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THE IMPACT OF RELATED-PARTY TRANSACTIONS, FIRM SIZE, AND SALES GROWTH ON TAX AVOIDANCE

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Abstract

This study examines the impact of related-party transactions, firm size, and sales growth on tax avoidance in food and beverage companies listed on the Indonesia Stock Exchange during the 2017–2024 period. This research employs a quantitative approach with a causal explanatory design and utilizes secondary data derived from annual financial statements. From a population of 43 companies, purposive sampling resulted in 10 firms, yielding 79 observations. Panel data regression analysis using a fixed effects model (FEM) was conducted with EViews 13. The results indicate that firm size has a positive and statistically significant effect, whereas related-party transactions and sales growth do not have a statistically significant effect on tax avoidance. Simultaneously, all independent variables significantly influence tax avoidance. These findings suggest that firm size is a key determinant of tax avoidance practices. This study contributes by providing sector-specific evidence from the Indonesian food and beverage industry, where empirical findings remain limited and inconsistent.

Keywords: Related Party Transaction, Firm Size, Sales Growth, Tax Avoidance, Tax, Accounting

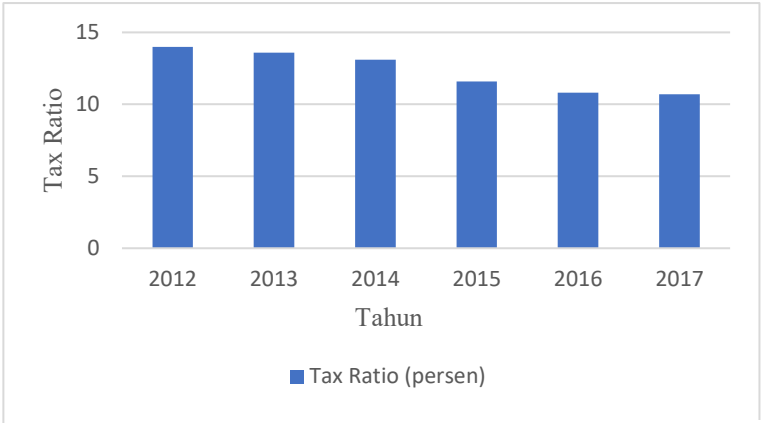
INTRODUCTION

Taxes represent a primary source of government revenue and play a crucial role in financing public expenditure and national development. According to Law No. 7 of 2021, tax is a mandatory contribution imposed on individuals and entities without direct compensation, aimed at promoting public welfare. However, Indonesia's tax revenue remains below its economic potential, as reflected in its relatively low tax ratio.

Indonesia's tax ratio, which is lower than that of many developing countries, indicates the potential presence of corporate tax avoidance practices. Tax avoidance refers to legal strategies used by firms to minimize tax liabilities within regulatory boundaries. Although legally permissible, such practices may significantly reduce government revenue and weaken fiscal capacity.

Tax revenue is essential for financing government expenditure and implementing public policies. Sri Mulyani (2023) reported that as of July 2023, tax revenue reached Rp1,109.1 trillion, representing 64.6% of the State Budget target. This indicates that tax revenue has not yet reached its expected target.

Every year, the tax revenue target increases, but actual collection falls short due to limited collection capacity. The tax ratio indicatorthe ratio of tax revenue to GDP is used to demonstrate the government's ability to collect taxes. A higher ratio indicates greater collection effectiveness. Figure 1.1 shows that Indonesia's tax ratio remains below the 15% standard for developing countries, indicating high levels of tax evasion in Indonesia.



