

Determinants of SME Tax Compliance: The Role of Accounting Knowledge and Taxpayer Attitudes

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Abstract

This study examines to analyze the effect of accounting conservatism, sales growth, thin capitalization, transfer pricing, and financial distress on tax avoidance in energy sector companies listed on the Indonesia Stock Exchange (IDX). This research employs a quantitative approach using secondary data obtained from companies' financial statements and annual reports. The population consists of all energy sector companies listed on the IDX, with purposive sampling used to select 23 companies as research samples, resulting in a total of 69 observations. The data were analyzed using multiple linear regression analysis, preceded by classical assumption tests including normality, multicollinearity, autocorrelation, and heteroscedasticity tests. The results indicate that accounting conservatism, sales growth, thin capitalization, transfer pricing, and financial distress simultaneously affect tax avoidance. Partially, transfer pricing and financial distress have a positive and significant effect on tax avoidance, while accounting conservatism, sales growth, and thin capitalization do not have a significant effect on tax avoidance in energy sector companies listed on the Indonesia Stock Exchange.

Keywords: Accounting Conservatism, Sales Growth, Thin Capitalization, Transfer Pricing, Financial Distress, Tax Avoidance

Introduction

The energy sector plays a strategic role in supporting Indonesia's economic growth and social development. This sector is supported by natural resources such as oil, gas, coal, as well as renewable energy sources, including solar, wind, and geothermal energy (I. P. Sari & Srimindarti, 2022). In addition to serving as a driver of the domestic economy, the energy sector also plays an important role in ensuring energy access through infrastructure development, creating employment opportunities, and contributing to the global economy through the export activities of energy companies listed on the Indonesia Stock Exchange (Setiadi et al., 2023). However, the substantial economic potential of this sector is also accompanied by challenges related to financial reporting transparency and tax compliance, particularly when indications arise that several companies do not demonstrate consistency between their financial capacity, profitability, and the amount of tax expense reported (Maharani & Dura, 2026).

Tax avoidance refers to tax planning activities carried out by taxpayers to reduce the amount of tax payable by utilizing provisions, incentives, and loopholes within the applicable tax regulations (Dianissa & Asmara, 2025). This practice is conducted through transaction structuring, the selection of accounting methods, and the management of costs and revenues in order to reduce the tax burden without violating legal provisions (Fadhilah & Rahayuningsih, 2022). In the corporate context, tax avoidance is often viewed as part of a financial strategy aimed at improving efficiency and increasing after-tax profit.

Although tax avoidance is legally permissible, it remains debatable from the perspectives of ethics, transparency, and tax compliance because it has the potential to reduce state revenue (Praystya & Anggrainie, 2024). This issue becomes increasingly important in energy sector companies because this sector generally involves large assets, significant transactions, and extensive business activities, resulting in a relatively high potential tax contribution (Yoswandri & Lestari, 2024). If tax avoidance practices are carried out aggressively, the government may lose potential revenue that could otherwise be used to support infrastructure development, education, healthcare, and other social programs (Nurdiansyah et al., 2023). Therefore, research on tax avoidance in energy sector companies is



important to provide a clearer understanding of the financial factors that may influence corporate tendencies to engage in tax efficiency practices.

The urgency of this study is also based on several factors that theoretically may influence tax avoidance, namely accounting conservatism, sales growth, thin capitalization, transfer pricing, and financial distress. Accounting conservatism refers to the prudence principle in preparing financial statements, which aims to prevent the overstatement of assets and earnings. This principle tends to encourage companies to recognize potential losses or expenses earlier than uncertain revenues, thereby affecting reported accounting profit and tax expense.

Sales growth is also an important indicator in assessing a company's financial health and performance (Oktaviani et al., 2023). Companies with high sales growth generally have greater profit potential, which may subsequently increase their tax burden. However, increased sales may also encourage companies to implement tax efficiency strategies in order to maintain optimal after-tax profit (Susanti, 2021). Therefore, sales growth is a relevant factor to be examined in relation to tax avoidance.

Thin capitalization refers to a condition in which a company has a higher proportion of debt compared to equity (Nisa & Hidajat, 2024). A capital structure dominated by debt may generate substantial interest expenses, which can reduce taxable income (Agustina & Sanulika, 2024). In practice, thin capitalization is often utilized as a tax planning strategy because companies may reduce their tax burden through the recognition of interest expenses (Purba et al., 2024). However, excessive reliance on debt may also increase the company's financial risk. Transfer pricing refers to the pricing of transactions between entities that have special relationships or belong to the same corporate group (Mandut et al., 2025). In multinational companies or companies with related-party transactions, transfer pricing can affect the allocation of profits between companies or across jurisdictions (Marliana et al., 2022). If not applied in accordance with the arm's length principle, transfer pricing may be used as a mechanism to shift profits to entities or jurisdictions with lower tax rates, thereby reducing the company's tax burden.

