Influencers to Firm Value: Does Tax Avoidance Plays a Mediating Role?

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Abstract. This study aims to examine tax avoidance as a mediation effect of corporate governance, financial leverage and sales growth on firm value. The four exogenous variables will be tested for their effect on one endogenous variable, which is firm value. This research is a census research, which includes all manufacturing companies which are the population in the observation of 55 companies. The observation period of research data is 2016-2018. The analytical method used is path analysis. The results of this study found that corporate governance, financial leverage and sales growth affect the value of the company. Tax avoidance fully mediates the effect of corporate governance on corporate value. Whereas tax avoidance partially mediates the effect of financial leverage and sales growth on firm value.

Keywords: corporate governance; financial leverage; firm value; sales growth, tax avoidance.

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INTRODUCTION

Tax avoidance is one way to avoid taxes that are not violated tax regulations. This tax avoidance can be agreed because it is complicated and unique because one side is permitted, but on the other side tax avoidance is undesirable (Rani, Susetyo, & Fuadah, 2018). Tax avoidance is done by companies or taxpayers to reduce the amount of tax that must be paid by minimizing corporate profits. In contrast to tax evasion, or tax evasion is an unlawful act. Tax evasion is an act that deliberately does not report transaction obligations in order to make tax rates low. While tax avoidance is an act of avoidance or minimization of tax that is still not out of the realm of applicable law (Kurniasih, Sulardi, & Suranta, 2017).

In Indonesia the practice of tax avoidance occurs in PT Asian Agri, which is a company that operates in agriculture and plantations. PT Asian Agri corporate tax evasion amounting to 2,6 trilion rupiah (Donang Wahyu, 2014). This phenomenon of tax avoidance practices is carried out by companies to reduce the amount of tax that must be paid by minimizing corporate profits.

In addition, the practice of tax avoidance is also carried out by PT RNI the field of health services whose companies are affiliated in Singapura. This company carries out many business activities in Indonesia and has been registered as a Limited Liability Company. But the step used to avoid taxes is to do all activities through debt from affiliated companies in Singapore. Companies in Singapore as the owner do not invest in the form of capital but as if giving in the form of debt. Provided in the form of debt so that PT RNI has a high debt burden thereby reducing its profits which will make corporate taxes low. Even PT RNI shareholders from Indonesia did not report tax returns correctly from 2007 to 2015 and shareholders from Singapore did not pay taxes even though they earned income from Indonesia. (Estu Suryowati, 2016).

Based on this phenomenon, it is interesting to study the determinants or factors that influence tax avoidance. Of course it is not easy to identify all the factors that influence tax avoidance. Based on the literature survey that has been conducted, corporate governance, financial leverage and sales growth are identified as factors that influence tax avoidance (Atwood, Drake, Myers, & Myers, 2012; Braga, 2017; Delgado, Fernandez-Rodriguez, & Martinez-Arias, 2014; Kurniasih et al., 2017; Multazam, 2018; Rani et al., 2018; Salaudeen, 2017; Sunarsih & Oktaviani, 2016; Turyatini, 2017).

Furthermore, tax avoidance measures can have an impact on the value of the company. This is consistent with agency theory which explains that tax avoidance is an activity that can facilitate opportunistic management such as earnings manipulation and can cause risky business owners (Jensen & Meckling, 1979). When management makes the operational decision, the management ignores the interests of the owner. This condition will cause the owner of the company to face some risks related to tax avoidance, also have an impact on the decline in the value of the company.

This argument is also supported by the results of previous studies (Setiadi, Rahmawati, Suhardjanto, & Djuminah, 2017; Widyanto, Kristanto, & Sucahyo, 2019; Yee, Sharoja Sapiei, & Abdullah, 2018). They show that tax avoidance affects company value. This linkage is also supported by the phenomenon of corporate value that occurred in 2018 in several manufacturing companies listed on the Indonesia Stock Exchange, as PT. Asahimas Flat Glass Tbk (AMFG); PT. Mulia Industrindo Tbk (MLIA) and PT. Indospring Tbk (INDS). In 2018 use the Tobin Q approach to corporate value PT. Asahimas Flat Glass Tbk amount 0,76, means under 1. PT. Mulia Industrindo Tbk also has a Tobin Q value below 1, which is amount 0,88. So is the case with PT. Indospring Tbk has a value of 0,45. The value of a company under 1 indicates that investors value the company at that book value.