Sumber: Direktorat Jendral Pajak dan Kementrian Keuangan

Figure 1 Indonesia Tax Ratio

The food and beverage subsector of the manufacturing industry makes a strategic contribution to the national economy, playing a significant role in GDP and demonstrating consistent growth. However, tax revenue from this subsector is relatively out of proportion to its economic value added, suggesting the possibility of aggressive tax planning. In 2016, the sub-sector's GDP reached Rp 586.5 trillion, or 6.2% of the total national GDP of Rp 9,433 trillion. Growth in this subsector remained above the national average; in the third quarter of 2017, it increased by 9.46% year-over-year (YoY) to Rp 166.7 trillion, while national economic growth was only 5.06% year-over-year (. Companies in the food and beverage subsector generate significant economic value, but their tax contributions are very minimal. There is a correlation between GDP growth and tax revenue growth. However, the rate of increase is not always the same; it can be smaller or larger. One hypothesis for Indonesia's low tax ratio is that tax revenue growth is slower than GDP growth (Adriansyah, 2014). The tax contribution of the food and beverage subsector in 2017 was 7.53%, while the national tax ratio was 10.7%. This discrepancy indicates tax avoidance by companies in that subsector (Rahayu, 2020).

PT Indofood Sukses Makmur Tbk (INDF) was found to have engaged in tax avoidance practices amounting to Rp 1.3 billion. This practice occurred when the company established a subsidiary and transferred the assets, liabilities, and operations of the Noodle Division to PT Indofood CBP Sukses Makmur Tbk (ICBP), as a business expansion strategy to reduce taxes. However, the Directorate General of Taxes (DJP) still assessed the company for unpaid taxes totaling Rp 1.3 billion (Gresnews, 2013).

A company may be suspected of engaging in tax avoidance if the CETR is lower than the STR, whereas if the CETR approaches the STR, this indicates a low level of tax avoidance (Tebiono & Sukadana, 2019). CETR indicates the amount of current taxes paid on annual pre-tax profit, while STR is the corporate tax rate officially set by the tax authority. Under Indonesia's current Income Tax Law, the corporate tax rate is 22% for 2020 and 25% for years prior to 2020.

As an obligation, taxes impact the reduction of a company's net profit available for investment funding, dividends to shareholders, or business development and will affect the company's operational sustainability. Meanwhile, optimizing tax revenue is crucial for the government to ensure the national budget can be allocated for funding public facilities, including infrastructure, education, and the healthcare sector. As taxpayers, companies sometimes exploit loopholes in tax regulations—so-called "grey areas"—which are regulatory gaps between lawful and unlawful tax practices. Companies that aggressively seek to reduce their tax liabilities are considered to be engaging in tax aggressiveness, whether in legal (tax avoidance) or illegal (tax evasion) forms. Mardiasmo (2019:13) explains that tax avoidance is a strategy to minimize the tax burden while remaining compliant with regulatory provisions.

The self-assessment system is one of the tax collection methods in Indonesia, allowing taxpayers to estimate and determine the amount of tax owed autonomously (Mardiasmo, 2019:9). This mechanism enables taxpayers to reduce the tax paid through the management of corporate expenses (Astuti, 2016). Tax avoidance practices aim to reduce the tax liability while remaining within the legal framework as stipulated by law. This issue is complex because, although legal, the government does not want this practice to occur, as it can reduce state revenue and affect the smooth progress of national development. Therefore, empirical research is needed to examine the determinants contributing to tax avoidance practices in the food and beverage subsector, such as related party transactions, firm size, and sales growth.

One of the determinants of tax avoidance practices is related-party transactions, which refer to the transfer of assets, services, or liabilities between the reporting entity and its affiliates. Pricing in such transactions does not always consider market value (PSAK No. 224). Agency theory suggests that this phenomenon can create a conflict of interest between company owners and managers (Jensen & Meckling, 1976). It is these related-party transactions that are key to the occurrence of unfair transfer pricing. The higher the volume of transactions within a corporate group, the greater the value of transfer pricing. Financial difficulties faced by a company can increase the risk of bankruptcy. To ensure the company's survival, management engages in tax avoidance practices (Mahardhika & Surjandari, 2022). Studies by Meilia & Adnan (2017) and Helvin & Trisnawati (2020) found that RPT influences tax avoidance. This contrasts with Aryotama & Firmansyah (2019), who showed that RPT has a negative effect on tax avoidance.