Financial distress is another important factor to consider because financial difficulty may encourage management to make more aggressive decisions in managing corporate expenses, including tax expenses (I. R. Sari & Kurniatio, 2022). Companies experiencing financial pressure tend to seek ways to maintain liquidity and profitability, which may increase their motivation to engage in tax avoidance through various accounting and financial strategies (Rahmadani et al., 2024) (Fia Afriyani, 2023).

Table 1. Financial Performance and Related Party Receivables Period 2022–2024

Stock Code	Year	Total Assets	Net Sales	Total Equity	RePRs	EBIT	Tax Expense
CBRE	2022	29.249.340	21.828.591	22.243.221	363.924	36.249.753.834	-637.128
CBRE	2023	352.965.594.591	47.728.166.665	168.682.894.593	2.157.360.622	512.373.749	512.738.000
CBRE	2024	333.652.847.172	62.173.596.046	117.120.494.942	2.988.885.984	65.580.869.638	746.083.153
AKRA	2022	25.263.441.466	47.539.986.604	13.154.810.775	7.552.322	3.028.704.273	606.857.629
AKRA	2023	30.296.571.806	42.086.952.436	14.042.957.513	8.217.551	3.618.982.700	609.002.235
AKRA	2024	33.180.684.368	38.729.493.298	14.623.992.474	5.357.930	2.753.998.040	439.439.639
BESS	2022	772.666.449.902	406.469.609.964	492.352.056.536	2.014.613.743	35.585.702.760	2.828.846.679
BESS	2023	689.803.373.589	363.741.176.938	572.538.209.106	1.742.950.219	66.686.410.461	1.644.016.991
BESS	2024	662.287.328.271	318.868.834.005	595.850.694.380	2.554.488.421	23.673.652.194	5.936.455.505

EBIT: Earnings Before Interest and Taxes; RePRs: Related Party Receivables

Based on the phenomenon presented in Table 1, several financial conditions among energy sector companies indicate the importance of conducting this study. In PT CBRE, total assets increased from Rp29.249.340 in 2022 to Rp352.965.594.591 in 2023. Total equity also increased from Rp22.243.221 in 2022 to Rp169.682.894.593 in 2023. The increase in assets and equity reflects the company's growing financial capacity. However, the increase in tax expense requires further analysis to determine whether the tax expense reported is aligned with the company's improved financial capacity and performance.

In PT AKRA, net sales decreased from Rp42.086.952.436 in 2023 to Rp38.729.493.298 in 2024. This condition was followed by a decline in EBIT from Rp3.618.982.700 in 2023 to Rp2.753.998.040 in 2024. Tax expense also decreased from Rp609,002,235 in 2023 to Rp439,439,639 in 2024. The decline in sales, EBIT, and tax expense indicates pressure on the company's operational performance and profitability. Therefore, it is important to analyze whether the decrease in tax expense was caused solely by declining performance or whether it reflects the implementation of certain tax efficiency strategies.

Meanwhile, in PT BESS, total equity increased from Rp572.538.209.106 in 2023 to Rp595.850.694.380 in 2024. In addition, related-party receivables increased from Rp1.742.950.219 in 2023 to Rp2.554.488.421 in 2024. The increase in related-party transactions deserves particular attention because it may be associated with transfer pricing practices. During the same period, tax expense also increased from Rp1.644.016.991 in 2023 to Rp5.936.455.505 in 2024. This condition indicates that the relationship among equity, related-party transactions, and tax expense should be examined further to determine the extent to which these factors influence tax avoidance.

Based on these phenomena, this study is considered important because it provides empirical evidence regarding the effect of accounting conservatism, sales growth, thin capitalization, transfer pricing, and financial distress on tax avoidance in energy sector companies listed on the Indonesia Stock Exchange. The findings of this study are expected to contribute to the development of taxation accounting literature, serve as a consideration for companies in formulating more transparent financial and tax policies, and provide input for regulators in strengthening oversight of tax avoidance practices in Indonesia's strategic sectors.