If this trend is ignored, the worse the investor's assessment of the company will get. Of course this is not something that is expected by the company. This phenomenon is also interesting to study about the factors that influence the value of the company, among these factors is tax avoidance (Setiadi et al., 2017; Widyanto et al., 2019; Yee et al., 2018) as already stated. Besides that corporate governance, financial leverage, and sales growth can also affect the value of the company.

This research was conducted to provide empirical evidence of differences in phenomena that occur in companies with existing theories. We present the empirical evidence of the phenomenon of manufacturing companies listed on the Indonesia Stock Exchange. This is because some previous studies provide empirical evidence from outside Indonesia. As researching on companies on the Tunisian Stock Exchange (Boussaidi & Hamed, 2015). Then the company in stock exchange Malaysia (Noor, Fadzillah, & Mastuki, 2010). Next from the company in Japan (Chen, Guo, & Mande, 2003).

This article aims to examine tax avoidance as a mediator of the effect of corporate governance, financial leverage and sales growth on firm value. The discussion of this article starts from the introduction, literature review, then continues the research method, research results and discussion, finally the conclusions and suggestions.

THEORETICAL FRAMEWORK AND HYPOTHESIS DEVELOPMENT

Relationship of Corporate Governance with Tax Avoidance

Corporate governance contributes to tax avoidance. These contributions can be seen the size of the tax avoidance that occurs in the company. Corporate governance in the company has the role of overseeing and controlling the actions of the executive directors. The supervisory action is related to the opportunistic behavior of the company's director to maximize his personal interests.

This condition will have an impact on the emergence of management limitations in taking action to avoid tax, so that tax avoidance will decrease. This is relevant to agency theory which explains that corporate governance in the company has a role in monitoring management actions. With this action, then management feels its actions are being watched, so they will be careful in acting.

The results of previous studies found that corporate governance can reduce tax avoidance. This is because management actions are monitored, so they do not easily find opportunities for risky actions for company owners (Multazam, 2018). In addition, the supervisory action is also related to the opportunistic behavior of company directors to maximize their personal interests (Sunarsih & Oktaviani, 2016). This condition will have an impact on the emergence of management limitations in taking action to avoid tax, so that tax avoidance will decrease.

Relevant matters were also expressed by Kurniasih et al., (2017). They stated that the proportion of corporate governance in the company is an important part of monitoring management actions. This is because the independent commissioner wants management not to take risks for actions related to taxation. So that it will minimize management actions in tax avoidance.

H1. Corporate governance effect on tax avoidance.

Relationship of Financial Leverage with Tax Avoidance

Financial leverage is related to tax avoidance. The relationship can be seen from the role of financial leverage over tax avoidance. Financial leverage is the proportion of the company's funding sources that come from corporate debt. The debt will be used as an additional source of company funds for company operations. The higher the value of the leverage ratio, means the higher the amount of funding from third party debt used by the company. This condition also increases the interest costs arising from the debt. The higher interest costs will have the effect of reducing the company's tax burden.

This is relevant to trade off theory, or sometimes called balancing theory (Stiglitz, 1969). This theory states that companies may owe to the level of balance between the benefits of using debt with the cost of financial difficulties and agency costs. The use of debt will reduce tax avoidance. This is because the interest costs from debt can be calculated as a reduction in corporate taxes.

The results of previous studies found that financial leverage negatively affects corporate tax avoidance (Noor et al., 2010). They stated that debt has benefits for the company. But these benefits are only at a certain point. Companies must be able to take advantage of these benefits properly. The relevant thing means that financial leverage is related to reducing corporate tax avoidance (Salaudeen, 2017). This is because the interest expense paid on financial leverage will reduce corporate taxes. It is then that financial leverage is associated with reducing corporate tax avoidance.

H2. Financial leverage affects on tax avoidance.