Firm size is considered the final determinant that potentially influences tax avoidance practices. Firm size, which can be assessed through total assets, revenue, or market capitalization, has implications for the tax liabilities incurred. Large corporate entities face relatively high tax burdens but can utilize advanced tax planning strategies, such as transfer pricing, to reduce their tax liabilities. According to Moeljono (2020) and Fatimah et al. (2021), large-scale corporate entities possess more significant assets and broader potential for tax reduction. In line with Nyman et al. (2022) and reinforcing the Political Cost Hypothesis, which suggests that large corporate scale is associated with higher political pressure and may lead to the use of accounting strategies to reduce reported profits while maximizing tax efficiency. Nevertheless, research by Melawati and Ahalik (2023) shows the opposite effect, where large companies tend to reduce tax avoidance practices to maintain their public reputation.

In the course of their operations, companies inevitably experience fluctuations in sales. One of the determinants influencing tax avoidance practices is sales growth, estimated as the increase in sales relative to the previous period (Harahap, 2018:309). Increased sales indicate strong operational performance and are typically accompanied by rising profits, thereby increasing tax liabilities. To reduce the tax burden, companies tend to engage in tax avoidance (Oktamawati, 2017). Empirical support from the studies by Fadhillah (2023), Salma Mustika Ainniyya et al. (2021), and Mahanani et al. (2017) demonstrate a positive contribution of SG to TA; on the other hand, Hidayat (2018) reports a negative effect, and Firdaus & Poerwati (2022) state there is no significant effect.

These identified phenomena, along with the discrepancies in previous research findings, prompted this study to analyze the effects of related-party transactions, firm size, and sales growth on tax- -avoidance among companies in the food and beverage subsector listed on the Indonesia Stock Exchange (IDX) from 2017 to 2024.

LITERATURE REVIEW AND HYPOTHESIS FORMULATION

Agency Theory

Agency theory describes the dynamics of conflict between management and shareholders triggered by a clash of interests (Jensen & Meckling, 1976). This misalignment of objectives creates an information asymmetry gap. The fundamental principle of agency theory lies in the contractual relationship between managers (agents) as the authorized party and investors (principals) as the authorizing party. Conflicts of interest arise because both parties naturally seek to maximize their personal gains based on the information they possess. On one hand, shareholders demand that managers optimize their welfare; on the other hand, managers also have an incentive to pursue their own financial interests. This misalignment of objectives within the contractual relationship ultimately gives rise to what is known as the agency problem.

Positive Accounting Theory

Watts and Zimmerman (1986) define Positive Accounting Theory as a framework that explains the process of selecting accounting policies by utilizing technical knowledge and understanding to address future conditions. This theory highlights management's flexibility in choosing among various available accounting policy alternatives, whether to minimize operating costs or to optimize firm value. In the context of tax aggressiveness, management often faces a dilemma: high current-period profits imply a large tax burden. Therefore, management tends to implement strategies to allocate profits from the current period to future periods in order to reduce the company's tax liability (Amalia, 2021).

Related Party Transaction

A related-party transaction is a transfer of resources, services, or obligations between the reporting entity and related parties, regardless of whether a price is charged (PSAK No. 224). Transactions involving credit purchases or loans from related parties result in the recognition of trade payables in the company's statement of financial position. When a purchase is made from a related party, the purchase price can be set in accordance with the interests of the related party. When a company sets a lower purchase price, the company's liabilities decrease, the cost of goods sold recorded is lower, and this is followed by increased profit (Pratiwi, 2020). The agency theory perspective reveals an incentive for managers or agents to increase the company's profit. This is done so that tax expenses, which have the potential to reduce profits, do not negatively impact the compensation they receive as a form of performance reward (Mahardhika & Surjandari, 2022). In practice, the management of such tax burdens is often realized through tax avoidance strategies, one of which involves related-party transactions—a mechanism commonly found in the business context in Indonesia (Belinda, 2016). Research conducted by Meilia & Adnan (2017) and Helvin & Trisnawati (2020) found that RPTs influence tax avoidance. This contrasts with Aryotama & Firmansyah (2019), who found that RPTs have a negative effect on tax avoidance.

