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Do Firm Characteristics Influence Tax Risk?

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Abstract

Tax risk in a way wide defined as gathering from all over the risk that will give rise to the consequences are not desired from position taxation, one of them in amount taxes are not certain and true tax avoidance. The aim of this study is to examine whether the firm characteristics influence firm tax risk. Indicators that become variable characteristics of a company consists of size, profitability, growth in sales, and financial constraints. The population in this research is company manufacturing listed on the Indonesian Stock Exchange in 2020-2021. The retrieval method used in this research was purposive sampling and 94 samples were collected. The type of data used is secondary data taken from www.idx.co.id. The result of the study indicated that size, profitability, and growth sales were not effects on tax risk. However, financial constraint are proven to have a significant positive effect on tax risk.

Keywords
Tax Risk, Company Size, Profitability, Growth Sales, Financial Constraints

1. Introduction

As a source of income, the country's highest tax support in various interest societies and the state within various fields. Because it becomes an obligation for every person or entity to pay tax to the country as regulated in Law (UU) No. 7 of 2021, Article 2 Paragraph 1 concerning obligation taxation must be fulfilled by the taxpayer when has fulfilled conditions subjective and objective. However, compare the compare backwards with the taxpayer who pays it. Because I think that tax is the biggest expense for a number of companies (Kovermann, 2018).

If there is a difference in view, then the tax imposed on taxpayers is based on its characteristics, viz nature subjective with the nominal amount charged in accordance with the income he receives, especially on a company. If you get big income, then level imposition the taxes will too big whereas acquiring company income a little, then imposition the taxes will too A little. Thus, characteristics imposition tax will relate to a number of characteristics of a company.

Tax avoidance is an effort made by a company to minimize tax when maximizing income, it can produce savings appropriate to tax with regulation (Karimah & Taufiq, 2016). This practice has been applied for a long time with the objective of increasing the performance of the company. However, if practice tax avoidance is applied for a long time, it will give rise to uncertainty on the magnitude of the tax that becomes an obligation for the company. In this research, it is suspected company will experience tax risk. Tax risk is the condition under which inconsistency in the position of a tax company is caused by less adequate performance carried out to maintain taxes paid for a long period of time (Dewi & Ardiyanto, 2020). *Tax risk* happens when a company's amount of tax company in position no that must be the cause because there are a number of factors in company. One of the suspected factors affecting tax risk is the characteristics of company, like company size, Profitability, Sales Growth, and Financial Constraints.

This research uses company manufacture as an object study because it owns diverse sectors, scales diverse companies, and has criteria characteristics suitable for the study so that it can look for its influence on the risk amount of tax burden that can be confirmed. Analyzing research related to tax risk is very limited, so this research becomes a novelty proxy research size company, profitability, growth sales, and financial constraints to prove that there is influence on tax risk companies.

So far, research discussing the influence of company characteristics on tax risk is very limited and usually only discusses tax avoidance. So this study uses previous research, which still has implications for the study to be conducted. Rani (2017), Sari et al. (2022), and Siregar & Widyawati (2016) say that company size influences tax

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avoidance, which can give rise to tax risk. Regarding profitability, according to Hidayat (2018), Sari et al. (2022), and Sembiring & Sa'adah (2021), profitability influences tax avoidance. Research on sales growth has also been carried out by Hidayat (2018) and Sembiring & Sa'adah (2021), who state that sales growth has an effect on tax avoidance. Apart from that, research on financial constraints has been carried out by Rachmawati and Fitriana (2021), who state that financial constraints have an effect on tax aggressiveness. Thus, this shows that there is still no previous research that discusses tax risk. Therefore, this research will fill the gap by predicting the influence of company size, profitability, sales growth, and financial constraints on tax risk.

Based on the description of the background above, where are the size of the company, profitability, growth sales, and financial constraints. In connection with the uncertainty of the amount of burden taxes will be paid, it is important to know its influence on tax risk, which is a possibility. Therefore, this research has data updates with a use period of 2020–2021 and takes the title “Do Firm Characteristics Influence Tax Risk?”.

