



The Effect Of Sales Growth And Profitability On Effective Tax Rates With Good Corporate Governance As A Moderation

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How to Cite :

Vonnicia, Sriwati. (2026). The Effect Of Sales Growth And Profitability On Effective Tax Rates With Good Corporate Governance As A Moderation. EKOMBIS REVIEW: Jurnal Ilmiah Ekonomi Dan Bisnis, 14(4). DOI: <https://doi.org/10.37676/ekombis.v14i4>

ARTICLE HISTORY

Received [31 March 2026]

Revised [10 October 2026]

Accepted [17 October 2026]

KEYWORDS

Effective Tax Rate, Sales Growth, Profitability, Audit Committee, Firm Size.

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ABSTRACT

This study aims to examine the effect of sales growth and profitability on the effective tax rate, with the audit committee as a moderating variable. This study uses a quantitative approach, using secondary data obtained from the annual reports of mining sector companies listed on the Indonesia Stock Exchange for the 2020–2023 period. The research population consisted of 48 companies, of which 17 were selected as the research sample. Panel data regression analysis was conducted using E-Views 13 software. The study results indicate that sales growth (SG) has no effect on the effective tax rate (ETR), while profitability (ROA) has a negative and significant impact on ETR. The audit committee strengthens the effect of sales growth on ETR, but it does not moderate the relationship between profitability and ETR

INTRODUCTION

Taxes are the backbone of state revenue and play a crucial role in supporting national economic development. In 2023, Indonesia's total state revenue reached IDR 2,637 trillion, with taxes contributing 80.32% (Ashfiya, 2024). This dominant proportion emphasizes the role of taxes as a strategic instrument for socio-economic equality and funding critical public sectors such as education, health, and infrastructure (Allayarov & Rakhimov, 2022). Meanwhile, the largest contribution to national tax revenue comes from the corporate sector, including companies operating in the mining industry. Ministry of Finance data shows that as of November 2024, the mining sector contributed 6.05%, or approximately IDR 96.35 trillion, to total national tax revenue (Kurniawan, 2024).

However, the relationship between the government and companies in the context of taxation is not always harmonious. The government seeks to maximize tax revenue, while companies strive to minimize the tax burden to maintain profitability and investment attractiveness (Kartika et al., 2023). High tax burdens are considered to reduce profits and impact a company's financial health (Rahmadani et al., 2020). Tax avoidance practices have also

been found in several large mining companies. A Global Witness report indicated that PT Adaro Energy Tbk allegedly underpaid US\$125 million in taxes through a transaction scheme with a subsidiary in Singapore (Suwiknyo, 2019). Another case involved PT Multi Harapan Utama, which allegedly overallocated coal exports by 8.2 million metric tons, potentially causing state losses of IDR 9.3 trillion (Urbannews.id, 2022).

In this context, measuring the effective tax rate (ETR) is crucial as an indicator of the actual proportion of a company's profits used to pay taxes. Unlike fixed statutory tax rates, the ETR provides a realistic picture of the tax burden based on pre-tax profit (Priyanka & Sukardi, 2025; Yudawirawan et al., 2021). The phenomenon of low and fluctuating ETR levels in the mining sector indicates the continued availability of aggressive tax planning practices (Nur'avisia et al., 2022), and appears even more unstable than in international mining companies (Octaviani & Kiswara, 2024).

Several internal company factors are believed to influence ETR levels. Sales growth, as an indicator of operational strategy success, theoretically increases pre-tax profit and ultimately ETR (Guedrib & Marouani, 2023; Kasmir, 2019). Several previous studies have shown a positive relationship between sales growth and ETR (Rizal & Sari, 2022; Safitri & Damayanti, 2021; Sarwoasih & Indarto, 2018). Similarly, profitability, as measured by Return on Assets (ROA), is expected to drive ETR increases due to the company's increased ability to generate profits (Panda & Nanda, 2021; Simanjuntak & Helda, 2023). However, some companies actually exploit flexibility in tax management to reduce their ETR despite having high sales or profitability (Pinastika & Irawan, 2021; Sutisna et al., 2024).

