) further corroborated

the positive impact of sales growth on tax avoidance, emphasizing its role alongside other factors like leverage. Based on the theoretical and empirical evidence, the following hypothesis is proposed:

**H<sub>3</sub>:** Sales growth capability strengthens the effect of leverage on tax avoidance.

Sales growth capability can play a significant role in influencing the relationship between accounting conservatism and tax avoidance. While accounting conservatism is known to reduce tax avoidance practices (Suleiman, 2020), the impact of this reduction can be weakened by the presence of strong sales growth capabilities within a company. Studies have shown that sales growth has a positive effect on tax avoidance (Astrina et al., 2022; Afrianti et al., 2022; Oktaviyani & Munandar, 2017; Wahyuni et al., 2017) and when combined with accounting conservatism, the ability of conservatism to reduce tax avoidance may be lessened. This suggests that companies with high sales growth may engage in more tax avoidance practices despite having conservative accounting policies in place. In summary, while accounting conservatism is generally associated with reduced tax avoidance, the presence of strong sales growth capabilities within a company can weaken this effect. The interplay between sales growth, accounting conservatism, and other factors like leverage and profitability can create a complex relationship that influences the extent of tax avoidance practices within a firm. Based on the theoretical and empirical evidence, the following hypothesis is proposed:

**H<sub>4</sub>:** Sales growth capability weakens the effect of accounting conservatism on tax avoidance.

This study uses Linear Regression and Moderated Regression Analysis (MRA) data analysis methods with the help of the SPSS for Windows statistical application. The linear regression model in this study is expressed by the following equation:

Equation 1:

$$Y = \alpha + \beta_1.X_1 + \beta_2.X_2 + \varepsilon$$

Equation 2:

$$Y = \alpha + \beta_1.X_1 + \beta_2.X_2 + \beta_3.X_3 + \beta_4.X_1 X_3 + \beta_5. X_2 X_3 + \varepsilon$$

Description:

Y = tax avoidance.

$\alpha$  = constant value.

$\beta_1$  = leverage regression coefficient.

$\beta_2$  = conservatism accounting regression coefficient.

$\beta_3$  = sales growth regression coefficient.

$\beta_4$  = regression coefficient of interaction between leverage and sales growth.

$\beta_5$  = regression coefficient of interaction between conservatism accounting and sales growth.

$X_1$  = leverage.

$X_2$  = conservatism accounting.

$X_3$  = sales growth.

$\varepsilon$  = standard error.

## RESEARCH METHOD

The research was conducted online through the official website of the Indonesia Stock Exchange (IDX), on all Food and Beverage Subsector Companies Listed on the IDX in 2020-2022. The sample determination in this study was through purposive sampling technique. The sample for this study was determined based on the following criteria:



1. Food and Beverage Subsector Companies that publish annual financial reports on the Indonesia Stock Exchange consecutively in 2020-2022.
2. Food and Beverage Subsector Companies that use Rupiah currency in financial statements.
3. Food and Beverage Subsector Companies that experienced profits in 2020-2022.

Leverage in this study is measured through the Debt to Equity Ratio. The calculation is done by comparing total debt, including current debt with all of the company's capital. The greater the value of the Debt to Equity Ratio calculation, the greater the indication of tax avoidance by the company. This is because companies will take advantage of debt to reduce company expenses and get tax incentives for tax savings.

Conservatism in accounting is a significant concept that can be measured using the accrual method. The accrual-based measure of conservatism is widely adopted in accounting research (Atwa et al., 2022). This method reflects accounting accruals in the next period and is instrumental in capturing the timely recording of expenses compared to gains, thereby discouraging overvaluation of firms (Suleiman, 2020). Accounting conservatism can be measured through various methods, including balance sheet measures, income statement measures, and earnings/stock return relation measures (Zhong & Li, 2016).

Accounting conservatism can be quantified by the accrual-based methodology established by Givoly & Hayn (2000) and the asymmetric timeliness framework proposed by Basu (1997). In the accrual-based methodology, conservatism is determined by deducting net income, depreciation, and amortization from operational cash flow, subsequently dividing the outcome by total assets. The outcome is multiplied by negative one to modify the sign, so indicating that a negative accrual reflects conservative reporting, signifying that the corporation declares earnings lower than its real cash flow. This illustrates the prudent characteristic of accounting conservatism, aligning with Basu's (1997) assertion that losses (adverse information) are acknowledged more promptly than profits (favourable information).