1.1 Objectives

1. To research and analyze the effect of company size on tax risk.
2. To research and analyze the effect of profitability on tax risk.
3. To research and analyze the effect of sales growth on tax risk.
4. To research and analyze the influence of financial constraints on tax risk.

2. Literature Review

Agency Theory

Jensen & Meckling (1976) define agency as a connection between agent and tied principal in an agreement contract where principal gives task to agent for interest principal. Implementation practical from theory agency can seen in governing employment contract distribution rights and responsibilities answer each party with still consider profit in a way whole.

Risk level taxes that occur in a company, regardless of policies adopted by the leadership executive company. According to Budiman (2012), executives who are characteristic risk-takers tend to take action in tax avoidance, which can give rise to tax risk. Because of the leader company's characteristic risk-taking trend, take risky decisions tall (Low, 2006). In this context, conflict appears in the form of a contradiction of interest between the tax authorities and taxpayers. The Tax Authority hopes to get large income taxes, while it is mandatory to try to reduce burden taxes are mandatory paid. This difference in perspective leads to conflict of interest.

Tax Risk

Tax risk is a risk that occurs if a company has a total load. Taxes are not certain because there are factors that arise in system planning taxes carried out by companies, one of which is tax avoidance. In their research, Saragih & Ali (2023) state that tax risk, in a way defined as gathering from all over the risk that will give rise to the consequences, is not desired from position taxation. In turn, tax risk can cause a company to pay a fine, face monetary loss tax, experience pressure on finances, and have an exposed impact on its significant reputation (Neubig & Sangha, 2004). In Lastiati et al. (2020), it was found that concentrated ownership strengthens the relationship between tax avoidance and the cost of debt, while the existence of second-largest owners weakens the relationship. However, by using risk management, management can foresee these risks since they have a major impact on achieving targets, which will undoubtedly damage a business's sustainability (Wahyuni & Novita, 2021).

Hypothesis Study

The Effect of Company Size on Tax Risk

Company size becomes a very influential basis in taking decisions. This also has an influence on the amount of taxes that will be paid, from company to state. With increasing size, the more the taxes will be paid. Likewise, if the size of the company is small, the tax imposed will be small too. In terms of taxation, size of company can influence the amount of tax risk that exists for a company because the amount is not uncertain, so that pushes the company into tax avoidance that can give rise to tax risk. In research conducted by Sari et al. Al. (2022) states that size is an influential and significant positive factor in tax avoidance. However, research in line with research conducted by Azizah and Muniroh (2023) stated that size company influence is not significant to tax avoidance, as well as research conducted by Sembiring and Sa’adah (2021) states that size company influence is not significant to tax avoidance.

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With exists factor tax avoidance that's what can be done cause company own tax risk or tax riskes incurred Because exists uncertainty amount tax in payment tax company. There are several differences in the results of this study. In this hypothesis, it will be tested with conjecture that a company's own influence on tax risk. Apart from that, tax avoidance can also be carried out by the company, whether small or large, to pay little tax. Thus, the hypothesis will be tested in the study, which is:

H_1: Company size has an effect on tax risk

The Effect of Profitability on Tax Risk

Profitability has a close relationship with profit and performance in a company. In calculating profitability, the most important factor to consider is Friday's assets owned and profits earned by the company. In research conducted by Sari et al. (2022) and Sembiring & Sa'adah (2021), they state that profitability is a significant negative for tax avoidance. It means when profitability is high, the company tends to avoid tax. On the other hand, if a company's profitability is low, it will likely engage in tax avoidance. With tax avoidance, a company will experience tax risk because taxes will be paid without its own certainty. In contrast to research conducted by Kosalia et al. (2022), which proves that profitability has a significant positive effect on tax avoidance, which means that the higher the company's profitability, the higher the level of tax avoidance, This happens because when a company is maximizing its income, it tends to avoid taxes so that the amount it owes is small. Thus, this research will test variable profitability against tax risk and guesswork that profitability has an influence on tax risk. Therefore, this hypothesis will be tested as follows:

H_2: Profitability has an effect on tax risk

The Effect of Growth Sales on Tax Risk

Growth sales becomes a desired factor company for developing his business with maximizing activity business for reaching objective. When profit from results-driven growth of existing sales is high, usually a company will keep going, maintain, and improve performance for sustainable sales growth. So that company tends to do tax avoidance. That is what creates a company's own tax risk as a result of tax avoidance. This was also conveyed by Dewinta & Setiawan (2016), who said that companies tend to avoid tax avoidance if they experience growth sales because the profit they obtain are currently high and they want to defend them.

In research conducted by Sembiring & Sa'adah (2021) and Hidayat (2018), they state that growth sales are influential and significant to tax avoidance It means that the higher the growth in a company's sales, the lower the tax risk for the company. In line with that, this research surmises that growth is influential on tax avoidance carried out by companies and can be one reason for tax risk if companies apply tax avoidance for a long period of time. So this research suspects the following hypothesis:

H_3: Growth Sales has an effect on tax risk

The Effect of Financial Constraints on Tax Risk

Financial Constraints can happen anytime in the company when experience limited funding, fine from difference capital costs of source internal funding as well external funding (Kaplan & Zingales, 1997). When there is a financial constraint, a company tends to do business to reduce the tax with various methods. Because of the source, financing such as debt or equity will be more difficult to obtain (Rachmawati & Fitriana, 2021). Research conducted by Rachmawati & Fitriana (2021) and A'alia & Rachmawati (2022) shows that financial constraints have a positive effect on the level of aggressiveness tax. Aggressiveness tax is an effort made by a company to reduce the amount of obligation taxation by applying planning legal taxes (tax avoidance) as well as illegal taxes (tax evasion). This is what happened: base A company does not yet have its own amount of burden definite tax. If the work is completed over a long period of time, the company is likely to face tax liabilities.

Research carried out by Rachmawati et al. (2023) showed that the higher the level of financial and complementary tax aggressiveness, the greater the risk arising from the rate of error or fraud reporting performed by the company (fraud risk), and in general, tax aggressiveness occurs in countries with low rates of tax compliance as well as in countries with high rates of fiscal compliance because they tend to have low levels of tax aggressiveness. (Rachmawati et al., 2020). In estimation, the hypothesis used is:

H_4: Financial Constraints has an positive effect on tax risk

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Operationalization Variable

Variable Dependent

In this study, tax risk is variable dependents used. This research will test the influence of a number of characteristics of companies on tax risk with a number of factors that become the basis for calculation of tax risk and variables in an independent study. BTD, or book tax difference, is the difference that occurs between the accounting profit (profit before tax) and the fiscal profit (taxable income) of the company. A negative BTD value means that fiscal profit is greater than accounting profit. The BTD will have a different meaning when the value is absolute, that is, the company appears to have an accounting profit that is greater than its fiscal profit (Rachmawati & Martani, 2014). To obtain the amount of taxable income, it is obtained from the division between the current tax burden and the applicable corporate income tax rate in accordance with the law. BTD is also one of the causes of tax risk if book differences are high, giving rise to aggressive tax reporting (Rachmawati & Martani, 2017).

To get the amount of income hit tax, earned from results distribution between burden tax and tariff applicable corporate income tax in accordance with the Constitution. In using BTD as a calculation of tax risk, this research also uses a volatility/uncertainty basis (Hamilton & Stekelberg, 2017). Then, uncertainty is calculated with the standard deviation of total BTD divided by total assets during three years (t-1 to t+1 or years previous, year running, and year next). by total assets during three years (t-1 to t+1 or years previous, year running, and year next).