This inconsistency in findings opens up the opportunity to evaluate other factors that could potentially moderate the relationship between financial variables and ETR. In this context, Good Corporate Governance (GCG), particularly through the audit committee mechanism, plays a crucial role in ensuring tax accountability and compliance. The audit committee is tasked with overseeing the financial reporting process and the implementation of tax regulations (POJK No. 55/POJK.04/2015). The effectiveness of audit committee oversight in terms of its size, independence, and competence can improve governance quality and reduce opportunities for tax avoidance (Mnif & Tahari, 2022; Sintha et al., 2021; Sunarsih et al., 2021). Several studies have shown that audit committees can strengthen the relationship between sales growth and profitability and ETR by promoting transparency and disciplined tax compliance (Prabasari & Amalia, 2022; Rahmi et al., 2023).

Amidst the mining sector's high economic contribution but low levels of tax compliance, research into the effect of sales growth and profitability on ETR, moderated by audit committees, is highly relevant. Furthermore, firm size is used as a control variable to enhance the accuracy of the analysis. Therefore, this study aims to empirically investigate how financial variables and corporate governance interact to influence effective tax rates in mining companies listed on the Indonesia Stock Exchange during the 2020–2023 period.

LITERATURE REVIEW

The Effect of Sales Growth on Effective Tax Rates

Sales growth is a key indicator for assessing a company's expansion and sustainability. Higher sales growth reflects the effectiveness of a company's strategy in increasing sales volume and market share (Kasmir, 2019). Increased sales generally translate into increased profits, thus driving up the tax burden and potentially increasing the Effective Tax Rate (ETR), which is the ratio between tax burden and profit before tax (EBT). The ETR itself reflects a company's fiscal contribution to its financial performance (Guedrib & Marouani, 2023).

From an agency theory perspective, managers have an incentive to minimize the tax burden through earnings management. However, high sales growth tends to limit the scope for manipulation due to pressure from principals to increase transparency and fiscal compliance

(Hendrastuti & Harahap, 2023; Sutisna et al., 2024). Thus, sales growth can indirectly increase the ETR, a form of corporate accountability.

Previous research has shown a positive relationship between sales growth and ETR. Rahmawati & Mildawati (2020), Safitri & Damayanti (2021), and Rizal & Sari (2022) all found that increased sales resulted in increased taxable profit, which in turn drove up the effective tax rate. This finding confirms that companies with high sales growth tend to have higher tax liabilities.

H₁ : Sales growth has a positive effect on the effective tax rate.

The Effect of Profitability on Effective Tax Rates

Profitability, as measured by ROA, reflects a company's efficiency in generating profits from assets. Therefore, the higher the ROA, the larger the tax base (Kasmir, 2019). From an agency theory perspective, high profitability can trigger managers' incentives to engage in tax management, but the scope for tax avoidance becomes more limited due to increased oversight from owners and tax authorities (Pinastika & Irawan, 2021; Sutisna et al., 2024).

Increased profitability that is not accompanied by aggressive efforts to reduce the tax burden tends to increase the Effective Tax Rate (ETR), thus reflecting proportional fiscal compliance. The ETR is also used as an indicator of the effectiveness of a company's tax strategy (Rahmawati & Mildawati, 2020).

Empirical findings indicate a positive relationship between profitability and ETR. (Panda & Nanda, 2021) and (Simanjuntak & Helda, 2023) emphasize that the higher a company's profits, the higher the ETR paid, due to limitations in utilizing tax incentives and the company's increasing fiscal capacity.

H₂ : Profitability has a positive effect on the effective tax rate.