Sales growth capability is measured through the sales growth ratio, which compares the company's current year sales with the previous year's sales. Sales growth is measured by comparing the difference in sales of the current period with the previous period with the total sales of the previous period. Sales growth shows an indication of tax avoidance because high sales growth is in line with the profits generated by the company and the company's tax burden. The high tax burden will certainly reduce the value of profit earned by the company. Therefore, high sales growth encourages tax avoidance.

Tax avoidance is defined as the taxpayer's effort to reduce the company's tax burden acting within the limits of tax law. This variable is measured by the cash of effective tax ratio (CETR) formula by comparing the expense paid for taxes with profit before tax. CETR measures the taxes actually paid in cash relative to pre-tax income, providing a clear picture of the tax payments made by the company. This is more reflective of the company's real tax burden compared to accrual-based measures that can be influenced by deferred taxes and accounting adjustments.

RESULTS AND DISCUSSION

This study assesses the effect of conservatism, leverage, and sales growth on tax avoidance. Through the purposive sampling method, presented in Table 1:

Table 1. Selection of Research Sample

No	Criteria	Total
	Food and Beverage Subsector Companies Listed on the IDX in 2020-2022	28
1.	Do not publish annual financial reports	(1)
2.	Do not use Rupiah currency in their financial statements	(1)
3.	Companies that experienced losses in 2020-2022	(6)
	Number of Samples	20
	Total Sample in Research (x3)	60

Source: Research Data (2024).

The classic assumption test is carried out to test the feasibility of data before regression. The classical assumption tests carried out include normality, autocorrelation, and heteroscedasticity tests. After the data has passed the classical assumption test, regression is carried out. Regression was performed twice to form equations 1 and 2. Table 1 below shows the results of the regression results for Equation 2:

Table 2. Linear Regression Test Results

Variable	Beta Value	Significant Value
Constant	0,325	0,002
Leverage	0,432	0,000
Conservatism accounting	0,162	0,682

Source: Research Data (2024).

Based on Table 2, the results of the linear regression test show that the coefficient value of the leverage variable is 0.432 with a significance value on the leverage variable is 0.000 which is smaller than the significance level, namely 0.05. The findings demonstrate that leverage exerts a positive and statistically significant influence on tax avoidance, suggesting that firms with increased leverage are more likely to use tax avoidance strategies. Thus, the hypothesis is confirmed. This suggests that companies with higher levels of debt tend to engage in more tax avoidance activities. The positive relationship between leverage and tax avoidance can be attributed to the fact that debt financing allows companies to utilize interest expenses as tax deductions, thereby reducing their overall tax burden. Furthermore, the presence of high levels of debt may incentivize firms to pursue more aggressive tax planning strategies in order to preserve cash flow and meet their debt obligations.

Leverage has a positive and statistically significant influence on tax avoidance, as evidenced by several studies. Research by Damayanti and Wulandari (2021) found that leverage has a significant positive effect on tax avoidance practices. Additionally, Wahyuni, Fahada, and Atmaja (2017) highlighted that firms with higher leverage are more likely to engage in tax aggressive behavior, indicating that greater debt levels provide more opportunities for tax avoidance. Furthermore, the study by Amalia and Firmansyah (2022) supported the notion that increasing debt levels can lead to tax incentives, thereby positively influencing tax avoidance strategies. This aligns with the findings of Sari and Ramli (2023), who demonstrated that leverage, along with company size and risk, collectively influence tax avoidance practices, with leverage specifically showing a significant impact. The positive relationship between leverage and tax avoidance can be attributed to the financial flexibility and maneuverability that higher leverage provides to companies in managing their tax liabilities strategically. By utilizing

debt as a tax shield, firms can potentially reduce their taxable income and, consequently, their tax obligations. This highlights the importance of considering leverage as a key factor in understanding and predicting tax avoidance behaviors within corporate settings.