Relationship of Sales Growth with Tax Avoidance

Sales growth has a tax avoidance relationship. This relationship can be seen from the role of sales growth over tax avoidance. Sales growth is an increase in sales this year compared to previous year's sales. Any sales growth seen in the company's financial statements will indicate the company's profit. This has the potential for tax avoidance by management. This will certainly increase tax avoidance.

This is relevant to agency theory (Jensen & Meckling, 1979) which states that there are opportunistic behaviors of management. The behavior is that management acts outside the will of the company owner. The company's management will take tax avoidance measures because of high sales growth. This means that sales growth is positively related to tax avoidance (Braga, 2017). The relationship can be seen from sales growth that serves as a sign of the growth of a company. This will have an impact on increasing tax avoidance. This condition is a result of a large profit from the sales growth. Therefore there will be increased tax avoidance.

H3. Sales growth affects on tax avoidance.

The Relationship between Tax Avoidance with Company Value

Tax avoidance has a relationship with company value. This relationship can be seen from the role of tax avoidance on company value. Tax avoidance is one way to legally avoid taxes that do not violate tax regulations. This tax avoidance can be said to be a complex and unique problem because on one hand it is permissible.

This is consistent with agency theory which explains that tax avoidance is an activity that can facilitate opportunistic management such as tax avoidance and can cause risky company owners (Jensen & Meckling, 1976). This condition can reduce the value of the company. In other words, tax avoidance will reflect the transfer of government resources to shareholders. The friction of agency problems between management and shareholders increases the chances of managerial irregularities that can adversely affect the value of the company (Widyanto et al., 2019). This means that tax avoidance is related to reducing the value of the company (Yee et al., 2018). This is because tax avoidance has risks that result in costs to be borne by shareholders. So that the shareholders and investors will react negatively to the value of the company.

H4. Tax avoidance affects on firm value.

Relationship between Corporate Governance with Firm Value

Corporate governance has a relationship with corporate value. This relationship can be seen from the role of corporate governance over the value of the company. Corporate governance in the company has the role of overseeing and controlling the actions of the executive directors. The supervisory action is related to the opportunistic behavior of the company's director to maximize his personal interests.

According to agency theory, company owners employ management to manage the company (Jensen & Meckling, 1979). However, conflicts of interest often occur when management puts down their duties. The conflict of interest can be monitored by the corporate governane. Corporate governance in the company has the role of overseeing and controlling the actions of the executive directors.

This is consistent with the results of previous studies (Saputra, Nurani, & Rafiqa, 2018). They found that corporate governance can increase company value. This condition will have an impact on the emergence of trust from shareholders related to the value of the company, so that the value of the company will increase (Setiadi et al., 2017). This means that the proportion of corporate governance in the company is an important part for shareholders (Afiani & Bernawati, 2019). This is because the shareholders want the director to be supervised by his performance, so that it will optimize the company's performance. This act of supervision will make potential investors react in the stock market, thereby increasing the value of the company.

H5 : Corporate governance affects on firm value

Relationship of Financial Leverage with Firm Value

Financial leverage is related to firm value. The relationship can be seen from the role of financial leverage on firm value. Financial leverage is the proportion of the company's funding sources that come from corporate debt. The debt will be used as an additional source of company funds for company operations. Companies that have a high portion of financial leverage, contain shops to be constrained in paying off interest and principal. Thus reducing the value of the company.

Relevant to trade off theory, or sometimes called balancing theory (Stiglitz, 1969). This theory states that companies may owe to the level of balance between the benefits of using debt with the cost of financial difficulties and agency costs. The use of debt will increase the value of the company but only to a certain point. After that point, the use of debt will actually reduce the value of the company. This is because the increase in profits from the use of debt is not proportional to the increase in the cost of financial difficulties and agency costs.

The results of previous studies show that financial leverage has an impact on reducing the value of the company. This is because financial leverage has consequences for parties outside the company. This condition will be worrying for shareholders and investors in the stock exchange. This concern will be associated with reducing the value of the company (Ramadan, 2015). This means that financial leverage is associated with lowering firm value (Fosu, Danso, Ahmad, & Coffie, 2016). This is because market participants do not want to bear the risk of financial leverage. Interest expense and loan principal will also reduce the company's capital if the company is not successful in managing the leverage. This then the financial leverage is related to reduce the value of the company.