The Effect of Sales Growth on Effective Tax Rates with GCG as a Moderating Variable

Sales growth can drive an increase in ETR (Prabasari & Amalia, 2022; Rahmi et al., 2023), but the effect may be reduced if a company implements aggressive tax planning. GCG particularly the effectiveness of the audit committee serves to ensure the relationship between performance and fiscal compliance remains aligned. Effective audit committees have been shown to reduce manipulation and improve the quality of financial reports (Rachmawati et al., 2021; Rustiarini, 2023). Their independence and the number of members strengthen oversight (Mnif & Tahari, 2022; Sunarsih et al., 2021). Therefore, GCG is expected to strengthen the positive effect between sales growth and ETR.

H₃ : The audit committee as a moderating variable strengthens the effect of sales growth on the effective tax rate.

The Effect of Profitability on Effective Tax Rates with GCG as a Moderating Variable

High profitability essentially increases taxable profit and ETR (Pasha et al., 2024; Weygandt et al., 2019). However, without good GCG, companies are likely to engage in aggressive tax planning, weakening the effect of profitability on ETR. The implementation of GCG including transparency and accountability reduces the opportunity for fiscal manipulation (Alam, 2019). Susilowati et al. (2018) showed that companies with strong GCG tend to have higher ETR. Therefore, the audit committee, as a GCG element, is expected to strengthen the positive effect between profitability and ETR.

H₄ : The audit committee as a moderating variable strengthens the effect of profitability on the effective tax rate

METHODS

This study uses a quantitative approach with a descriptive-verifiable method to examine the effect of sales growth and profitability on the effective tax rate (ETR). It also examines the role of good corporate governance (GCG), proxied by the number of audit committee members as a moderating variable, with company size as a control variable.

The research population consisted of 48 companies, of which 17 were selected as the research sample. The criteria were that the companies were not delisted, had complete financial statements, and generated profits during the study period. The dependent variable, ETR, was calculated by comparing tax expense to profit before tax. The independent variables included sales growth and profitability (ROA), while GCG, as a moderating variable, was measured by the number of audit committee members, and company size, as a control variable, was assessed using the natural logarithm of total assets. All variables were operationalized as ratios. Table 1 shows the operationalization of the variables used in this study.

Table 1. Operationalization of Research Variables

No	Variable	Indicator	Scale
1.	Effective Tax Rate	$ETR = \frac{\text{Income Tax Expense}}{\text{Profit Before Tax}}$	Ratio
2.	Sales Growth	$\text{Growth} = \frac{\text{Sales}_{(t)} - \text{Sales}_{(t-1)}}{\text{Sales}_{(t-1)}}$	Ratio
3.	Profitability	$ROA = \frac{\text{Net Profit After Tax}}{\text{Total Asset}}$	Ratio
4.	Company Size	$\text{Firm Size} = \text{LN}(\text{Total Assets})$	Ratio
5.	Good Corporate Governance	KA= Number of Audit Committee	Ratio

Data analysis used panel regression, with the first model testing the influence of independent variables and the second model testing the moderating effect through interactions with GCG. Panel model selection was performed using the Chow test, the Hausman test, and the Lagrange Multiplier test.

RESULTS

Table 2. Results of the Chow Test Without Moderation

Effects Test	Statistic	d.f.	Prob.
Cross-section F	3.576401	(16,48)	0.0003
Cross-section Chi-square	53.371520	16	0.0000

Source: Eviews Output Data (2025)

Based on Table 2, the cross-section F probability from the Chow test is 0.0000, which is below 0.05. Therefore, it can be concluded that the Fixed Effects (FEM) model is more appropriate for this study than the Common Effects (CEM) model (Nuryanto & Pambuko, 2018).

Table 3. Results of the Chow Test with Moderation

Effects Test	Statistic	d.f.	Prob.
Cross-section F	3.849207	(16,46)	0.0002
Cross-section Chi-square	57.776972	16	0.0000

Source: Eviews Output Data (2025)

Table 3 shows the results of the Chow test with a cross-section F probability of 0.0000, which is below the significance threshold of 0.05. Based on this, it can be concluded that the more appropriate model for this study is the Fixed Effect (FEM) compared to the Common Effect (CEM) (Nuryanto & Pambuko, 2018).

