

# CHAPTER I

## INTRODUCTION

### 1.1 Background of the Study

Tax avoidance is something positive for the company because it is one of the strategies that can be implemented by the company to reduce the amount of tax paid even in a very large amounts. However, in terms of state revenue, tax avoidance is a negative aspect. Tax avoidance leads to a reduction in state income derived from taxes. Even though this income can be used by the government to finance various state expenditures that can later benefit the community (Devi, 2022).

One of the industries that support the Indonesian economy is healthcare industry. This industry is engaged in the production of medicines, nutrition, and provision of medical devices. In addition, increased purchasing power, awareness community health and lifestyle will increase the basis strong to develop the pharmaceutical industry in Indonesia. Industrial development pharmacy in Indonesia is running very fast. The healthcare industry is a business industry that focuses on research, the development, as well as the distribution of medicines, is mainly in the field of Health. The healthcare industry is an industry that uses intellectual capital. More importantly, the pharmaceutical industry is an intensive industry in conduct research, which innovate and use human resources and technology. Renewal and product innovation is very meaningful for continuity

long live the healthcare industry. Updates and product innovation means this is very depending on the intellectual capital owned by the industry.

Indonesia as a large country with a very large population this is a very promising healthcare market. For it is very large the role that can be taken by the pharmaceutical industry in helping the government to realize Public Health through the provision of drugs needed in health care facilities. Along with changes in lifestyle modern society, disease patterns are also changing.

The reason for choosing a real healthcare company because reflecting on the covid 19 period and now entering endemic conditions, they want to know the role of healthcare to be optimal and stable in facing competition in endemic conditions. During this pandemic, there was a positive impact on the healthcare industry and some are negatively affected. With the pandemic, the demand for drugs such as herbal medicine, vitamins and supplements are on the rise so the healthcare industry is playing on the sector gained considerable growth and make healthcare as a promising sector.

The 2023 state budget (APBN) deficit amounted to Rp347.6 trillion or 1.65% of gross domestic product (GDP). Realization is far below the target of 2.2% GDP. In 2021 and 2022, as the economy recovered, revenue performance increased. In 2021, tax revenue grew significantly by 20.4%, returning to pre-pandemic levels. The positive trend continued in 2022 with growth reaching 31.4%. Based on data from the Ministry of Finance, Corporate Income Tax contributed 28.7% of total tax revenue which until the end of 2023 reached Rp830.29 trillion or equivalent to 48.33% of the 2023 state budget target. The

realization of corporate income tax receipts recorded a growth of 24.8% throughout 2023. However, the agency's Income Tax growth slowed when compared to the same period in 2022 which reached 127.5%.

There are several factors that have been found which have an impact on businesses when they participate in tax avoidance action. However, in this research, there are 3 factors that will be discussed such as sales growth, capital intensity, and leverage. Here are some of the healthcare companies with the value of sales growth, capital intensity, leverage, and tax avoidance that can be seen in Table 1.1.

**Table 1.1 Phenomenon Data of Sales Growth, Capital Intensity, Leverage and Tax Avoidance of Healthcare Companies listed on the Indonesia Stock Exchange from 2020 to 2022**

Company	Year	Sales Growth	Capital Intensity	Leverage	Tax Avoidance
PT. Darya-Varia Laboratoria Tbk. (DVLA)	2020	0,009	0,220	0,325	0,243
	2021	0,039	0,193	0,332	0,307
	2022	0,008	0,199	0,301	0,257
PT. Kalbe Farma Tbk. (KLBF)	2020	0,021	0,368	0,229	0,228
	2021	0,136	0,316	0,237	0,220
	2022	0,102	0,306	0,252	0,226
PT. Siloam International Hospitals (SILO)	2020	0,013	0,579	0,286	0,597
	2021	0,320	0,494	0,299	0,280
	2022	0,015	0,602	0,280	0,278

Sources: Prepared by the writer (2024)

From Table 1.1, it can be indicated that the company of PT. Darya-Varia Laboratoria Tbk. (DVLA) has the sales growth rate decline from 0.039 in 2021 to 0.008 in 2022. However, the value of ETR of PT. Darya-Varia Laboratoria Tbk. (DVLA) decline from 30.7% in 2021 to 25.7% in 2022.

This indicates that sales growth has a positive influence toward tax avoidance as supported through the research conducted by Safitri (2021). Meanwhile, several previous studies have tried to link the factors of the

company's financial condition to tax avoidance, including focusing on sales growth. By using the measurement of sales growth, the company can predict the profit that will be obtained from the results of sales growth. However, often when getting big profits, the company instead practice tax avoidance (Sholeha, 2019). According to Dewinta and Setiawan (2019) sales growth describes the company's ability to increase sales over time. The higher the sales growth rate of a company, it will have a direct impact on corporate profits and taxes. Sales growth is expected to have a positive effect on tax avoidance. This is evidenced by the opinion of some researchers. Sales growth has a significant effect on tax avoidance (Mahanani, et al, 2020), while other studies argue that sales growth has no effect on tax avoidance (Aprianto & Dwimulyani, 2019).