H6. Financial leverage affects on firm value.

Relationship of Sales Growth with Firm Value

Sales growth has a firm value relationship. This relationship can be seen from the role of sales growth on company value. Sales growth is an increase in sales this year compared to previous year's sales (Ermad & Umar, 2018). Any sales growth seen in the company's financial statements will be looked at by investors. This condition is also explained by agency theories. In agency theory it is also explained that management accepts assignments from company owners, then management will work to prosper the owner of the company. One way is with high profits, namely by sales growth.

The results of previous studies found that sales growth increases company value (Hermuningsih, 2014). This sales growth will indicate the company's profit, so there will be potential for dividend distribution. This will certainly increase the value of the company. This means that sales growth is related to firm value (Data, Alhabsji, Mangesti, & Handayani, 2017). This relationship can be seen from the growth of sales which serves as a sign of the growth of a company. This will have an impact on increasing the value of the company. The market will react to the announcement of sales growth in its financial statements.

H7. Sales growth affects on firm value.

Tax Avoidance Mediates the Effect of Corporate Governance, Financial Leverage and Sales Growth on Firm Value

Based on the exposure of the relationship of tax avoidance with corporate governance, financial leverage and sales growth, as well as the relationship of tax avoidance, corporate governance, financial leverage and sales growth with firm value, the hypothesis can be:

H8. Tax avoidance mediates the effect of corporate governance on firm value.

H9. Tax avoidance mediates the effect of financial leverage on firm value.

H10. Tax avoidance mediates the effect of sales growth on firm value.

Based on the theoretical framework and hypothesis development, then it can be briefly seen in figure 1.