Table 4. Results of the Hausman Test Without Moderation

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	1.635275	3	0.6514

Source: Eviews Output Data (2025)

Based on Table 4, The Hausman test results show that the probability value is $0.6514 > 0.05$; therefore, the Random Effect Model (REM) is selected (Nuryanto & Pambuko, 2018).

Table 5. Results of the Hausman Test with Moderation

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	1.854422	5	0.8689

Source: Eviews Output Data (2025)

Based on table 5, the random cross-section probability of 0.8689 which exceeds the significance level of 0.05 indicates that the Random Effect model is more appropriate to use than the Fixed Effect (Nuryanto & Pambuko, 2018).

Table 6. Results of the Lagrange Multiplier Test Without Moderation

	Cross-section	Time	Both
Breusch-Pagan	13.93421	1.452886	15.38710
	(0.0002)	(0.2281)	(0.0001)

Source: Eviews Output Data (2025)

Based on table 6, the Breusch-Pagan Lagrange Multiplier (LM) test obtained a probability value of 0.0002, which is smaller than the significance level of 0.05, thus the most appropriate model for this study is the random effect model compared to the common effect model (Nuryanto & Pambuko, 2018).

Table 7. Results of the Lagrange Multiplier Test with Moderation

	Cross-section	Time	Both
Breusch-Pagan	16.93944	1.519912	18.45935
	(0.0000)	(0.2176)	(0.0000)

Source: Eviews Output Data (2025)

Based on Table 7, the Breusch-Pagan Lagrange Multiplier (LM) test obtained a probability value of 0.0000, which is lower than the 0.05 significance level. Therefore, the most appropriate model for this study is the random effects model compared to the common effects model (Nuryanto & Pambuko, 2018).

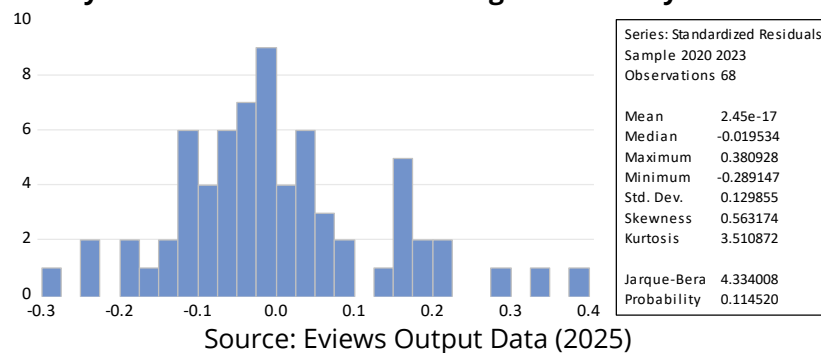
Based on Tables 2–7, the final model selection shows that the regression without moderation uses the REM according to the Hausman and LM tests, while the regression with moderation also uses the REM based on the Hausman and LM test results.

Classical Assumption Test Results

The classical assumption tests assess the feasibility of using a panel data linear regression model with Ordinary Least Squares (OLS) to ensure unbiased independent variables. These tests include normality, multicollinearity, autocorrelation, and heteroskedasticity checks (Napitupulu et al., 2021).

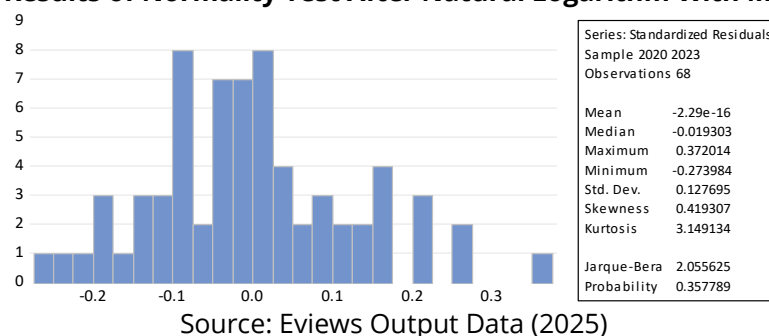
The normality test aims to confirm that the residuals follow a normal distribution, as a good regression model requires normally distributed errors. Data are considered normal when the probability value is greater than 0.05 and non-normal when it is below 0.05.