H1: Related-party transactions have a positive effect on tax avoidance

Firm Size

Company size reflects the scale of an entity, which is determined by various factors, such as market reach, industry sector, and financial indicators including total assets, sales, and market capitalization. According to Law No. 20 of 2008, business classifications in Indonesia (from micro to large) are specifically measured based on asset thresholds and annual revenue, with total assets often serving as the primary indicator of operational capacity. Within the framework of positive accounting theory, a company's scale is a determining factor in accounting policies, particularly regarding tax efficiency. Zain and Widiastuti (2024) explain that large companies possess the resources to leverage accounting flexibility to reduce tax burdens or avoid political pressure. This is also noted by Moeljono (2020), who states that large-scale corporate entities possess more significant assets and broader potential for tax reduction. In line with Nyman et al. (2022), who suggest that large corporate scale is associated with higher political pressure and may involve the use of accounting strategies to reduce reported profits while maximizing tax efficiency. Nevertheless, research by Melawati and Ahalik (2023) shows the opposite effect, where large companies tend to reduce tax avoidance practices to maintain their public reputation.

H2: Firm Size Has a Positive Effect on Tax Avoidance

Sales Growth

According to Harahap (2018:309), sales growth is the difference between the sales figure for the current period and that of the previous period. Sales growth indicates the extent to which a company can increase its sales compared to the previous period. In this study, agency theory is used to support the idea that companies with high Sales Growth rates have good performance and their profits tend to increase, so their tax payments will also be high; consequently, management will engage in tax savings and tend to avoid taxes or engage in tax savings through Tax Avoidance (Oktamawati, 2017). High sales growth enables agents to engage in opportunistic behavior, thereby increasing the likelihood of tax avoidance. Thus, sales growth has a positive effect on tax avoidance. Empirical support from the studies by Fadhillah (2023), Salma Mustika Ainniyya et al. (2021), and Mahanani et al. (2017) demonstrates a positive contribution of SG to TA; on the other hand, Hidayat (2018) reports a negative effect, and Firdaus & Poerwati (2022) state there is no significant effect.
H3: Sales Growth has a positive effect on Tax Avoidance

RESEARCH METHODS

This study adopts a quantitative approach with a causal explanatory design. The research focuses on companies in the food and beverage subsector listed on the Indonesia Stock Exchange during the 2017–2024 period.

The subject of this study is companies in the food and beverage subsector listed on the IDX during the 2017–2024 period. The data utilized consists of secondary data, specifically annual financial reports accessed through the IDX's official website and related publications. The sample was selected using purposive sampling based on the following criteria: (1) Companies in the food and beverage subsector listed on the IDX during the 2017–2024 period; (2) Companies that did not conduct an IPO during the analyzed period; and (3) Companies that consistently published complete annual financial reports throughout the entire study period.

From a total population of 43 companies, 10 companies were selected as the study sample, comprising a total of 79 observations. The dependent variable in this study is tax avoidance, estimated using the book-tax difference (BTD). The BTD is used to identify the level of a company's tax avoidance, where a more significant difference between accounting profit and taxable profit, after being scaled against total assets, indicates an increased tendency toward tax- -avoidance. The independent variables in this study include: (1) Related-party transactions (RPT), measured using Specific Liabilities (SPECliab) as per Pakpahan and Kurnia (2022); (2) Firm size, assessed based on the natural logarithm of total firm assets (Titman & Wessels, 1988); (3) Sales growth, measured based on the change in current-year sales compared to the previous year (Kasmir, 2019).

The research data was analyzed using panel data regression with the support of EViews 13 software. The panel data method was chosen due to its ability to combine time series and cross-sectional data, which can comprehensively reflect the dynamics of inter-period changes as well as differences in characteristics among firms (Basuki & Prawoto, 2017). Prior to the regression analysis, descriptive analysis was used to present the characteristics and nature of the study variables. The applied panel data regression model is formulated as follows:

$$\mathbf{BTD_{it}} = \alpha + \beta_1 \mathbf{RPT_{it}} + \beta_2 \mathbf{SIZE_{it}} + \beta_3 \mathbf{FS_{it}} + \mathbf{e_{it}}$$

Note:

Y	= Tax avoidance
α	= Constant
β (1, 2, 3)	= Regression coefficient for each independent variable
X_1	= Related party transaction
X_2	= Firm size
X_3	= Sales growth

e = Error term
i = Company
t = Time

RESULTS AND DISCUSSION

Descriptive Statistical Analysis

Referring to Table 1, a total of 79 observations were analyzed, obtained from 10 companies. The dependent variable, tax avoidance, measured using BTD, had a minimum value of -0.0660 (PT Sekar Bumi Tbk, 2024) and a maximum of 0.0452 (PT Siantar Top Tbk, 2019). The mean value of tax avoidance is 0.0002 with a standard deviation of 0.0201, indicating a low level of tax avoidance and moderate data variation.