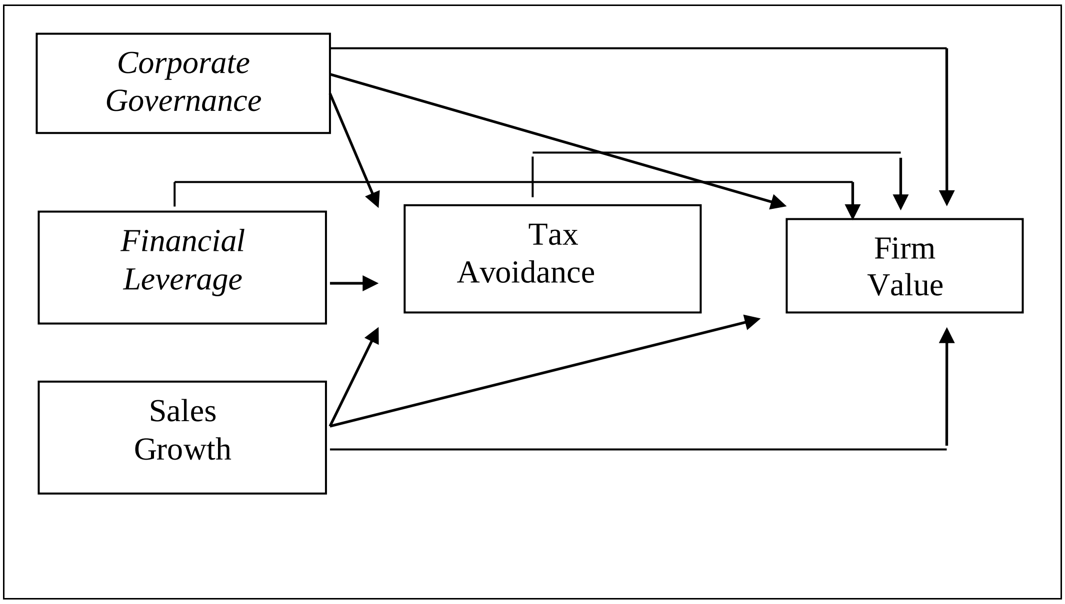

Figure 1 . Conceptual framework

METHODS

The purpose of this study is to test the hypothesis, which is to test tax avoidance as mediating the effect of corporate governance, financial leverage, and sales growth on firm value. This type of investigation in this research is a causal study. Researcher's intervention in this study is minimal intervention. The researcher did not influence the fluctuation of tax avoidance and company value. The situation of the study in this study was not regulated. This means that all activities in the observation environment occur normally and naturally without any regulation from the researcher. Researchers only collect data and then analyze the data to answer the problem formulation in the study. So that the research objectives are achieved. The unit of analysis in this study is manufacturing sector companies listed on the Indonesia Stock Exchange. The time horizon is a balanced panel data that is a combination of time series data and cross sectional data contained in 2016-2018 respectively (Gujarati, 2009). The population in this study are manufacturing sector companies listed on the Indonesia Stock Exchange in 2016-2018 that have fulfilled the required data. The company numbered 55 companies. Then the sample selection is done by observing all populations.

Furthermore, the measurement of variables in the study aims to operationalize each research variable. Measurement of this variable is useful for further data processing to achieve the objectives of this study. In summary the measurement of variables is measured by a formulation such as table 1.

Table 1. Measurement of Research Variables

No	Variabel	Pengukuran	Scale	Reference
1.	Firm Value	(Market value of outstanding shares + Book value of debt) / Total Asset	Ratio	(Chen et al., 2003)
2.	Tax Avoidance	Amount of Tax Paid / Income Before Tax	Ratio	(Kurniasih et al., 2017)
3.	*Corporate Governance*	Total Index of the Board of Directors and Audit Committee	Ratio	(Shleifer & Vishny, 1997)
4.	*Financial Leverage*	Total Debt / Total Equty	Ratio	(Noor et al., 2010)
5.	Sale Growth	(This Year Sales – Last Year Sales) / Last Year Sales	Ratio	(Atwood et al., 2012)

The method of analysis in this study is path analysis. The formula:

Y = ρyx1 X1 + ρyx2 X2 + ρyx3 X3 + ε1 .... (1)

Notes:

Y : Tax Avoidance.
ρyx123 : Coefisien
X1 : Corporate Governance.
X2 : Financial Leverage.
X3 : Sales Growth.
ε1 : Other variables that affect Y.

Z = ρzx1 X1+ ρzx2 X2 + ρzx3 X3 + ρZY + ε2 .... (2)

Notes:

Z : Firm Value.
ρzx1,2,3 : Coefisien,
X1 : Corporate Governance.
X2 : Financial Leverage.
X3 : Sales Growth.
Y : Tax Avoidance.
ε2 : Other variables that affect Z

Equation (1) is used to answer hypotheses 1, 2, and 3. Equation (2) is used to answer problem formulas 4,5,6 and 7. Whereas to answer hypotheses 8,9 and 10, direct and indirect effects are used. . If the direct effect of X1, X2, and X3 to Z is greater than having to pass Y, then it can be said that the independent variable influences the dependent variable partially mediation. Whereas if the direct effect of X1, X2, and X3 is smaller on Z, and the effect is greater when it has to pass Y, then it can be said that the independent variable fully influences the dependent variable (Baron & Kenny, 1986).