Based on Table 2, the results of the linear regression test show that the coefficient value of the conservatism accounting variable is 0.432 with a significance value on the conservatism accounting variable is 0.682 which is bigger than the significance level, namely 0.05. This indicates that the level of accounting conservatism does not have a statistically significant influence on the company's tax avoidance practices.

The findings suggest that the degree to which a company adopts a more conservative approach in its financial reporting does not directly determine or drive its engagement in tax avoidance strategies. In other words, a company's tendency to understate earnings and assets relative to its cash flows, as captured by accounting conservatism metrics, does not necessarily translate to more aggressive tax planning or tax minimization behaviors. This implies that the motivations and mechanisms underlying a firm's tax avoidance activities may be driven by factors beyond just the level of accounting conservatism, such as leverage, profitability, industry characteristics, or managerial incentives. The lack of a significant relationship between accounting conservatism and tax avoidance warrants further investigation into the multifaceted determinants of corporate tax planning and the complex interplay between financial reporting choices and tax management strategies. While leverage appears to play a notable role in influencing tax avoidance behavior, other financial reporting characteristics, such as accounting conservatism, may not exhibit the same effect.

Accounting conservatism, characterized by a prudent approach to financial reporting that recognizes losses sooner than gains, has been studied in relation to a company's tax avoidance practices. Research by Purwantini (2017); Rizkiana and Suropto (2022); Budyastuti et al. (2023) all found that accounting conservatism does not have a statistically significant impact on tax avoidance. These studies suggest that companies implementing accounting conservatism are more focused on prudence and risk management rather than engaging in aggressive tax avoidance strategies. Furthermore, the study by Suleiman (2020) indicated that accounting conservatism may actually reduce tax avoidance practices, implying that conservative accounting practices could deter aggressive tax planning strategies. This finding aligns with the conclusion of Rizkiana and Suropto (2022) that accounting conservatism does not influence tax avoidance, further supporting the idea that conservative accounting principles do not drive companies to pursue tax avoidance practices.

The lack of a significant relationship between accounting conservatism and tax avoidance can be attributed to the primary goal of conservatism, which is to offer a more reliable and cautious representation of a company's financial status rather than to facilitate tax avoidance strategies. Companies adhering to conservative accounting principles may prioritize transparency and accuracy in financial reporting over aggressive tax planning, resulting in a limited impact of conservatism on tax avoidance practices. Accounting conservatism does not significantly influence a company's tax avoidance practices. Instead, conservatism is more closely associated with prudence, risk management, and the quality of financial reporting, underscoring the importance of transparency and reliability in financial statements.

Testing the third and fourth hypothesis were carried out with Moderated Regression Analysis (MRA). The test results can be seen in Table 3 as follows.

**Table 3.** Moderation Regression Test Results

Description	Beta value	Sig. value
Constant	0,778	0,000
Leverage	-0,321	0,136
Conservatism accounting	-0,964	0,431
Sales growth	-1,194	0,013
The interaction of leverage and sales growth	0,678	0,022
The interaction of conservatism accounting and sales growth	4,586	0,356

**Source:** Research Data (2024).

The third hypothesis states that sales growth can strengthen the influence of the leverage on tax avoidance. Base on research show that Sales growth can strengthen the influence of the leverage on tax avoidance, where a significant value is 0.022 under 0,05. Thus, the third hypothesis in this study which states that sales growth can strengthen the influence of the leverage on tax avoidance is accepted.

This finding suggests that a company's sales growth capability can amplify the positive relationship between leverage and tax avoidance. Firms with stronger sales growth are better positioned to capitalize on the tax-saving opportunities provided by higher leverage, as the growth in sales can generate additional cash flows and profits that can be shielded from taxation through strategic debt utilization. The moderating effect of sales growth indicates that companies with both high leverage and robust sales growth are more likely to engage in tax avoidance practices, as the combination of these factors provides them with enhanced financial flexibility and the ability to efficiently manage their tax liabilities.

Sales growth can play a significant role in strengthening the influence of leverage on tax avoidance within companies. Several studies have explored the relationship between sales growth, leverage, and tax avoidance. Afrianti, Uzliawat, and Ayu Noorida S (2022) found that sales growth has a positive effect on tax avoidance, while Ilmiyono and Agustina (2020) highlighted that sales growth, alongside company size and leverage, influences tax avoidance. Moreover, Oktaviyani and Munandar (2017) emphasized the positive impact of sales growth on tax avoidance. These findings collectively suggest that as sales grow, companies may be more inclined to engage in tax avoidance strategies, especially when considering their leverage levels.