Theoretical Review

Accounting Conservatism and Tax Avoidance

Tax avoidance refers to corporate tax planning practices aimed at reducing tax liabilities by utilizing legal provisions, incentives, and regulatory loopholes within the tax system (Sa'ad et al., 2023). In the context of agency theory, tax avoidance may arise because managers have discretion in making accounting and financial decisions that can influence taxable income and corporate profitability (Tarighi et al., 2022). Although tax avoidance can improve after-tax earnings, it may also create agency problems when tax strategies are conducted aggressively and reduce transparency for shareholders, regulators, and other stakeholders. Therefore, tax avoidance is not only viewed as a taxation issue, but also as a corporate governance and financial reporting issue. Previous studies show that tax avoidance remains a relevant issue in Indonesia because the self-assessment tax system gives companies greater responsibility and discretion in calculating, paying, and reporting their own tax obligations (Oktavia & Leon, 2025).

Accounting conservatism refers to the prudence principle in financial reporting, in which companies tend to recognize potential losses and expenses earlier than potential revenues or gains (Afriyanti & Wulandari, 2023). This principle is intended to prevent the overstatement of assets and earnings, thereby producing more reliable and cautious financial statements. In relation to tax avoidance, accounting conservatism may influence taxable income because conservative reporting can reduce reported accounting profit, which may subsequently affect the amount of tax expense (Hou, 2023). Companies that apply accounting conservatism more consistently are expected to present financial information more carefully and transparently, thus reducing the possibility of aggressive tax avoidance practices. (Vieira & Hoskin, 2024) found that accounting conservatism has an effect on tax avoidance and accounting conservatism has a significant negative effect on tax avoidance, indicating that conservative accounting practices may reduce the tendency of companies to engage in tax avoidance.

Sales Growth and Tax Avoidance

Sales growth is an indicator that reflects the increase or decrease in a company's sales revenue over a certain period. It is commonly used to assess business development, market performance, and the company's ability to generate revenue from its operating activities (Dorhetso, 2025). Companies

with high sales growth generally have greater potential to generate profits, which may also increase the tax burden that must be paid (Berlinski & Morales, 2024). From a financial management perspective, an increase in sales may encourage management to optimize tax planning strategies in order to maintain profitability and improve after-tax income (Sihombing et al., 2019). The relationship between sales growth and tax avoidance can be explained through the company's effort to manage the consequences of increasing business performance (Susanti, 2021). When sales increase, taxable income may also increase, creating incentives for companies to reduce tax expenses through tax planning. However, sales growth does not always lead to tax avoidance because companies with strong sales performance may also have better financial stability and stronger compliance capacity. Previous empirical evidence indicates that sales growth has a significant relationship with tax avoidance in several corporate contexts. (Yoswandri & Lestari, 2024) found that sales growth affects tax avoidance and sales growth as a moderating variable in examining tax avoidance among companies listed on the Indonesia Stock Exchange.

Thin Capitalization and Tax Avoidance

Thin capitalization refers to a company's capital structure condition in which debt financing is relatively higher than equity financing (Nurdiansyah et al., 2023). This condition is important in taxation because interest expenses arising from debt are generally deductible from taxable income, while dividend payments to shareholders are not treated as deductible expenses (Oktaviani et al., 2023). As a result, companies may prefer debt financing as a tax planning strategy to reduce taxable profit. In this context, thin capitalization becomes one of the mechanisms that can be used by companies to minimize tax liabilities through the recognition of interest expenses. From the perspective of tax avoidance, thin capitalization may increase the opportunity for companies to reduce their tax burden by shifting the composition of capital toward debt. Companies with a high debt-to-equity ratio tend to bear larger interest expenses, which can reduce taxable income and lower the amount of tax payable (Sa'ad et al., 2023). This practice is particularly relevant in capital-intensive sectors, including energy companies, because these companies often require substantial funding for investment, infrastructure, and operational expansion. (I. R. Sari & Kurniati, 2022) found that thin capitalization has a positive and significant effect on tax avoidance in energy sector companies listed on the Indonesia Stock Exchange.

Transfer Pricing and Tax Avoidance

Transfer pricing refers to the pricing policy applied in transactions between affiliated entities or companies within the same corporate group (Marliana et al., 2022). These transactions may involve the sale of goods, provision of services, royalty payments, loans, or other financial arrangements among related parties (Purba et al., 2024). Ideally, transfer pricing should comply with the arm's length principle, meaning that transaction prices between related parties should be comparable to those applied between independent parties under similar conditions (I. R. Sari & Kurniati, 2022). However, unfair transfer pricing practices may be used to shift profits from one entity to another entity with lower tax rates, thereby reducing the overall tax burden of the corporate group (Dorhetso, 2025). Transfer pricing is therefore closely associated with tax avoidance strategies, particularly in multinational or affiliated companies that allocate income and expenses across jurisdictions with different tax rates. Although transfer pricing is not inherently categorized as tax avoidance, aggressive practices may indicate attempts to minimize taxable income. Research by (Sonny et al., 2025) found that transfer pricing positively affects tax avoidance