The related-party transaction variable has a minimum value of 0.0000 for PT Siantar Top Tbk in 2021 and a maximum value of 0.1385 for PT Wilmar Cahaya Indonesia Tbk in 2024. The mean value of RPT is 0.0133 with a standard deviation of 0.0249, indicating that the level of related-party transactions among companies in the sample varies.

Measuring firm size using the natural logarithm of total assets shows a minimum value of 27.1789 for PT Sekar Laut Tbk (2017) and a maximum value of 32.9379 for PT Indofood Sukses Makmur Tbk (2024). The mean firm size is 29.5628 with a standard deviation of 1.7312, reflecting differences in company scale within the research sample. Meanwhile, the sales growth variable has a minimum value of -0.3395 at PT Delta Djakarta Tbk in 2020 and a maximum value of 0.5040 at PT Sekar Bumi Tbk in 2020. The mean value of sales growth is 0.0873 with a standard deviation of 0.1454, indicating fluctuations in the companies' sales growth during the observation period.

Table 1. Descriptive Statistical Analysis

	X1	X2	X3	Y
Mean	0.013390	29.56278	0.087389	0.000221
Median	0.004135	29.04938	0.078828	0.000881
Maximum	0.138562	32.93787	0.504026	0.045257
Minimum	0.000003	27.17891	-0.339485	-0.066037
Std. Dev.	0.024904	1.731217	0.145364	0.020133
Observations	79	79	79	79

Classical Assumption Tests

Multicollinearity Test

This test aims to check for correlations among the independent variables. Ideally, the correlation values should be below 0.8. The test results in Table 2 show correlation values of -0.242427, 0.151445, and 0.061247, all of which are < 0.8, so multicollinearity was not detected.

Table 2. Multicollinearity Test

Variabel	X1 (RPT)	X2 (*Firm Size*)	X3 (*Sales Growth*)
X1 (RPT)	1.000000	-0.242427	0.151445
X2 (*Firm Size*)	-0.242427	1.000000	0.061247
X3 (*Sales Growth*)	0.151445	0.061247	1.000000

Heteroscedasticity Test

The purpose of this test is to check for unequal residual variances across observations. An ideal model should satisfy homoscedasticity, indicated by a probability value above 0.05. The results of the heteroscedasticity test in Table 3 yield p-values of 0.9009 for X1, 0.4544 for X2, and 0.7191 for X3, all of which exceed 0.05, so heteroscedasticity is not detected.

Table 3. Heteroscedasticity Test

Variabel	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.071052	0.107669	-0.659907	0.5116
X1 (RPT)	0.012285	0.098236	0.125056	0.9009
X2 (*Firm Size*)	0.002741	0.003643	0.752467	0.4544
X3 (*Sales Growth*)	-0.003019	0.008360	-0.361161	0.7191

Panel Data Regression Model Selection

This approach allows for the analysis of changes in variables over time as well as differences in characteristics across firms, resulting in more accurate and informative estimates compared to simple regression. In panel data regression, three estimation models are commonly applied: *the Common Effects Model* (CEM), *the Fixed Effects Model* (FEM), and *the Random Effects Model* (REM). Each model has different assumptions regarding the presence of firm-specific effects. Therefore, statistical tests are a crucial step in selecting the model that best reflects the characteristics of the research data.

This study uses the Chow Test to assess the fit between the CEM and FEM, as well as the Hausman Test to determine the best choice between the FEM and REM in the panel data regression model. The selected model serves as the basis for hypothesis testing. The results of the Chow Test (Table 4) show a p-value of 0.0000 (<0.05), indicating that the FEM is more appropriate than the CEM.