Leverage, on the other hand, has been consistently shown to have a positive effect on tax avoidance in various studies (Wahyuni et al., 2017). When sales growth is coupled with leverage, it can further enhance the company's ability to engage in tax avoidance practices. The combination of increasing sales and higher leverage ratios may provide companies with more opportunities and incentives to manage their tax liabilities through various strategies. The interaction between sales growth and leverage indicates that sales growth strengthens the relationship between leverage and tax avoidance. When sales growth increases, the effect of leverage on tax avoidance becomes more pronounced, suggesting that companies with higher sales growth are more likely to amplify the impact of leverage on their tax avoidance behavior. can strengthen the influence of leverage on tax avoidance.

The fourth hypothesis states that sales growth can weaken the influence of the conservatism accounting on tax avoidance. Base on research show that Sales growth can not moderate the influence of the conservatism accounting on tax avoidance, where a significant value is 0.356 above 0,05. Thus, the fourth hypothesis in this study which states that sales growth can weaken the influence of the conservatism accounting on tax avoidance is rejected.

This finding suggests that the relationship between accounting conservatism and tax avoidance practices is not significantly moderated by a company's sales growth capabilities. While prior research has demonstrated that sales growth can amplify the positive influence of leverage on tax avoidance, it does not appear to have a similar moderating effect on the association between accounting conservatism and corporate tax planning strategies.

The lack of a significant moderating role for sales growth indicates that the implementation of conservative accounting principles, characterized by a more prudent and cautious approach to financial reporting, remains a distinct and independent factor that is not heavily contingent on a company's sales growth performance when it comes to its impact on tax avoidance behaviors.

This implies that the underlying mechanisms and motivations driving the link between accounting conservatism and tax avoidance may be more deeply rooted in principles of transparency, risk management, and financial reporting quality, rather than being significantly shaped by short-term fluctuations in sales growth. The findings suggest that conservative accounting practices serve as a relatively stable and independent determinant of a company's tax avoidance practices, irrespective of its sales growth capabilities. The available literature does not provide evidence to suggest that sales growth can moderate the influence of conservatism accounting on tax avoidance. Studies such as those by Purwantini (2017) and Bornemann (2018) suggest that conservatism accounting practices do not have a direct influence on tax avoidance. Additionally, Christensen et al. (2015) indicate that top management conservatism, which can be related to accounting conservatism, may not necessarily lead to increased tax avoidance.

Furthermore, the study by Koubaa and Jarboui (2017) explores the relationship between book-tax differences and accounting conservatism, indicating that book-tax differences do not significantly affect accounting conservatism. This suggests that even if there are discrepancies between book and tax values, it may not directly impact the level of conservatism in accounting practices, thereby not influencing tax avoidance. While sales growth may have a positive impact on tax avoidance, the available literature does not support the idea that it can moderate the influence of conservatism accounting on tax avoidance. Conservatism accounting practices seem to operate independently of sales growth when it comes to their impact on tax avoidance strategies within companies.



## CONCLUSION

This study aimed to investigate the complex relationship between leverage, accounting conservatism, and tax avoidance, while also examining the moderating role of sales growth. The results suggest that leverage has a positive and significant influence on tax avoidance, corroborating findings from previous research. However, the study found that accounting conservatism does not have a direct and significant impact on tax avoidance practices. Interestingly, the findings indicate that leverage can strengthen the effect of leverage itself on tax avoidance, suggesting a compounding influence.

These findings contribute to the existing literature by providing empirical evidence on the complex interplay between financial and operational factors in shaping corporate tax avoidance practices. The insights from this study suggest that accounting conservatism, rooted in principles of transparency, risk management, and financial reporting quality, remains a stable and independent determinant of a company's tax avoidance strategies, irrespective of its short-term sales growth fluctuations. This implies that the underlying mechanisms and motivations driving the link between accounting conservatism and tax avoidance are more deeply embedded in organizational values and governance practices, rather than being significantly influenced by transient sales growth dynamics.

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