Variable Independent

Company Size

Company Size For measurement, each company included in the category is small, medium, or large. This variable uses a formula with a count from the natural log (LN) of total assets owned during the period studied. According to Asri et al. (2016), the size of a company is measured by the total value of assets owned by a person company. This is also implemented by Rani (2017), Sari et al. (2022), Soraya & Rachmawati (2021), and Apriwenni & Gloria (2020), which use LN total assets as the calculation size for the company.

Profitability

Profitability is something ratio finances carried out for count ability company to gets profit in the period certain. Apart from the ability to produce profit, profitability is also carried out to determine the effectiveness of the management company in managing assets owned by the company (Apriwenni & Gloria, 2020). In ratio profitability, there are a number of types of ratios done for a company's ability to obtain profit. One of them is Return on Assets (ROA), which is a ratio that compares profit with total assets. A number of studies were previously done by Sari et al. (2022) and Hidayat (2018) using ROA as a measurement of profitability.

Growth Sales

Growth Sales is a ratio used to evaluate enhancements in sales volume from one period to the next. How to measure growth in sales is to count the difference between the sale end period in the year and the sale end period in the year before, then divide the result by the sales end period year previously (Swingly & Sukartha, 2015). Growth sales have an impact on management strategies tax companies because when companies experience growth sales, this will result in enhanced profit for the company, and because that's an increase in burden tax.

Financial Constraints

In research, this uses three measurements newly developed by Rachmawati et al. (2019) and also A'alia & Rachmawati (2022) done by and Rachmawati & Fitriana (2021) those who do it merger three measurements. For count financial constraints, use analysis confirmatory with count Net Debt Ratio or Net Debt Ratio, Interest Coverage Ratio or Ratio Interest Coverage, and Dividend Payout Ratio or Ratio Payment Dividends.

Analysis factor confirmatory is a method used to evaluate constructs that can be measured from various observed variables, where the number and composition of observed variables have been determined previously by theory (Arieftiara, 2017). With utilize analytical models factor confirmatory this, research can measure with accurate validity construct the. The higher the FINCON value, the greater the constraints on finances faced by the company (Rachmawati et al., 2019).

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As for the three measurements used for count level financial constraints, the company is as follows:

Net Debt Ratio

In this study, performance-related finances with difficulty in financing are measured with the use of the net debt ratio (Linck et al., 2013). High net debt ratios may face difficulty financing because of limitations on their internal funding. This net debt ratio is normalized with total assets for year t.

Interest Coverage Ratio

Company that owns cost high finances more tend experience difficulty finance compared to with company that owns cost low finances. Study this use ratio scope flower as a proxy for cost finances borne by the company (Claessens et al., 2006). In accordance with findings Claessens et al. (2006) Because exists connection negative between Interest Coverage Ratio and constraints financial, results study more than easy interpreted with multiply mark ratio scope flower with -1.

Dividend Payout Ratio

Ratio payment dividend used as proxy for measure ability company in distribute his income, as is explained in research previously (Almeida et al., 2004; Claessens et al., 2006; Linck et al., 2013; Kurt, 2017). Claessens et al., 2006) put forward that paying company dividend tend own limitations more financially A little compared to with companies that don't pay dividends. Because of the relationship negative between Dividend Payout Ratio and constraints finance, ratio payment dividend multiplied with -1 for make it easier interpretation results.

3. Methods

This research method uses type study quantitative. Study quantitative is conducting research testing using measurement variables with study numbers to determine the relationship or influence of dependent and independent variables. This research uses a population of manufacturers listed on the Indonesian Stock Exchange from 2020 to 2021. Manufacturing companies in Indonesia, of course, compete with each other and exist companies experiencing a number of constraints, so that happens to tax-risk companies.