Table 4. Chow Test

Effects Test	Statistic	d.f.	Prob.
Cross-section F	6.795582	(9, 66)	0.0000
Cross-section Chi-square	51.807666	9	0.0000

The results of the Hausman test (p = 0.0249) show that FEM is more appropriate than REM; therefore, the panel data regression analysis uses FEM.

Table 5. Hausman Test

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	9.355174	3	0.0249

The findings show that the p-value of 0.0249 < 0.05, indicating that the more appropriate model to apply is FEM.

Panel Data Regression Analysis

The test results indicate that FEM is the appropriate model for this study. The use of FEM aims to accommodate *unobserved heterogeneity*—differences in individual firm characteristics—which are assumed to be constant over the study period. The estimation results using FEM are presented in Tables 6 and 7. Based on these findings, the regression equations are as follows:

Table 2 Panel Data Regression Analysis

Variable	**Coefficient**	**Std. Error**	**t-Statistic**	**Prob.**
C	-0.343190	0.171280	-2.003671	0.0492
X1	-0.052228	0.156273	-0.334208	0.7393
X2	0.011648	0.005795	2.010048	0.0485
X3	-0.002690	0.013300	-0.202266	0.8403

Table 7 Panel Data Regression Model

Statistic	Value	Statistic	Value
R-squared	0.508246	Mean dependent var	0.000221
Adjusted R-squared	0.418836	S.D. dependent var	0.020133
S.E. of regression	0.015348	Akaike info criterion	-5.366360
Sum squared resid	0.015547	Schwarz criterion	-4.976451
Log likelihood	224.9712	Hannan-Quinn criter.	-5.210151
F-statistic	5.684450	Durbin-Watson stat	1.387488
Prob(F-statistic)	0.000001		

The constant value of -0.343190 implies that when all independent variables are assumed to be constant, the level of *tax avoidance*—proxied by *the Book-Tax Difference* (BTD)—tends to be negative. The RPT coefficient is -0.052228, indicating a negative relationship between RPT and *tax avoidance*. However, this relationship is not statistically significant, so an increase or decrease in related-party transactions does not significantly affect the firm's tax avoidance rate.

The *firm size* coefficient is positive at 0.011648 and statistically significant at the 5% level. This finding suggests that larger corporations tend to engage in *tax avoidance*—holding other variables constant—indicating a higher capacity for tax planning. Meanwhile, the *sales growth* coefficient is -0.002690 and is not statistically significant. This indicates that sales growth does not contribute significantly to *tax avoidance*; thus, changes in sales volume do not automatically motivate companies to reduce their tax liabilities.

R^2 of 0.4188 indicates that 41.88% of the variation *in tax avoidance* is explained by RPT, *firm size*, and *sales growth*, with 58.12% influenced by other variables. The Prob (F-statistic) value of 0.000001 (<0.05) confirms the simultaneous significance of the regression model.

The specific panel data regression equation is formulated as follows:

$$BTD_{it} = \alpha + \beta_1 RPT_{it} + \beta_2 SIZE_{it} + \beta_3 FS_{it} + e_{it}$$

Thus, the panel data regression equation obtained from the data analysis in *Eviews 13* using FEM is:

$$BTD = -0.343190 + (-0.052228X_1) + 0.011648X_2 + (-0.002690X_3)$$

The constant is -0.3431. A 1% decrease in *related party transactions* reduces *tax avoidance* by 0.0522, a 1% increase in *firm size* increases *tax avoidance* by 0.0116, and a 1% decrease in *sales growth* reduces *tax avoidance* by 0.0026.

T-Test Results

Referring to Table 6, the Prob. value for the RPT variable is 0.7393 > 0.05, indicating no significant impact on the *tax avoidance* variable. The Prob. value for the *firm size* variable is 0.0485 < 0.05, meaning it contributes significantly to the *tax avoidance* variable. The Prob. value for the *sales growth* variable is 0.8403 > 0.05, meaning it does not contribute significantly to the *tax avoidance* variable.