Figure 1. Normality Test Results After Natural Logarithm Analysis Without Moderation



Based on Figure 1, the probability value of the normality test is 0.114, which is greater than the significance level of 0.05, so it can be concluded that the residual data in the regression meets the assumption of normal distribution (Ghozali & Ratmono, 2021).

Figure 2. Results of Normality Test After Natural Logarithm With Moderation



Based on Figure 2, the probability value of the normality test is 0.357, which is greater than the significance level of 0.05, so it can be concluded that the residual data in the regression meets the assumption of normal distribution (Ghozali & Ratmono, 2021).

Table 8. Results of Multicollinearity Test Without Moderation

	SG	ROA	SIZE
SG	1.000000	0.329652	0.146990
ROA	0.329652	1.000000	0.169381
SIZE	0.146990	0.169381	1.000000

Source: EvIEWS Output Data (2025)

The multicollinearity test results show that all correlation values among the independent variables are below 0.80, indicating that the regression model is free from multicollinearity issues (Ghozali & Ratmono, 2021).

Table 9. Results of Multicollinearity Test with Moderation

	SG	ROA	SG_KA	ROA_KA	SIZE
SG	1.000000	0.329652	0.984830	0.319976	0.146990
ROA	0.329652	1.000000	0.376118	0.978838	0.169381
SG_KA	0.984830	0.376118	1.000000	0.385708	0.184313
ROA_KA	0.319976	0.978838	0.385708	1.000000	0.238747
SIZE	0.146990	0.169381	0.184313	0.238747	1.000000

Source: Eviews Output Data (2025)

Based on Table 9, most correlations among the independent variables are below 0.80, except for SG_KA and ROA_KA, which indicate multicollinearity with values above 0.80. However, such conditions are common in models involving moderating variables, and multicollinearity in the moderator does not affect the validity of the estimation results. Therefore, the model remains appropriate for interpretation, consistent with the findings of Satiti & Bawono (2025) and Disatnik & Sivan (2016).

Heteroscedasticity testing aims to identify differences in residual variance across observations. A good model exhibits homoscedasticity (constant variance), where a probability value > 0.05 indicates no heteroscedasticity (Napitupulu et al., 2021).

Table 10. Results of Heteroscedasticity Test Without Moderation

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.013244	0.035541	-0.372631	0.7107
SG	0.001703	0.002524	0.674925	0.5022
ROA	-0.019614	0.011243	-1.744542	0.0859
SIZE	0.000896	0.001193	0.751044	0.4554

Source: Eviews Output Data (2025)

Based on table 10, the results of the Glejser test show that all independent variables have a probability value (p-value) greater than 0.05, so that the regression model is declared free from heteroscedasticity and meets the assumption of homoscedasticity (Ghozali & Ratmono, 2021).

Table 11. Results of Heteroscedasticity Test with Moderation

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.271284	0.230651	1.176169	0.2440
SG	-0.033687	0.113657	-0.296393	0.7679
ROA	-0.184687	0.414459	-0.445609	0.6574
SG_KA	0.016754	0.036476	0.459312	0.6476
ROA_KA	-0.005724	0.123415	-0.046379	0.9632
SIZE	-0.004916	0.007735	-0.635539	0.5274

Source: Eviews Output Data (2025)

Based on table 11, the results of the Glejser test show that all independent variables have a probability value (p-value) greater than 0.05, so that the regression model is declared free from heteroscedasticity and meets the assumption of homoscedasticity.

Autocorrelation was tested using the Durbin-Watson (DW) statistic, where the model is considered free from autocorrelation if the DW value lies between -2 and +2 (Ghozali, 2020).