HASIL DAN PEMBAHASAN

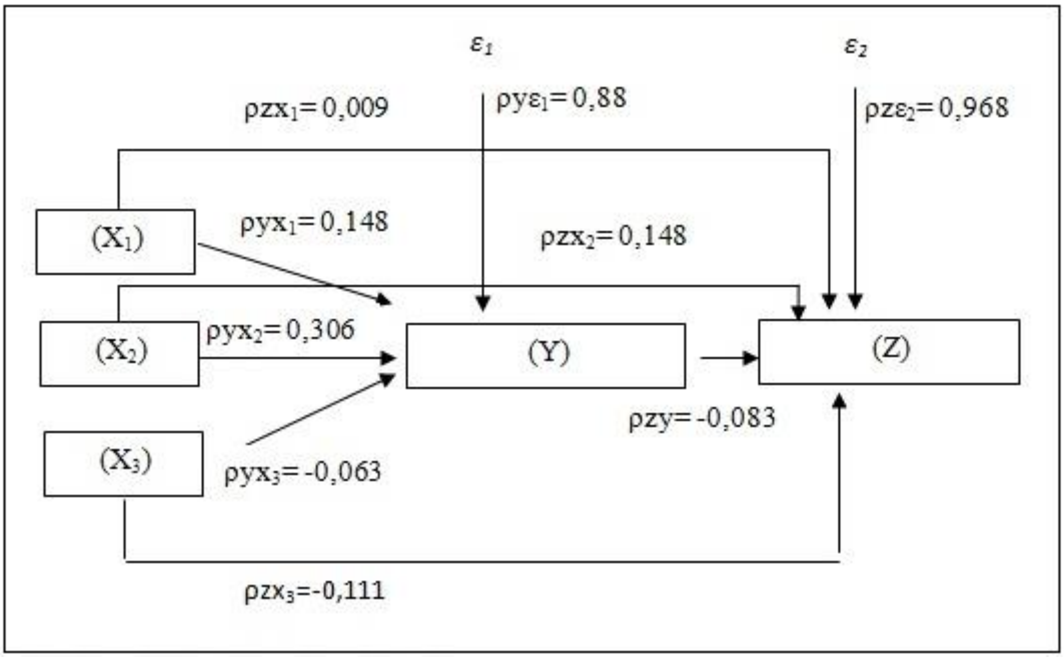

Figure 2. Results

The Effect of Corporate Governance on Tax Avoidance

The results of statistical tests show that corporate governance has an effect on tax avoidance. The coefficient value of corporate governance (ρyx1) is 0.148. This value is not equal to zero (0.148 ≠ 0). Thus, Ha1 is accepted. This means that corporate governance affects corporate tax avoidance.

Corporate governance has an effect on tax avoidance. These effects can be seen the size of the tax avoidance that occurs in the company. Corporate governance in the company has the role of overseeing and controlling the actions of the executive directors. The supervisory action is related to the opportunistic behavior of the company's director to maximize his personal interests. This condition will have an impact on the emergence of management limitations in carrying out tax avoidance measures, so that tax avoidance will decrease.

This is relevant to agency theory (Jensen & Meckling, 1976) which explains that corporate governance in a company has a role in monitoring management actions. With this action, then management feels its actions are being watched, so they will be careful in acting. The results of this study are relevant to Multazam, & Rahmawaty, (2018). They revealed that corporate governance influences tax avoidance. This is because management actions are monitored, so they do not easily find opportunities to take risky actions for company owners. This means that the proportion of corporate governance in the company is an important part of monitoring management actions (Kurniasih et al., 2017).

Effect of Financial Leverage on Tax Avoidance

The results of statistical tests show that, financial leverage affects the tax avoidance. The coefficient value of financial leverage (ρyx2) is 0,306. This value is not equal to zero (0.306 ≠ 0). Thus, Ha2 is accepted. This means that financial leverage affects tax avoidance. Financial leverage which is the proportion of the company's funding sources that come from corporate debt. The debt will be used as an additional source of company funds for company operations. The higher the value of the leverage ratio, means the higher the amount of funding from third party debt used by the company. This condition also increases the interest costs arising from the debt. The higher interest costs will have the effect of reducing the company's tax burden.

This is relevant to trade off theory, or sometimes called balancing theory (Stiglitz, 1969). This theory states that companies may owe to the level of balance between the benefits of using debt with the cost of financial difficulties and agency costs. The use of debt will reduce tax avoidance. This is because the interest costs from debt can be calculated as a reduction in corporate taxes.

This means that debt has benefits for the company (Boussaidi & Hamed, 2015). But these benefits can only reduce tax at some point. But when the source of the company's funds is too big for the debt, the company will use the debt as a means to fund their operating costs and produce. So there will be many products and sales will occur. This will be a big sale. This condition is seen as debt will be able to increase corporate tax avoidance, as a result of large sales. This means that financial leverage has an impact on increasing corporate tax avoidance.