Financial Distress and Tax Avoidance

Financial distress refers to a condition in which a company experiences financial pressure and difficulty in fulfilling its financial obligations (Purnama et al., 2024). This condition may occur due to declining profitability, liquidity problems, high debt levels, or weak operating performance (Faisal & Naushad, 2021). Companies experiencing financial distress often face pressure to maintain cash flow, reduce expenses, and improve short-term financial stability (Tandiontong, 2023). In such

circumstances, tax expenses may be viewed as one of the costs that management seeks to minimize through tax planning strategies. The relationship between financial distress and tax avoidance can be explained by management's motivation to reduce financial pressure. Companies in financial difficulty may have stronger incentives to engage in tax avoidance because reducing tax payments can help preserve cash and support operational continuity. However, the effect of financial distress on tax avoidance may vary depending on company characteristics, governance quality, and regulatory oversight. (Dewi & Suwarno, 2022) found that financial distress does not partially affect tax avoidance, while (Irawan & Suyanto, 2021) reported that financial distress has no significant effect on tax avoidance. These mixed findings indicate that financial distress remains an important variable to examine further, particularly in strategic sectors such as energy companies, where financial pressure and tax obligations may have broader implications for corporate sustainability and state revenue.

Theoretical Relationship among Variables Based on the above theoretical explanation, tax avoidance can be influenced by several financial and accounting factors. Accounting conservatism may reduce aggressive tax behavior by encouraging more prudent financial reporting. Sales growth may create incentives for companies to manage tax expenses when revenue and profit increase. Thin capitalization may provide tax benefits through interest expense deductions, while transfer pricing may affect taxable income through related-party transactions. Financial distress may also influence management decisions to reduce tax expenses in order to maintain liquidity and financial stability. Therefore, accounting conservatism, sales growth, thin capitalization, transfer pricing, and financial distress are considered relevant variables in explaining tax avoidance practices among energy sector companies listed on the Indonesia Stock Exchange.

Methodology

This study employed a quantitative approach to empirically examine the effect of accounting conservatism, sales growth, thin capitalization, transfer pricing, and financial distress on tax avoidance. The population of this study consisted of all energy sector companies listed on the Indonesia Stock Exchange (IDX) during the 2022–2024 period (Adhi Kusumastuti et al., 2020). The sample was selected using a purposive sampling technique based on several criteria, namely energy sector companies listed on the IDX during the observation period, companies that consistently published financial statements from 2022 to 2024, and companies that presented their financial statements in rupiah currency. Based on these criteria, 23 companies were selected as the research sample, resulting in 69 firm-year observations (Sugiyono, 2012). The study used secondary data obtained from annual reports and financial statements published on the IDX website.

Tax avoidance was measured using the Cash Effective Tax Rate (CETR), while accounting conservatism, sales growth, thin capitalization, transfer pricing, and financial distress were measured using financial ratio indicators, including CONACC, sales growth ratio, Debt to Equity Ratio (DER), related-party receivables ratio, and Altman Z-Score. The data were analyzed using multiple linear regression analysis with the model $Y = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \beta_5X_5 + e$. Prior to hypothesis testing, classical assumption tests were conducted, including normality, multicollinearity, autocorrelation, and heteroscedasticity tests. Furthermore, the coefficient of determination was used to assess the explanatory power of the model, while the t-test and F-test were employed to examine the partial and simultaneous effects of the independent variables on tax avoidance.

Results and Discussions

The following presents the statistical data obtained from 69 samples of energy sector companies listed on the Indonesia Stock Exchange (IDX), where the sample selection was adjusted based on the predetermined research criteria, namely:

Table 2. Descriptive Statistics

Variable	N	Minimum	Maximum	Mean	Std. Deviation
Conacc	69	-0.86	3.54	0.0609	0.58984
Sales Growth	69	-0.97	7.63	0.3540	1.21582

Thin Capitalization	69	-9.00	15.05	1.3714	3.26379
Transfer Pricing	69	0.00	1.79	0.1959	0.38196
Financial Distress	69	-16.73	29.12	3.0132	5.78061
Tax Avoidance	69	-0.10	0.71	0.1883	0.21150
Valid N (listwise)	69				

Source: SPSS Data Processing Results

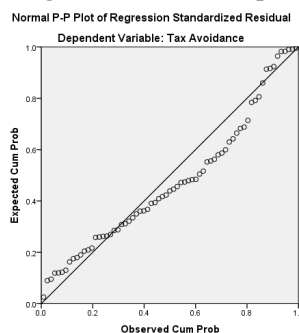
Table 2 shows the descriptive statistics of each research variable as follows:

1. The Accounting Conservatism (Conacc) variable has a total sample size (N) of 69, with a minimum value of -0.86, a maximum value of 3.54, a mean value of 0.0609, and a standard deviation of 0.58984.
2. The Sales Growth variable has a total sample size (N) of 69, with a minimum value of -0.97, a maximum value of 7.63, a mean value of 0.3540, and a standard deviation of 1.21582.
3. The Thin Capitalization variable has a total sample size (N) of 69, with a minimum value of -9.00, a maximum value of 15.05, a mean value of 1.3714, and a standard deviation of 3.26379.
4. The Transfer Pricing variable has a total sample size (N) of 69, with a minimum value of 0.00, a maximum value of 1.79, a mean value of 0.1959, and a standard deviation of 0.38196.
5. The Financial Distress variable has a total sample size (N) of 69, with a minimum value of -16.73, a maximum value of 29.12, a mean value of 3.0132, and a standard deviation of 5.78061.
6. The Tax Avoidance variable has a total sample size (N) of 69, with a minimum value of -0.10, a maximum value of 0.71, a mean value of 0.1883, and a standard deviation of 0.21150.

Normality Test

There are two ways to detect whether the residuals are normally distributed or not, namely through graphical analysis and statistical testing.

Figure 1. P-Plot Graph



Source: SPSS Data Processing Results

Based on the results of the normality test using the normal P-P Plot graph, it can be seen that the data points are distributed around the diagonal line and follow the direction of the line. This indicates that the residual values in the regression model are normally distributed; therefore, the model meets the normality assumption.

Multicollinearity Test

The following presents the results of the multicollinearity test.

Table 3. Multicollinearity Test Results

Model	Variable	Tolerance	VIF
1	Constant		
2	Accounting Conservatism (Conacc)	0.783	1.277
3	Sales Growth	0.932	1.073
4	Thin Capitalization	0.898	1.113
5	Transfer Pricing	0.970	1.030
6	Financial Distress	0.793	1.261

Based on the multicollinearity test table, it can be seen that all variables have tolerance values greater than 0.10 and VIF values less than 10. The Accounting Conservatism (Conacc) variable has a tolerance value of 0.783 > 0.10 and a VIF value of 1.277 < 10. The Sales Growth variable has a tolerance value of 0.932 > 0.10 and a VIF value of 1.073 < 10. The Thin Capitalization variable has a tolerance value of 0.898 > 0.10 and a VIF value of 1.113 < 10. The Transfer Pricing variable has a tolerance value of 0.970 > 0.10 and a VIF value of 1.030 < 10. Furthermore, the Financial Distress variable has a tolerance value of 0.793 > 0.10 and a VIF value of 1.261 < 10. Therefore, it can be concluded that the regression model is free from multicollinearity problems.

Autocorrelation test

Based on the results of the autocorrelation test using the Durbin-Watson method, the obtained value was 1.291, with a sample size of 69 (N = 69) and 5 independent variables (K = 5). The dU value was 1.082, resulting in a value of 4-dU equal to 2.918. Therefore, since $dU < DW < 4-dU$ ($1.082 < 1.291 < 2.918$), it can be concluded that there is no positive or negative autocorrelation.

Table 4. Model Summary

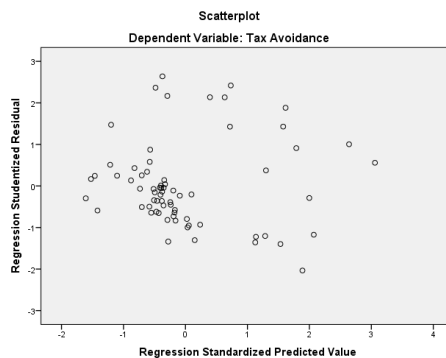
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0.646	0.418	0.372	0.16766	1.291

- a. Predictors: Accounting Conservatism, Sales Growth, Thin Capitalization, Transfer Pricing, and Financial Distress.
- b. Dependent Variable: Tax Avoidance.

Heteroscedasticity Test

Based on the scatterplot graph above, the data points are spread out and distributed irregularly. This indicates that heteroscedasticity does not occur in this regression model.

Figure 2. Scatterplot of Tax Avoidance



Coefficient of Determination

The results of the coefficient of determination test can be seen in the table below:

Table 5. Coefficient of Determination

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.646	0.418	0.372	0.16766

- a. Predictors: Accounting Conservatism, Sales Growth, Thin Capitalization, Transfer Pricing, and Financial Distress.
- b. Dependent Variable: Tax Avoidance.