Table 12. Results of Autocorrelation Test Without Moderation

Durbin-Watson stat	1.623246
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Source: Eviews Output Data (2025)

Based on table 12, the Durbin-Watson value of 1.623246 falls within the acceptable range ($-2 < DW < +2$), clearly indicating that no autocorrelation is present in the model (Ghozali & Ratmono, 2021).

Table 13. Results of Autocorrelation Test with Moderation

Durbin-Watson stat	1.653813
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Source: Eviews Output Data (2025)

Based on table 13, the Durbin-Watson value of 1.653813 falls within the acceptable range ($-2 < DW < +2$), clearly indicating that no autocorrelation is present in the model (Ghozali & Ratmono, 2021).

Hypothesis Test Results**Table 14. F-Test Results Without Moderation**

R-squared	0.105398	Mean dependent var	0.131358
Adjusted R-squared	0.063463	S.D. dependent var	0.105658
S.E. of regression	0.102250	Sum squared resid	0.669127
F-statistic	2.513392	Durbin-Watson stat	1.623246
Prob(F-statistic)	0.066292		

Source: Eviews Output Data (2025)

Based on table 14, the F test results show a significance value of 0.066 (< 0.10), so the regression model is suitable for use and the independent variables simultaneously have a significant effect on ETR.

Table 15. Results of the F-Test with Moderation

R-squared	0.168105	Mean dependent var	0.118080
Adjusted R-squared	0.101016	S.D. dependent var	0.103045
Prob(F-statistic)	0.039441		

Source: Eviews Output Data (2025)

Based on table 15, the F test results show a significance value of 0.039 (< 0.05), so the regression model is declared feasible and the independent variables simultaneously have a significant effect on ETR.

Table 16. Results of the t-Test Without Moderation

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.229878	0.453439	-0.506965	0.6139
SG	0.011709	0.027354	0.428077	0.6700
ROA	-0.325544	0.129700	-2.509986	0.0146
SIZE	0.018234	0.015205	1.199206	0.2349

Source: Eviews Output Data (2025)

Based on Table 16, The results indicate that sales growth (SG) does not have a significant effect on the effective tax rate (ETR), as evidenced by a probability value of 0.6700, which exceeds the 0.05 significance level. In contrast, profitability has a negative and significant effect

on the effective tax rate, with a probability value of 0.0146, indicating that higher profitability is associated with a lower ETR.

Table 17. Results of the t-Test with Moderation

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.286370	0.510707	-0.560732	0.5770
SG	-0.390531	0.183041	-2.133572	0.0368
ROA	0.518716	0.796489	0.651253	0.5173
SG_KA	0.130708	0.058717	2.226047	0.0297
ROA_KA	-0.279430	0.239421	-1.167108	0.2476
SIZE	0.020466	0.017122	1.195332	0.2365

Source: Eviews Output Data (2025)

Based on table 17, The results show that sales growth moderated by the audit committee has a positive and significant effect on the effective tax rate (ETR), as indicated by a probability value of 0.0297, which is below the 0.05 significance level. In contrast, profitability (ROA) moderated by the audit committee does not have a significant effect on the effective tax rate, with a probability value of 0.2476 exceeding 0.05.

Table 18. Results of the Determination Coefficient Test Without Moderation

R-squared	0.105398	Mean dependent var	0.131358
Adjusted R-squared	0.063463	S.D. dependent var	0.105658
Prob(F-statistic)	0.066292		

Source: Eviews Output Data (2025)

The table above shows that the coefficient of determination (R-squared) is 0.105398. This indicates that sales growth, profitability, and firm size explain approximately 10% of the variation in the effective tax rate (ETR), while the remaining 90% is influenced by other variables not examined in this study.

Table 19. Results of the Determination Coefficient Test with Moderation

R-squared	0.168105	Mean dependent var	0.118080
Adjusted R-squared	0.101016	S.D. dependent var	0.103045
Prob(F-statistic)	0.039441		

Source: Eviews Output Data (2025)

The table above shows that the coefficient of determination (R-squared) is 0.168105. This indicates that sales growth, profitability, the audit committee, and firm size collectively explain approximately 16% of the variation in the effective tax rate (ETR), while the remaining 84% is influenced by other variables not included in this study.