In accordance with the hypothesis and framework that have been created, this research aims to test characteristics consisting of companies from company size (SIZE), profitability (ROA), growth sales (GROWTH), and financial constraints (FINCON) above their influence on tax risk (TAX_RISK). The regression model will be panel data regression that will be formulated as follows:

$$\boxed{TAX\_RISKit = \beta_0 + \beta_1 SIZEit + \beta_2 ROAit + \beta_3\ GROWTHit + \beta_4\ FINCONit + e}$$

Information:
TAX_RISKit = Tax Risk, company i year t
SIZEit = Company Size, company i year t
ROAit = Profitability level, company i year t
GROWTHit = Growth Sales, company i year t
FINCONit = Financial Constraints, company i year t

4. Data Collection

The selection technique sample used in this research is method purposive sampling, meaning that this research was carried out in a way random with a number of considerations certain and having necessary factors for the study. As for some required criteria in taking samples, they are as follows manufacturing company listed on the Indonesian Stock Exchange from 2020–2021 and not experiencing loss in the year made study; manufacturing companies reported their own completeness of the required data for testing; and manufacturing company with Rupiah currency units and not do delisting during period study.

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5. Results and Discussion

5.1 Numerical Results

Table 1. Statistics descriptive

	N	*Mean*	*Median*	*Std. dev.*	*Min*	*Max*
TAX_RISKit	94	0.021	0.138	0.033	0.003	0.295
SIZEit	94	28,268	28,454	1,919	23,120	31,603
ROAit	94	0.103	0.084	0.077	0.006	0.384
GROWTHit	94	0.096	0.085	0.194	-0.254	0.831
FINCONit	94	0.042	0.045	0.502	-1,059	1,396

From the results observations in the equation above, for variable TAX_RISKit or tax risk company i in year t has the mean is 0.021 which shows that the average variation Book Tax Difference (BTD) in companies sample low and risky the tax low. Standard value deviation in variables tax risk amounts to 0.033 more than the mean, which shows that variable TAX_RISKit has varied observations with a maximum value of 0.295 and a minimum value of 0.003.

On variables SIZEit or size company i in year t has an average of or the mean is 28.268 and the median is 28.454 which is significant that majority company sample own size relative company small. The standard value deviation amounted to 1,919, which is lower than the mark mean, so it shows that the size of the data company No varies, with the mark maximum amounting to 31,603 and a minimum value of 23,120.

The average value of probability is 0.103 and the median is 0.084, which is significant because the company averages high profitability for the total assets it owns. Whereas the standard deviation of ROAit is more than 0.077, which is a significant variable. This has no own data gaps and has a good data distribution with a maximum of 0.384 and a minimum value of 0.006.

On variables GROWTHit, or growth sales, the mean is 0.096 and the median is 0.085, which illustrates that the average company in the sample study experienced high sales growth. Standard value deviation, amounting to 0.194 more than the mark, shows that variable GROWTHit has a varied data distribution with a maximum of 0.831 and a minimum value of -0.254.

Variable FINCON, or constraint finance, is results merger size constraint finance use analysis confirmatory. The variable FINCONit company i in year t has a mean of 0.042 and a median of 0.045, which indicates that the company average sample gives a description of low financial constraints. Standard value deviation of 0.502, which shows a mark more than meaningful means that variable FINCONit has a varied data distribution with a maximum value of 1.396 and a minimum FINCONit value of -1.059.

Analysis Correlation

In analysis correlation will describe connection between variable independent with variable dependent with use *Pearson Correlation.* According to Gujarati & Porter (2009) , said If correlation between variable more of 0.8 then can estimated happen problem multicollinearity in this model.

Table 2. Test results *pearson correlation*

	TAX_RISKit	SIZEit	ROAit	GROWTHit	FINCONit
TAX_RISKit	1,0000				
SIZEit	0.1306	1,0000			
ROAit	0.0445	0.1224	1,0000		
GROWTHit	0.1898	-0.0152	0.0719	1,0000	
FINCONit	0.1747	0.052	-0.5177	0.1944	1,0000

Based on Table 4, shows that mark from coefficient correlation on variables independent own a number not exceeding 0.8. So, it can be said that this research model shows that there is no problem with multicollinearity. These results reflect that variable independent has a positive correlation with variable dependent.