Based on Table above, the Adjusted R Square value obtained is 0.372. This indicates that accounting conservatism, sales growth, thin capitalization, transfer pricing, and financial distress simultaneously contribute 37.20% to the variation in tax avoidance among energy sector companies listed

on the Indonesia Stock Exchange. Meanwhile, the remaining 62.80% is influenced by other factors outside the variables examined in this study.

Partial test

Table 6. Partial Test Result

Model	Variable	B	Std. Error	Beta	t	Sig.
1	Constant	0.092	0.029		3.194	0.002
2	Accounting Conservatism (Conacc)	0.072	0.039	0.200	1.843	0.070
3	Sales Growth	0.020	0.017	0.113	1.135	0.261
4	Thin Capitalization	-0.006	0.007	-0.096	-0.945	0.348
5	Transfer Pricing	0.235	0.054	0.424	4.343	0.000
6	Financial Distress	0.016	0.004	0.430	3.987	0.000

1. The calculated t-value for the Accounting Conservatism (Conacc) variable (X1) is 1.843, which is lower than the t-table value of 1.998, with a significance level of $0.070 > 0.05$. Therefore, it can be concluded that X1 has no significant effect on tax avoidance.
2. The calculated t-value for the Sales Growth variable (X2) is 1.135, which is lower than the t-table value of 1.998, with a significance level of $0.261 > 0.05$. Therefore, it can be concluded that X2 has no significant effect on tax avoidance.
3. The calculated t-value for the Thin Capitalization variable (X3) is -0.945, which is lower than the t-table value of 1.998, with a significance level of $0.348 > 0.05$. Therefore, it can be concluded that X3 has no significant effect on tax avoidance.
4. The calculated t-value for the Transfer Pricing variable (X4) is 4.343, which is higher than the t-table value of 1.988, with a significance level of $0.000 < 0.05$. Therefore, it can be concluded that X4 has a positive and significant effect on tax avoidance.
5. The calculated t-value for the Financial Distress variable (X5) is 3.987, which is higher than the t-table value of 1.988, with a significance level of $0.000 < 0.05$. Therefore, it can be concluded that X5 has a positive and significant effect on tax avoidance.

Based on the table above, the results of the F-test (ANOVA) show that the calculated F-value is 9.043 with a significance level of 0.000. The F-table value at a 5% significance level ($\alpha = 0.05$), with degrees of freedom $df_1 = 5$ and $df_2 = 63$, is 2.361. Since the significance value of 0.000 is less than 0.05, it indicates that Accounting Conservatism (Conacc), Sales Growth, Thin Capitalization, Transfer Pricing, and Financial Distress simultaneously have a significant effect on Tax Avoidance in energy sector companies listed on the Indonesia Stock Exchange.

Table 7. Simultaneous Test Results / ANOVA

Model	Source	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.271	5	0.254	9.043	0.000
2	Residual	1.771	63	0.028		
3	Total	3.042	68			

Result and Discussions

The Effect of Accounting Conservatism on Tax Avoidance

Based on the partial test results (t-test), it is known that the Accounting Conservatism variable has no significant effect on tax avoidance. This is indicated by the calculated t-value of 1.843, which is lower than the t-table value of 1.998, with a significance value of $0.070 > 0.05$. These results indicate that the application of accounting conservatism principles in energy sector companies does not directly influence the tendency of companies to engage in tax avoidance practices. This finding is in line with (Rizkiana & Suropto, 2022)(Sa'ad et al., 2023) stated that a company's tendency to engage in tax avoidance does not become stronger even when the company applies conservative accounting methods. This means that the prudence principle in recognizing revenues, expenses, assets, and liabilities is not necessarily used as a tool to reduce the company's tax burden. In this context, accounting

conservatism plays a greater role as a cautious financial reporting mechanism rather than as a primary strategy for tax avoidance.

However, this result contradicts the findings of (I. R. Sari & Kurniatio, 2022) who stated that companies facing high tax burdens generally tend to apply conservative accounting policies as an effort to reduce tax obligations. This difference may occur due to differences in company characteristics, research periods, industrial sectors, and corporate tax management policies. In energy sector companies, tax decisions may not only be determined by accounting methods, but also by related-party transactions, financial conditions, funding structures, and corporate tax policies.