DISCUSSION

The Effect of Sales Growth on the Effective Tax Rate

The results indicate that sales growth (SG) does not have a significant effect on the effective tax rate (ETR), as shown by a coefficient of 0.011709 and a probability value of $0.6700 > 0.05$. Therefore, H1, which posits a positive effect of sales growth on ETR, is rejected. Statistically, this finding suggests that fluctuations in sales are not sufficient to explain variations in ETR among mining sector companies, indicating that operational performance in the form of sales growth does not play a dominant role in determining tax burden.

From an agency theory perspective, this insignificance can be attributed to managerial opportunistic behavior, where managers prioritize tax planning strategies over changes in sales performance to maximize their own interests (Dayanara et al., 2020; Pinastika & Irawan, 2021). Prior studies also emphasize that ETR is more closely related to tax planning decisions than to sales fluctuations (Rahmawati & Mildawati, 2020). In the mining subsector, ETR is largely influenced by internal fiscal policies, cost structures, and government tax incentives rather than sales growth (Saragih & Halawa, 2022; Susilawati, 2020).

This finding is consistent with previous studies reporting no significant relationship between sales growth and ETR (Rahmi et al., 2023; Utami & Lestari, 2025; Rosydayanti et al., 2024). However, it contrasts with studies that document either a negative or positive effect of sales growth on ETR (Ainniyya et al., 2021; Rachmawati et al., 2021; Safitri & Damayanti, 2021). Overall, the results indicate that ETR is more strongly determined by corporate tax strategies than by sales growth.

The Effect of Profitability on the Effective Tax Rate.

The results indicate that profitability has a negative and significant effect on the effective tax rate (ETR), as evidenced by a coefficient of -0.325544 and a probability value of $0.0146 < 0.05$. This finding suggests that higher corporate profitability is associated with lower ETR levels. Consequently, H2, which proposed a positive relationship, is rejected. The negative relationship implies that highly profitable firms tend to engage more intensively in tax planning to reduce their tax burden and preserve after-tax income.

From an agency theory perspective, this result reflects managerial opportunistic behavior, where managers exploit discretionary authority to minimize tax payments in order to enhance reported performance (Pinastika & Irawan, 2021). Higher profitability provides greater incentives and capacity for tax planning activities (Rahmawati & Mildawati, 2020), while external performance pressures encourage managers to maintain lower ETRs to signal efficiency to shareholders (Lim, 2021).

This finding is consistent with prior studies documenting a negative relationship between profitability and ETR (Sarwoasih & Indarto, 2018; Susilowati et al., 2018). However, it contradicts studies reporting a positive effect (Panda & Nanda, 2021; Simanjuntak & Helda, 2023) and those finding no significant relationship (Safitri & Damayanti, 2021; Chang et al., 2023; Rosydayanti et al., 2024). Overall, the results confirm that firms with higher profitability tend to be more effective in managing tax obligations, resulting in lower ETRs.

The Role of the Audit Committee in Moderating the Effect of Sales Growth on the Effective Tax Rate

The results show that sales growth moderated by the audit committee has a positive and significant effect on the effective tax rate (ETR), as indicated by a coefficient of 0.130708 and a probability value of $0.0297 < 0.05$. Accordingly, H3 is accepted, confirming that the audit committee strengthens the relationship between sales growth and ETR. Statistically, this suggests that effective audit committee oversight ensures that increases in sales are more

transparently reflected in higher ETRs, indicating a stronger alignment between operational performance and tax compliance.

From an agency theory perspective, the audit committee functions as a monitoring mechanism that limits managerial opportunistic behavior, particularly in tax planning practices (Hendrastuti & Harahap, 2023; Sutisna et al., 2024). While rising sales may incentivize managers to reduce tax burdens through aggressive tax strategies (Dayanara et al., 2020; Pinastika & Irawan, 2021), the presence of an effective audit committee constrains such behavior by ensuring compliance with tax regulations (Alam, 2019; Rachmawati et al., 2021).