F-Test Results

Based on Table 7, the *F-statistic* value is 5.684450 with a Prob. value of 0.000001 < 0.05, indicating that the variables *related party transactions, firm size*, and *sales growth* simultaneously contribute significantly to the *tax avoidance* variable.

Coefficient of Determination (R^2) Results

Referring to Table 7, the R^2 value of 0.418836 indicates that the variables *related party transactions, firm size*, and *sales growth* can explain 41.8% of the variation in *tax avoidance*, while the remaining 58.2% is attributed to other determinants outside the scope of this study.

DISCUSSION

The Effect of *Related Party Transactions* (RPT) on Tax Avoidance

The analysis reveals that RPT does not affect tax avoidance, indicating that related-party transactions are not being used aggressively for tax avoidance purposes**.** Theoretically, this result can be explained by *signaling theory* (Spence, 1973), whereby companies that transparently disclose RPT send a positive signal to the market and regulators regarding their adherence to effective corporate governance practices. Under such conditions, management tends to avoid aggressive tax planning practices that could potentially lead to reputational risks and regulatory sanctions, even though RPT has the potential to be used for profit shifting between entities.

The findings of this study are consistent with those of Sismanyudi and Firmansyah (2022), who state that adequate disclosure of related-party transactions can reduce the tendency toward manipulative practices, including tax avoidance. In contrast, Helvin and Trisnawati (2020) found a positive effect of RPT on *tax avoidance*, which generally occurs under conditions of weak external oversight. Thus, the non-significant effect of RPT in this study indicates that the sample companies tend to use RPT for legitimate operational efficiency purposes, rather than as a primary instrument in tax avoidance practices.

The Effect of *Firm Size* on Tax Avoidance

The test indicates that *firm size* has a positive impact on *tax avoidance*. Large corporations have the potential to engage in tax reduction more intensively, as they possess the expertise, systems, and access to adequate tax consultants to implement complex and structured tax planning strategies. This is consistent with Moeljono (2020) and Fatimah et al. (2021), who suggest that large corporate entities have optimal opportunities to formulate tax management strategies to minimize their tax burden.

The findings of this study also support *the Political Cost Hypothesis*, which suggests that large companies are subject to greater political scrutiny and public oversight. To mitigate this pressure, companies may employ specific accounting policies and tax strategies to reduce reported profits and optimize tax liabilities. Thus, company size can be considered a key factor influencing tax avoidance practices.

The Effect of *Sales Growth* on *Tax Avoidance*

The findings of the analysis reveal that *sales growth* does not have a significant impact on *tax avoidance*. This indicates that variations in sales growth rates do not automatically determine a company's tendency to reduce its tax liabilities.

Rapid increases in sales are not always accompanied by growth in net profit, as they are often accompanied by escalating production, distribution, and operational costs. This suggests that increased sales do not necessarily drive companies to expand their tax avoidance practices. This aligns with Langi et al. (2023), who found that SG does not have a significant contribution to TA.

Furthermore, from an agency theory perspective, managers focused on short-term performance tend to prioritize achieving net profit rather than solely increasing sales (Scott, 2015). Therefore, *sales growth* is not the primary determinant in management decisions regarding tax avoidance. In line with Astuti et al. (2020), who state that increasing sales growth can be accompanied by an increase in assets, thereby limiting the company's flexibility in aggressive tax planning.

CONCLUSION

This study examines the impact of related-party transactions, firm size, and sales growth on tax avoidance in food and beverage companies listed on the Indonesia Stock Exchange during the 2017–2024 period. The findings indicate that firm size has a positive and statistically significant effect on tax avoidance, whereas related-party transactions and sales growth do not have a statistically significant effect. These results suggest that larger firms possess greater capacity and resources to engage in tax planning activities.

From a theoretical perspective, these findings support the Political Cost Hypothesis within Positive Accounting Theory, which explains that larger firms tend to manage their tax burden in response to greater political and regulatory pressures.

Practically, this study implies that tax authorities should prioritize monitoring larger firms, as they are more likely to engage in tax avoidance practices. Future research is recommended to incorporate additional variables, such as corporate governance, profitability, or audit quality, and to expand the scope to other sectors to provide more comprehensive insights into tax avoidance behavior.

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