ABSTRACT

This study was motivated by the issue of tax avoidance, which remains a challenge for the Indonesian tax authorities, as the country's relatively low tax ratio reflects a suboptimal level of taxpayer compliance, particularly among companies in the consumer non-cyclicals sector that are closely associated with tax obligations. This study aims to analyze and provide empirical evidence on the effect of financial performance, sales growth, and real earnings management on tax avoidance.

The population of this study consisted of all consumer non-cyclicals companies listed on the Indonesia Stock Exchange during the 2021-2025 period. The sample was selected using a purposive sampling method, resulting in 210 firm-year observations. The study employed secondary data obtained from the companies' annual financial statements. The independent variables comprised financial performance, proxied by profitability (Return on Assets), leverage (Debt to Equity Ratio), and liquidity (Current Ratio), as well as sales growth (Sales Growth) and real earnings management (Absolute Real Earnings Management Index). The dependent variable was tax avoidance, proxied by the Effective Tax Rate. Data were analyzed using panel data regression with EViews 13 software.

The results indicate that profitability and leverage, as proxies for financial performance, have a significant effect on tax avoidance. In contrast, liquidity as a proxy for financial performance, sales growth, and real earnings management do not have a significant effect on tax avoidance. Overall, the findings suggest that tax avoidance practices among consumer non-cyclicals companies during the 2021–2025 period are more strongly influenced by the profitability and leverage aspects of financial performance than by liquidity, sales growth, or real earnings management.

Keywords: financial performance; profitability; leverage; liquidity; sales growth; real earnings management; tax avoidance.