The managerial implication of this finding is that company management cannot rely solely on accounting conservatism policies as a basis for controlling tax avoidance risks. Companies need to ensure that the application of conservatism remains directed toward improving financial reporting quality, transparency, and accountability to stakeholders. For management in the energy sector, prudent accounting policies should be combined with an internal tax monitoring system, compliance with regulations, and evaluation of tax policies to avoid negative perceptions from investors, regulators, and the public.

The Effect of Sales Growth on Tax Avoidance

Based on the partial test results (t-test), it is known that the Sales Growth variable has no significant effect on tax avoidance. This is indicated by the calculated t-value of 1.135, which is lower than the t-table value 1.998, with a significance level of $0.261 > 0.05$. These results indicate that increases or decreases in sales do not directly encourage energy sector companies to engage in tax avoidance practices.

This finding is in line with (Hasan & Septiningrum, 2026)(Dianissa & Asmara, 2025) stated that sales growth has no effect on tax avoidance. Sales growth is not always followed by an increase in company profit, because higher sales may also be accompanied by increases in operating costs, production costs, distribution costs, and other expenses. Therefore, companies do not always use sales growth as the main basis for engaging in tax avoidance practices. This result contradicts the findings of (Yoswandri & Lestari, 2024) stated that sales growth has a positive and significant effect on tax avoidance. Their study explains that sales growth can increase company revenue, which may encourage companies to conduct tax planning in order to reduce the tax burden that must be paid. This difference may be caused by differences in business sectors, cost structures, profitability levels, and management strategies in managing company earnings.

The managerial implication of this finding is that company management needs to understand that sales growth cannot be used as a single indicator in determining tax policies. Companies should conduct a more comprehensive evaluation of the relationship between sales, costs, profit, and tax burden. For management in the energy sector, sales growth should be accompanied by cost control and reasonable tax planning so that business growth does not create tax compliance risks. In addition, management needs to ensure that sales growth strategies remain aligned with the principles of financial transparency and compliance with tax regulations.

The Effect of Thin Capitalization on Tax Avoidance

Based on the partial test results (t-test), it is known that the Thin Capitalization variable has no significant effect on tax avoidance. This is indicated by the calculated t-value of -0.945, which is lower than the t-table value of 1.998, with a significance level of $0.348 > 0.05$. These results indicate that the use of debt in the capital structure of energy sector companies does not directly influence tax avoidance practices.

This finding is in line with (Caroline & Fajriana, 2025) who stated that thin capitalization has no effect on tax avoidance. The use of corporate debt is not necessarily intended as a strategy for tax avoidance, but is more focused on meeting the company's funding needs. In the energy sector, the large capital requirement for investment, infrastructure, operations, and business expansion may cause debt usage to be more closely related to business needs than to tax reduction strategies.

This result contradicts the findings of (Nisa & Hidajat, 2024), (Rahmadani et al., 2024) stated that thin capitalization affects tax avoidance. Companies may use debt financing to obtain interest

expenses that can reduce taxable income, thereby lowering the tax burden paid by the company. This difference indicates that the effect of thin capitalization on tax avoidance depends heavily on the purpose of debt usage, funding policies, interest rates, and applicable tax regulations. The managerial implication of this finding is that company management needs to manage capital structure carefully and should not only consider the tax benefits of interest expenses. Energy sector companies must ensure that debt financing is truly directed toward supporting productive operational and investment needs. Management also needs to maintain a balance between debt and equity so that the company does not face excessive financial risk. Furthermore, funding policies should be prepared transparently so that they do not create the impression that the company uses debt as an aggressive instrument to reduce its tax burden.

The Effect of Transfer Pricing on Tax Avoidance

Based on the partial test results (t-test), it is known that the Transfer Pricing variable has a positive and significant effect on tax avoidance. This is proven by the calculated t-value of 4.343, which is higher than the t-table value of 1.988, with a significance level of $0.000 < 0.05$. These results indicate that the higher the indication of transfer pricing, the higher the tendency of energy sector companies to engage in tax avoidance practices.

This finding is in line with (Janson, 2024) stated that through transfer pricing practices, companies can shift profits to low-tax jurisdictions and allocate costs to high-tax jurisdictions. Such practices can cause the tax revenue received by the state to be lower than the potential tax revenue that should have been received. In companies that have special relationships or related-party transactions, transfer pricing becomes one of the instruments that may be used to manage taxable income. This result contradicts the findings of (Guo et al., 2025)(I. R. Sari & Kurniatio, 2022) stated that transfer pricing is not the main determinant of tax avoidance practices. This difference may be influenced by the dynamics of the government system, regulatory changes, and tax policies such as tax amnesty, which encourage companies to be more compliant in fulfilling their tax obligations. Nevertheless, in this study, transfer pricing is proven to be a significant factor influencing tax avoidance.