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Results Panel Data Regression

Test Results After selection of the best model with use method Random Effect Model (REM), in Table 5 is results regression Generalized Least Square (GLS) on variables independent size company, profitability, growth sales, and financial constraints to variable dependent tax risk.

Table 3. Analysis results panel data regression (*random effect model)*

Variables	*Predicted Sign*	*Coefficient*	*Std. Err.*	*Z*	*P>[z]*
SIZEit	+/- (H1)	0.00183	0.00179	1.02	0.307
ROAit	+/- (H2)	0.05532	0.05281	1.05	0.295
GROWTHit	+/- (H3)	0.02413	0.01808	1.34	0.182
FINCONit	+ (H4)	0.01378	0.00823	3.34	0.047**
_cons		-0.03894	0.04998	-0.78	0.436
Prob (F Statisitc)	0.0900				
R-squared	0.0829				

**Significant Variable

Based on results regression, variables independent influential positive to variable dependent. It means If variable independent increases, then tax risk company will increase. In Table 7, results from testing simultaneous (F test) show the prob (F statistics) value is 0.0900, which is a significant mark; it is smaller from level significance by 10% or 0.1. Then variable size of the company, profitability, growth sales, and financial constraints are all influential in a way significant to tax risk.

Analysis (Coefficient Determination)

Testing coefficient determination is done to measure deep model capabilities and explain variable extent independent in a way that together influences variable dependent, which is reflected in the adjusted R-squared value with measurement numbers 1 and 0 (Ghozali, 2016). Based on results analysis, panel data regression, and the obtained mark, the R2 coefficient is 0.0829, or 8.29%, which means ability variable size company, profitability, growth sales, and financial constraints explain linkages with tax risk or risk variable tax only amounting to 8.29%. Whereas the rest, amounting to 91.71%, is explained by other variables in this research.

6. Discussion

The Effect of Company Size on Tax Risk

Based on results panel data regression with the Random Effect Model in Table 7, it is known that variable size companies own a mark coefficient as big as 0.00183 and P>[z] of 0.307, i.e., more big than α. This matter shows that **size company is not influentially significant to tax risk, which is a large and small company**. No can determine whether the company has its own tax risk or not. Thus, H1 does not accepted. The research result shows the average of companies in the sample of their own size small company with the use of a natural log proxy of total assets and standard size company according to Regulation Government (PP) Number 7 of 2021, which is in results study.

This shows that big small size companies will be not influential to tax risk. Tax risk will happen if there is marked action tax avoidance carried out by the company for a long time. However, for companies small or large, that would be tax avoidance; of course, other impacts will happen. Based on the Law on Harmonization of Tax Regulations, which was later adjusted in Government Regulation Number 55 of 2022, it is known that for small companies, there are several tax incentives that can be obtained, for example, lower tax rates. Then, with the tax incentives provided by regulators to small companies, these companies no longer need to avoid taxes and are relatively more compliant in the field of taxation (Rachmawati & Ramayanti, 2016). Small businesses can also benefit from the kaizen costing strategy, which is used to give the business an advantage over competitors in its sector. This is because all of the company's operations are designed to demonstrate competence and serve as the cornerstone for achieving excellence in the

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marketplace (Sahri & Novita, 2019). Small companies can also focus on process improvements and customer satisfaction carried out using the Six Sigma approach (Fitria & Novita, 2020). This means that small companies will not be affected by tax risks. Whereas company big who wants do action tax avoidancees will too own impact other. One of them, company big, of course, will get great attention from the government and other parties externally related to total assets and profits earned by the company, so matter the, it often gets attention from tax authorities related to obligation taxation suitable company with regulation occurs, which causes companies to tend to avoid tax avoidance that can give rise to tax risk (Sembiring & Sa'adah, 2021). Usually, large companies, too, will implement good governance to maintain their position and attract investors to their company.