This finding is consistent with prior studies showing that sales growth does not significantly affect ETR in the absence of governance mechanisms (Rahmi et al., 2023; Rosydayanti et al., 2024; Utami & Lestari, 2025). However, when the audit committee is incorporated as a moderating variable, the relationship becomes positive and significant, highlighting the critical role of good corporate governance in linking operational performance with corporate tax policy.

The Role of the Audit Committee in Moderating the Effect of Profitability on the Effective Tax Rate

The research findings confirm that profitability (ROA), moderated by the audit committee, does not have a significant effect on the effective tax rate (ETR), as indicated by a coefficient of -0.279430 and a probability value of 0.2476 (> 0.05). Therefore, H4 stating that the audit committee strengthens the effect of profitability on ETR is rejected.

From an agency theory perspective, this finding indicates that governance mechanisms are not always effective in reducing managerial opportunistic behavior. In many companies, the audit committee focuses more on financial reporting compliance rather than operational tax strategies. Consequently, even when profitability increases, the audit committee is unable to control tax management strategies determined by management (Dayanara et al., 2020; Pinastika & Irawan, 2021).

Studies by Safitri & Damayanti (2021), Chang et al. (2023), and Rosydayanti et al. (2024) also found that ROA does not consistently affect ETR, particularly when corporate governance mechanisms are not optimally implemented. Furthermore, Asprilla & Adi (2023) and Permatasari & Purbasari (2025) reported that the audit committee is unable to moderate the effect of profitability on ETR, as its effectiveness depends heavily on competence, independence, and meeting frequency (Rustiarini, 2023).

Overall, the insignificant moderating role of the audit committee highlights weaknesses in overseeing corporate tax strategies. Although theoretically responsible for ensuring transparency and accountability (Alam, 2019; Susilowati et al., 2018), its implementation especially in the complex mining sector does not significantly influence the relationship between ROA and ETR.

CONCLUSION

The main conclusion of this study shows that sales growth does not affect the effective tax rate (ETR), indicating that increased business activity does not automatically raise the company's relative tax burden. In contrast, profitability has a negative and significant effect on ETR, suggesting that companies with higher profit levels are able to reduce their ETR through more effective tax planning strategies. These findings confirm that, in the absence of a moderating variable, profitability is a more decisive factor in influencing changes in ETR than sales growth, as the ability to generate higher earnings provides greater flexibility for management in managing tax expenses.

The results of the moderating model indicate that the audit committee strengthens the effect of sales growth on ETR, as reflected by a positive and significant influence after moderation. This suggests that the audit committee is effective in increasing the sensitivity of ETR to sales growth. However, the audit committee is unable to moderate the effect of profitability on ETR, since the significance value exceeds 0.05. Therefore, the effectiveness of the audit committee's oversight is evident only in the context of sales growth, but not in tax management related to profitability.

Overall, this study concludes that ETR is more sensitive to the combination of operational growth and audit committee oversight mechanisms, while the influence of profitability on ETR cannot be strengthened through internal governance mechanisms

RESEARCH TRANSPARENCY AND ETHICS STATEMENTS

1. Author Contributions:

V: Conceptualization, Methodology, Data Collection, Data Analysis,

S: Writing – Original Draft, Visualization, Review and Editing

2. Funding:

No funding: This research and publication of the article received no specific funding from any party.

3. Conflict of Interest:

No conflict of interest: The authors declare that they have no conflict of interest related to the research and publication of this article.

4. Research Ethics:

The study did not involve any intervention, biological specimens, vulnerable groups, or sensitive personal data. Participation was voluntary, and the confidentiality of the respondents was maintained.

5. Use of Artificial Intelligence (AI):

No Use of AI. The authors declare that generative AI was not used in the preparation of this article.

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