The managerial implication of this finding is that company management needs to strengthen transfer pricing policies in accordance with the arm's length principle. Companies must prepare complete, transparent, and accountable transfer pricing documentation to reduce the risk of tax audits, sanctions, and reputational damage. For management in the energy sector, related-party transactions need to be strictly monitored through internal control systems, regular audits, and compliance with tax regulations. This finding also serves as a warning for management that overly aggressive tax efficiency strategies through transfer pricing may create legal risks and reduce investor trust.

The Effect of Financial Distress on Tax Avoidance

Based on the partial test results (t-test), it is known that the Financial Distress variable has a positive and significant effect on tax avoidance. This is proven by the calculated t-value of 3.987, which is higher than the t-table value of 1.988, with a significance level of $0.000 < 0.05$. These results indicate that the higher the financial pressure experienced by a company, the greater its tendency to engage in tax avoidance practices.

This finding indicates that financial pressure encourages management to implement various cost-efficiency strategies, including reducing tax expenses. This result is in line with (Resha & Bambang Soedaryono, 2024) showed that companies experiencing financial pressure tend to apply tax burden reduction strategies as an effort to maintain liquidity. In the energy sector, financial distress can become more complex because companies require large amounts of capital, face commodity price volatility, and have high operational and investment expenses.

However, this result contradicts the findings of (Palupi & Mutmainah, 2024)(Nurcahyono et al., 2022) who stated that financial distress has no effect on tax avoidance. Companies experiencing financial difficulties may become more cautious in making tax decisions because they still consider the risk of tax audits, administrative sanctions, and the impact on corporate image. This means that financial distress does not always encourage companies to engage in tax avoidance, especially when companies have good governance and a high level of tax compliance.

It can be concluded that financial distress has a positive and significant effect on tax avoidance. Companies experiencing financial difficulties tend to prioritize cost reduction, including tax obligations, in order to maintain cash flow and operational continuity. In energy sector companies, which require large capital and face high business risks, management may view tax avoidance as a legally permissible efficiency strategy to reduce financial pressure.

The managerial implication of this finding is that company management needs to manage financial conditions more carefully so that financial pressure does not encourage aggressive tax avoidance practices. Companies must strengthen financial risk management, maintain liquidity, control operating costs, and prepare tax strategies that remain within the boundaries of legal compliance. For energy sector companies, financial distress should be addressed through improvements in operational performance, healthy financial restructuring, and business efficiency, rather than relying only on reducing tax expenses. Management also needs to maintain a balance between tax efficiency and corporate reputation so that business sustainability can be preserved.

The Simultaneous Effect of Independent Variables on Tax Avoidance

Based on the results of the F-test, the calculated F-value was 9.043, which is greater than the F-table value of 2.361, with a significance value of $0.000 < 0.05$. This result indicates that accounting conservatism, sales growth, thin capitalization, transfer pricing, and financial distress simultaneously have a significant effect on tax avoidance in energy sector companies listed on the Indonesia Stock Exchange. This finding suggests that tax avoidance practices are not influenced by only one financial factor, but rather by a combination of various corporate conditions, including accounting policies, sales growth, capital structure, related-party transactions, and financial pressure. The managerial implication of this result is that companies need to manage their tax policies more carefully and in an integrated manner, particularly by strengthening internal control, financial reporting transparency, compliance with tax regulations, and supervision of transfer pricing transactions and financial distress conditions, so that tax efficiency strategies do not develop into aggressive tax avoidance practices.

Conclusions

This study concludes that accounting conservatism, sales growth, thin capitalization, transfer pricing, and financial distress simultaneously have a significant effect on tax avoidance in energy sector companies listed on the Indonesia Stock Exchange during the 2022–2024 period. The Adjusted R Square value of 0.372 indicates that these independent variables are able to explain 37.20% of the variation in tax avoidance, while the remaining 62.80% is influenced by other factors outside the research model. Partially, accounting conservatism, sales growth, and thin capitalization do not have a significant effect on tax avoidance, indicating that prudent accounting policies, sales performance, and debt-based capital structure are not the main determinants of tax avoidance practices in energy sector companies. Meanwhile, transfer pricing and financial distress have a positive and significant effect on tax avoidance. These findings indicate that related-party transactions and financial pressure can encourage companies to engage in tax avoidance practices as part of tax efficiency and financial management strategies. Therefore, companies need to strengthen transparency, internal control, and tax compliance, particularly in managing transfer pricing policies and financial distress conditions, in order to reduce aggressive tax avoidance practices and maintain corporate sustainability.

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