According to Alkausar et al. (2023), a good governance system and an effective company become motivations for companies to adopt responsible policies. Good governance will convey transparency, prevent violations of the law, and emphasize obligation tax as an aspect of ethics that is important. That's what makes it a big company to obey applicable regulation. Then the company, usually big too, will guard the quality of its financial reports because it will show that the system reporting finance company has obeyed applicable and presenting regulations information about relevant finance companies and can be reliable for the stakeholders interest (Alkausar et al., 2023). One of them is the taxes paid, which the company will see if it obeys applicable regulations. With so good company small nor big, no can confirmed if company the own tax risk Because all type size company will maintain position the company to remain have good image and not do tax avoidance in period long time Because No want to accept risky sanctions.

Hypothetical results in line with the study Azizah & Muniroh (2023), which stated that a large company with no influence on avoidance-inclined taxes will own tax risk. Apart from that, the results found were also the same with the study by Sembiring & Sa'adah (2021), who stated that size is not influential on tax avoidance because, according to him, companies that own a scale, big or small, will have the ability to fulfill their tax obligations. Instead, research is different with the results of Siregar & Widyawati (2016), Rani (2017), and Sari et al. (2022), which state that size of company is influential and significant to tax avoidance.

The Effect of Profitability Against Tax Risk

Based on results panel data regression with The Random Effect Model in table 7 is known that variable profitability own mark coefficient 0.05532 and P>[z] of 0.295 ie more big from α. This matter shows that **profitability is not influentially significant to tax risk** where the company's profitability is high or low; no one can determine whether there are tax risks for companies. Thus, H2 does not accepted. The research result shows the average level of profitability in the company sample is in a high position. However, high low profitability something company No become reason company do tax avoidancees will be give rise to tax risk in companies.

Because a company that has low profitability will maximize activity, his business will keep going and produce high and certain profits. He does not want to bother doing tax avoidance that can give rise to penalties for his company. Whereas for a company that owns profitability, it will, of course, produce high profits based on the ability of the total assets owned and become a big company too. Besides that, a company with high profitability still has a good image. Keep going, looking for investors, and owning the ability to do payment tax because it already has good management and finances. So that will attract the attention of the government, tax authorities, and other external parties to do payment tax. Companies whose profitability usually high too will obey regulation applicable and compliant taxation obligation the taxation.

This was also conveyed by Azizah and Muniroh (2023), who stated that a company whose profitability is high owns more abilities to fulfill the tax obligation. Apart from that, the company's profitability also has good prospects for a long time, so there is no need to avoid payment tax. Then company that owns profitability tall or low will also influence mark company Because exists level return assets that will produce profit (Jaya, 2020). According to him, profitability high and low with a proxy return on assets will reflect potency growth for a very positive company, so it can influence investor interest and encourage participation in increasing requests for shares. With so good company that owns profitability tall or low No can be one reason exists tax risk Because company tend will still need funds and avoid his company from penalty consequence do tax avoidance too long too violation law.

This research result is in line with Azizah & Muniroh (2023), Irawati et al. (2020), and Siregar & Widyawati (2016), which show that profitability is not influential on tax avoidance. Because of their high and low profitability, each has the ability to pay appropriate taxes with their respective sizes. This is what indicates that a company tends to have no own tax risk. However, this study does not support Hidayat (2018), Sari et al. (2022), and Sembiring & Sa'adah (2021), which state that profitability is influential on tax avoidance, so that can give rise to tax risk.

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The Effect of Growth Sale Against Tax Risk

Based on results panel data regression with The Random Effect Model in table 7 is known that variable growth sale own mark coefficient as big as 0.02413 and P>[z] of 0.182 i.e more big from α. This matter shows that **growth sales are not influentially significant to tax risk**, whereas high-low growth sales can determine a company's own tax risk. Thus, H3 does not accepted.

