

# **CHAPTER I**

## **INTRODUCTION**

### **1.1 Background of Study**

Taxes play a crucial role in a country's advancement by providing essential revenue for the government, primarily through supporting the Provincial Revenue and Appropriations Budget (APBN). Achieving designated sales targets is vital due to taxes' pivotal role. However, the government faces challenges in enhancing and optimizing tax income, notably through issues like tax avoidance, driven by companies' pursuit of significant profits. Such practices expose companies to various risks, including penalties and damage to their public image.

Every company aspires to maintain a positive public perception, particularly those listed on the Indonesian Stock Exchange, aiming to attract investor interest. The Indonesian Stock Exchange serves as a key platform offering investment opportunities and financial resources, crucial for national economic growth. Moreover, it contributes to fostering robust local investors, thereby ensuring stability in the Indonesian Capital Market. Publicly listed companies on the Indonesia Stock Exchange (IDX) are categorized into nine IDX sectors.

Companies within the agriculture sector are those engaged in processing and harnessing land to meet various needs. Typically operating in Indonesia, these companies cultivate crops like oil palm, rubber, and sugar cane. The significance of such firms lies in their role as key contributors to the Indonesian economy,

given the agricultural sector's prominence. Furthermore, these companies play a crucial role in employing a substantial number of non-formal workers with relatively low levels of skills, predominantly in plantation settings or within company-owned factories.

**Table 1.1**  
**Phenomenon Table**

Company Code	Year	Sales Growth	Return on Asset	Company Age	Tax Avoidance
GZCO	2020	1,570	0,106	19	0,177
	2021	0,737	0,025	20	6,703
BISI	2021	1,121	0,156	38	0,201
	2022	0,286	0,131	39	1,232
PSGO	2021	0,898	0,057	13	0,050
	2022	0,898	0,063	14	0,191

Sources: Research Observation, 2024

Based on the table above, the data reveals that for GZCO (PT. Gozco Plantations), there was a noticeable increase in tax avoidance from 2020 to 2021, despite a decline in sales growth over the same period. Specifically, the sales growth rate dropped from 1.5701 in 2020 to 0.7376 in 2021, while tax avoidance surged from 0.1778 in 2020 to 6.7030 in 2021. In contrast, the case of BISI (PT. BISI International) demonstrates that even though profitability decreased from 0.1563 in 2021 to 0.1314 in 2022, there was a significant rise in tax avoidance from 0.2018 in 2021 to 1.2324 in 2022. Additionally, the phenomenon of company age and its impact on tax avoidance is illustrated by PSGO (PT. Palma Serasih), where, despite being a relatively new firm, there was an increase in tax avoidance practices from 0.0500 in 2021 to 0.1910 in 2022. This suggests that even younger firms can engage in sophisticated tax planning strategies, contrary to the assumption that older firms are necessarily more adept at tax avoidance.

Moreover, the Corruption Eradication Commission (KPK) uncovered issues affecting approximately 63 thousand taxpayers within the palm oil industry, linked to alleged tax evasion and inadequate tax collections by the Directorate General of Taxes. Corporate taxpayer compliance dropped to 46.3 percent, down from 70.6 percent in 2011. The KPK attributed the low tax revenue to alleged tax evasion practices within this sector. Despite the Directorate General of Taxes being aware of these issues, limitations in data and information hinder the optimization of state revenues. Consequently, tax contributions from the palm oil sector remain minimal compared to its substantial daily financial turnover. According to research conducted by Satria and Lunardi (2023) titled "The Effect Of Sales Growth, Profitability And Firm Age Toward Tax Avoidance On Consumer Goods Companies Listed On The Indonesia Stock Exchange," sales growth has a significant partial effect on Tax Avoidance (CETR), while profitability (ROA) and firm age do not. However, when considered together, sales growth, profitability (ROA), and firm age collectively exert a significant influence on Tax Avoidance (CETR). Conversely, Anggraini's research (2022) titled "Effect Of Profitability, Sales Growth And Company Age On Tax Avoidance" suggests that profitability negatively impacts tax avoidance, whereas sales growth and company age have positive and negative effects, respectively. Based on the table of study and previous research with inconstant result above, the writer is interested to conduct research with the title: **“The Effect Of Sales Growth, Profitability, and Firm Age Towards on Tax Avoidance of Agricultural Companies.”**

## **1.2 Problem Limitation**

For the problem limitation, writer will focus on variable which are:

1. Sales Growth, Profitability, Firm Age as independent variable and Tax Avoidance as dependent variable for the problem limitation.
2. This thesis aims to investigate on agricultural companies listed in Indonesia Stock Exchange for the problem limitation.
3. The data used in this research is only limited from 2020 to 2022 for the problem limitation.

## **1.3 Problem Formulation**

Based on the description of the background of the problem above, there are identification problem in this study can be identified:

1. Does there a significant partial influence of Sales Growth on Tax Avoidance in agricultural companies listed on the Indonesia Stock Exchange?
2. Does Profitability have a significant partial influence on Tax Avoidance in agricultural companies listed on the Indonesia Stock Exchange?
3. Does Company Age have a significant partial influence on Tax Avoidance in agricultural companies listed on the Indonesia Stock Exchange?

## **1.4 Objective of the Research**

The objective of the research as follow:

1. To analyze whether Sales Growth has a significant influence towards Tax Avoidance of agricultural companies listed on the indonesia stock exchange.
2. To analyze whether Profitability has a significant influence towards Tax Avoidance of agricultural companies listed on the indonesia stock exchange.
3. To analyze whether Firm Age has a significant influence towards Tax Avoidance of agricultural companies listed on the indonesia stock exchange.

### **1.5 Benefit of the Research**

The benefits of the researches as follow:

1. Theoretical Benefits:

- a. For Readers:

The findings of this study provide evidence for readers regarding the impact of Sales Growth, Profitability, and Firm Age on Tax Avoidance in agricultural companies listed on the Indonesia Stock Exchange.

- b. For the Writer:

This study offers valuable insights, experiences, and observations from real-life scenarios, contributing to the writer's knowledge and understanding.

c. For Other Researchers:

The outcomes of this study serve as a reference point for future researchers interested in investigating similar issues related to the influence of Sales Growth, Profitability, and Firm Age on Tax Avoidance in agricultural companies listed on the Indonesia Stock Exchange.

2. Practical Benefits:

a. For Agricultural Companies Listed on the Indonesia Stock Exchange:

The findings of this study can assist agricultural companies in assessing their Profitability and making informed decisions based on the influence of Sales Growth, Profitability, and Firm Age on Tax Avoidance.

b. For the Writer:

This study enriches the writer's understanding and knowledge regarding the significance of Sales Growth, Profitability, and Firm Age on Tax Avoidance in agricultural companies listed on the Indonesia Stock Exchange.

c. For Future Research:

The results of this study provide a benchmark for future researchers interested in exploring the influence of Sales Growth, Profitability, and Firm Age on Tax Avoidance in agricultural companies listed on the Indonesia Stock Exchange.