From Table 1.1, it can be indicated that the company of PT. Kalbe Farma Tbk. (KLBF) has the capital intensity rate decline from 31.6% in 2021 to 30.6% in 2022. However, the value of ETR of PT. Kalbe Farma Tbk. (KLBF) increased from 22% in 2021 to 22.6% in 2022.

This Capital intensity can affect the depreciation expense because basically fixed assets will experience depreciation each year so that it can reduce the company's tax burden. A decreased tax burden can maximize a company's profit. The greater the capital intensity ratio, the greater the depreciation expense and tax avoidance actions will also be higher. Research related to capital intensity was stated by Ayem and Setyadi (2019), capital intensity does not affect tax avoidance, in line with research from Saputri (2018) and Yutaro and Miftatah (2020). In contrast to research from Zainuddin and Anfas (2021) and Sinaga and

Suardikha (2019) which states that capital intensity affects tax avoidance, which is in line with the results of the Apsari and Supadmi (2018) studies.

From Table 1.1, it can be indicated that the company of PT. Siloam International Hospitals (SILO) has the leverage decreased from 0.286 in 2020 to 0.299 in 2021. Companies that have large leverage to avoid taxes in order to reduce the burden to be borne, because taxes will be higher in line with company income. Therefore, leverage has an effect on tax avoidance. The results of this study contradict the results of previous research by (Rahmayani et al., 2021) which states that the leverage has no effect on tax avoidance. However, this result is in line with research (Maulidya & Purwaningsih, 2023) which states that the level of leverage affects tax avoidance.

As stated from the explanation above, in order to analyze the influence of the factors toward tax avoidance, the writer decides to conduct a research entitled **“The Influence of Sales Growth, Capital Intensity, and Leverage toward Tax Avoidance in Healthcare Sector listed on the Indonesia Stock Exchange.”**

## **1.2 Problem Limitation**

Based on the background study above, the problem limitation found in this research are:

1. The object research in this paper is the Healthcare companies listed on the Indonesia Stock Exchange.
2. The data for observation is from year 2020 to 2022.
3. The independent variables in this research are Sales Growth, Capital Intensity

and Leverage. The dependent variable is tax avoidance will be measured with Effective Tax Rate (ETR).

### **1.3 Problem Formulation**

Based on the background of the study, the writer formulates several questions as follows:

1. Does Sales Growth has a significant influence toward Tax Avoidance in Healthcare Sector listed on the Indonesia Stock Exchange partially?
2. Does Capital Intensity has a significant influence toward Tax Avoidance in Healthcare Sector listed on the Indonesia Stock Exchange partially?
3. Does Leverage has a significant influence toward Tax Avoidance in Healthcare Sector listed on the Indonesia Stock Exchange partially?

### **1.4 Objectives of the Research**

Based on the problem formulation, the objectives of this research are:

1. To analyze whether Sales Growth has a significant influence Toward Tax Avoidance in Healthcare Sector listed on the Indonesia Stock Exchange.
2. To analyze whether Capital Intensity has a significant influence Toward Tax Avoidance in Healthcare Sector listed on the Indonesia Stock Exchange.
3. To analyze whether Leverage has a significant influence Toward Tax Avoidance in Healthcare Sector listed on the Indonesia Stock Exchange.

## **1.5 Benefit of the Research**

The writer expects that this research can give benefits both theoretically and practically as follows:

### **1.5.1 Theoretical Benefit**

The research result can be used to expand, improve and develop the relevant theories especially in the Sales Growth, Capital Intensity and Leverage and its influence towards Tax Avoidance in Healthcare Companies Listed on the Indonesia Stock Exchange and hopefully the information provided may be useful for the readers and future researchers.

### **1.5.2 Practical Benefit**

#### **1. For the Writer**

The writer as a basis for increasing knowledge and give insight for researchers in the field of accounting, especially those related to the influence of Sales Growth, Capital Intensity and Leverage on Tax Avoidance in Healthcare companies.

#### **2. For the Investors**

The results of this study are expected to provide information for the potential investors to assess a company so that it can be used as a reference and help investors in considering decision - making to invest in a company through factors that affect Tax Avoidance.

#### **3. For the Other Researchers**

This research can be an additional reference material for further researchers as well as information to interested parties in assessing the similar topic in the future.