Test results in research shows the average of companies in the sample with high sales. However, matter the No be one reason happen tax risk for company. Because it's a high-low-growth sale, it will be influential on tax risk. For companies that have low sales growth, they will always try to maximize sales to experience significant growth for their company and will obey all regulations in a suitable business with applicable law. Additionally, the company's sales are growing, so it is more important to evaluate the performance that has been done to experience enhancement compared to tax avoidance, which is also a must, so don't catch a penalty. Because if a company experiences low growth, then tax avoidance will have an impact on other things that can be disturbing to the way business is done. With so growth company the sales low No will do action tax avoidance. For growing companies, the sales neither is it high will do tax avoidance. This is also done so that the company can still guard its image as a quality company, report good finances, and use it to increase total income from various fields, one of which is investment. Growth High sales will also be own broad impact If do tax avoidance. So that No can confirm that company's own tax risk because they avoid things that they don't desire.

This in line with research conducted by Swingly & Sukartha (2015), which stated that growth sales are not influential on tax avoidance. However, it's different with a number of studies that state that growth sales are influential, negative, and significant to avoidance of meaningful taxes. When growth sales increase, level tax avoidance will decrease (Hidayat, 2018; Irawati et al., 2020; Sembiring & Sa'adah, 2021).

The Effect of Financial Constraints on Tax Risk

Based on results panel data regression with the Random Effect Model in table 7, it is known that variable financial constraints have a mark coefficient as big as 0.01378 and a P>[z] of 0.047, i.e., not enough from α. This matter show that **financial constraints influential positive significant to tax risk** which mean that the more than big financial constraints, then trend company own tax risk will the more tall. Thus, H4 is accepted.

The research result that financial constraints with three factors (debt equity ratio, interest coverage ratio, and dividend payout ratio) have a positive influence on tax risk, which means that if there are high financial constraints, tax risk is also increasing. A company that has financial constraints tends to use various methods for finance to keep the business going and compete with competitors. Because the company currently experiences difficulty with funds from the business, it looks for ways to do business. This was also conveyed by Rachmawati & Fitriana (2021), who stated that companies experiencing constraints in finance tend to have difficulty getting financing from debt and capital, so they will save funds from the income they earn through tax avoidance. This action will make the company tend to take its own tax risk if experience constrains sustainable finance. According to the study by A'alia & Rachmawati (2022), if experienced companies constrain finance and pay taxes, they will reduce profit generated. So that company avoids aggressive taxes so as not to pay high taxes or even no taxes. This also has an impact on financial reporting (Rachmawati & Martani, 2017). However, this is inversely proportional to countries with high levels of tax compliance because they tend to have low levels of tax aggressiveness (Rachmawati et al., 2020).

This study is in line with A'alia & Rachmawati (2022), Rachmawati et al. (2019), and Rachmawati & Fitriana (2021), who stated that constraint finance is influential and significant to aggressiveness tax. It means that the more constrained finances, the higher the level of aggressiveness tax. Aggressiveness tax is an effort made by a company to reduce and avoid taxes to remain constant and operate his business.

7. Conclusion

After doing various tests in this research, it has been concluded that variable size of company, profitability, and growth sales are not influential on tax risk. That matter happen Because company No do tax avoidance in period long time and risk tax happened in the company the influenced by factors other. Meanwhile for variables financial constraints influential positive to significant tax risk that the more high constraint finance company, then tax riskes that occur will also the more tall. The implications of this research for companies that are experiencing tax risks are expected to reduce the causes of tax risks so that there are no negative sustainability impacts. For regulators, the Direktorat Jenderal Pajak must be alert to companies that have financial constraints because they tend to have tax

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risks. As well as for researcher furthermore expected can expand study with use sector industry other. This research has limitations on the sample study because it only uses company manufacturers listed on the Indonesian Stock Exchange and only uses a 2-year period. Suggestions for researchers: Next, to expand testing to other sectors, the time it takes to get results can be generalized.

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