The effect of financial leverage on tax avoidance was also found by previous researchers (Noor et al., 2010; Salaudeen, 2017). They stated that financial leverage affects tax avoidance. However, this influence reduces tax avoidance. This is because the interest expense paid on financial leverage will reduce corporate taxes. So the company will reduce its intention to avoid tax. In other words, financial leverage is not related to tax avoidance.

Effect of Sales Growth on Tax Avoidance

The results of statistical tests show that, sales growth affects tax avoidance. Coefficient value ($\rho yx3$) sales growth of -0,063 This value is not equal to zero ($-0{,}063 \neq 0$). Thus, Ha3 is accepted. This means that sales growth affects tax avoidance. Sales growth which is an increase in sales this year compared to previous year's sales. The sales growth seen in the company's financial statements will indicate the amount of sales of the company's merchandise. Sales made by the company can only be done to the relations of the company. Sales to related parties could be the location of the company in other countries. This condition is done so that companies do not pay taxes in the country of origin of the seller. Thus the company is not too bothered to avoid taxes. This is because the actions he took earlier were indeed in order to avoid taxes. So that it will reduce tax avoidance that he did in his home country.

This is relevant to agency theory (Jensen & Meckling, 1976) which states that there are opportunistic behaviors of management. The behavior is that management acts outside the will of the company owner. The company's management will take tax avoidance actions in a legal manner. So that legal action reflects a decrease in tax avoidance.

Effect of Tax Avoidance on Company Value

The results of statistical tests show that, tax avoidance has a negative effect on firm value. The value of the tax avoidance coefficient (ρzy) is -0.083. This value is not equal to zero ($-0{,}083 \neq 0$). Thus, Ha4 is accepted. This means that tax avoidance affects company value.

Tax avoidance is one way to legally avoid tax that does not violate taxation regulations. This tax avoidance can be said to be a complex and unique problem because on one hand it is permissible. This is consistent with agency theory which explains that tax avoidance is an activity that can facilitate opportunistic management such as tax avoidance and can cause risky company owners (Jensen & Meckling, 1976). This condition can reduce the value of the company. This means that tax avoidance will reflect the transfer of government resources to shareholders (Widyanto et al., 2019). The friction of agency problems between management and shareholders increases the chances of managerial irregularities that can adversely affect the value of the company. Furthermore, tax avoidance is related to reducing the value of the company. This is because tax avoidance has risks that result in costs to be borne by shareholders. So that shareholders and investors will react negatively to the value of the company (Yee et al., 2018).

The Effect of Corporate Governance on Company Value

The results of statistical tests show that corporate governance has an effect on firm value. The coefficient value of corporate governance (ρzx1) is 0.009. This value is not equal to zero (0.009 ≠ 0). Thus, Ha5 is accepted. This means that corporate governance affects the value of the company.

Corporate governance in the company has the role of overseeing and controlling the actions of the executive directors. The supervisory action is related to the opportunistic behavior of the company's director to maximize his personal interests. This is as expressed by agency theory, company owners employ management to manage companies (Jensen & Meckling, 1979). However, conflicts of interest often occur when management puts down their duties. The conflict of interest can be monitored by the corporate governane. Corporate governance in the company has the role of overseeing and controlling the actions of the executive directors.

The results of this study are relevant to previous researchers (Saputra et al., 2018). They found that corporate governance can increase company value. This condition will have an impact on the emergence of trust from shareholders related to the value of the company, so that the value of the company will increase. This means that the proportion of corporate governance in the company is an important part for shareholders (Afiani & Bernawati, 2019). This is because shareholders want their directors to monitor their performance, thereby optimizing company performance. This act of supervision will make potential investors react in the stock market, thereby increasing the value of the company. In other words corporate governance can improve the quality of financial reporting (Nuraini, 2015). This will certainly be very important for users of financial statements, so that it contributes to the value of the company.

Effect of Financial Leverage on Company Value

Statistical test results show that, financial leverage has a negative effect on firm value. Value of the coefficient (ρzx2) financial leverage of 0.148. This value is not equal to zero (0.148 ≠ 0). Thus, Ha6 is accepted. This means that financial leverage affects the value of the company. Financial leverage which is the proportion of the company's funding sources that come from corporate debt. The debt will be used as an additional source of company funds for company operations. Companies that have a balanced portion of financial leverage have no risk in paying off interest and principal. So that it will increase the value of the company. Relevant to trade off theory, or sometimes called balancing theory (Stiglitz, 1969). This theory states that companies may owe to the level of balance between the benefits of using debt with the cost of financial difficulties and agency costs. The use of debt will increase the value of the company but only to a certain point.

But the results of this study are different from previous studies (Fosu et al., 2016; Ramadan, 2015). They stated that financial leverage had an impact on the company's value. This is because financial leverage has consequences for parties outside the company. This condition will be worrying for shareholders and investors in the stock exchange. This concern will be associated with lowering the value of the company. Furthermore, market participants do not want to bear the risk of financial leverage. Interest expense and loan principal will reduce the company's capital if the company is not successful in managing the leverage.

Effect of Sales Growth on Company Value

The results of statistical tests show that, sales growth has a positive effect on firm value. The coefficient of sales growth coefficient (ρzx3) is -0.111. This value is not equal to zero (-0,111 ≠ 0). Thus, Ha7 is accepted. This means that sales growth affects the value of the company. Sales growth which is an increase in sales this year compared to previous year's sales. Any sales growth seen in the company's financial statements will be looked at by investors. This condition is also explained by the conflict of interest theory. In the theory of conflict of interest it is also explained that management accepts assignments from company owners, then management will work to prosper the owner of the company. However, management sometimes acts out of the interests of their owners. One of the actions was to make high sales, even though the sale was carried out with related parties with the company. This action will be viewed negatively by investors. That is because selling to certain parties will get little benefit from the company selling to third parties. This causes a decrease in the value of the company. The results of this study are not relevant to previous studies (Data et al., 2017; Hermuningsih, 2014). They revealed that sales growth increases with the value of the company.

Tax Avoidance Mediates the Effect of Corporate Governance, Financial Leverage and Sales Growth on Company Value

The results of statistical tests show that the direct effect of corporate governance on firm value is 0.000081 (0.0081%). Then if corporate governance through tax avoidance affects the value of the company, then the effect is 0,0009 (0.09%). Therefore it can be interpreted that corporate governance has less direct effect on the value of the company, and a greater effect when going through tax avoidance. Thus, because the direct effect is smaller than the effect of mediation, it can be said that the independent variable fully influences the dependent variable. The results of statistical tests show that the direct effect of financial leverage with a firm value of 0.021904 (2.1904%). Then if financial leverage through tax avoidance affects the value of the company, the effect will be -0.007566944 (0.7566%). Therefore it can be interpreted that financial leverage has a greater direct effect on the value of the company, rather than having to go through tax avoidance. Thus, because the direct effect is greater than the effect of mediation, it can be said that the independent variable partially mediates the dependent variable. The results of statistical tests show that the direct effect of sales growth with a firm value of 0.012321 (1.2321%). Then if X3 through Y affects Z, then the effect is -0.001050282 (0.1050%). Therefore it can be interpreted that sales growth has a greater direct effect on company value, rather than having to go through tax avoidance. Thus, because the direct effect is greater than the effect of mediation, it is said that the independent variable partially mediates the dependent variable.

CONCLUSION

The conclusions in this study are corporate governance, financial leverage and sales growth have an effect on tax avoidance. Tax avoidance, corporate governance, financial leverage and sales growth affect the value of the company. Furthermore, tax avoidance can partially mediate the effect of financial leverage and sales growth on firm value. Whereas tax avoidance fully mediates the effect of corporate governance on corporate value.

As for the advice of the management of the manufacturing sector companies to maintain corporate governance and financial leverage which have an effect on increasing company value. In addition, in order to minimize sales growth and tax avoidance. This is because the influence of these two variables decreases the value of the company. Then for academics it is suggested that add some other independent variables that have the potential to have a big influence on the value of the company. These variables include the reputation of public accounting firms and audit opinions. Observing other business sector industries, such as the primary sector consisting of mining and agriculture sub-sectors. The tertiary sector is like the financial sector. Next measure corporate governance with other measurements.

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