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Financial Determinants of Tax Avoidance: The Moderating Role of Firm Size

Ainun Analisa Ilmi[1*], Novi Lailiyul Wafiroh[2]
Jurusan Akuntansi, Universitas Islam Negeri Maulana Malik Ibrahim Malang, Indonesia

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A B S T R A C T

This study aims to examine the effect of profitability, capital intensity, and leverage on tax avoidance with company size as a moderating variable in food and beverage sub-sector manufacturing companies listed on the Indonesia Stock Exchange (IDX) survived 2019-2023. The research method used is panel data regression with a quantitative approach using Eviews 12 software. The results showed that profitability has a negative and significat effect on tax avoidance, which means that increasing profitability reduces the level of tax avoidance. Capital intensity has a significant effect on tax avoidance, where companies with high fixed asstes tend to avoid taxes through asset depreciation. However, leverage does not have a significant effect on tax avoidance, indicating that the use of debt by companies is more focused on operational funding than tax avoidance strategies. In a moderating role, company size does not strengthen the relationship between profitability and tax avoidance or leverage and tax avoidance. However, company size is able to strengthen the relationship between capital intensity and tax avoidance, indicating that companies with large assets are better able to optimize tax strategies. These findings provide insights for regulators in understanding the factors that influence tax avoidance and its implications fot tax policy. The limitations of this study only use manufacturing companies in the food and beverage sector.

1. INTRODUCTION

Indonesia faces serious challenges in the tax sector, ranking fourth in Asia in terms of tax revenue loss due to tax evasion, behind China, India, and Japan. The country also contributes 0,33% to global tax avoidance schemes, costing other countries US$1,41 billion. In addition, Torslov said that in 2019 Indonesia is estimated to lose potential corporate income tax revenue of up to IDR46 trilion due to profit shifting to countries with low tax rates, and by 2024, the IMF project losses to raech 3,7% of GDP or around IDR 195,67 trillion per quarter. This causes the need for strategic steps and strict policies in dealing with tax avoidance so that state revenues can be optimal and sustainable.

Tax avoidance is a series of strategies or actions implemented by bussiness entities with the aim of reducing the tax burden that must be paid. Taxpayers generally seek to reduce tax liabilities in order to reduce the burden of the company's operating costs, either through mechanisms that comply with legal provisions or approach legal violations. Tax avoidance practices can include both legal and manipulative actions, where the prepetrator utilizes loopholes or shortcomings in tax regulations without directly violating applicable regulations (Mkadmi & Ali, 2024).

Based on Law Number 7 of 2021, tax is a compulsory contribution obligation and is used for the benefit of the state without providing direct benefits to taxpayers. However, a high tax burdens is often considered to reduce company profits, thus encouraging the application of tax management as an effort to optimize the tax obligations to be paid (Prapitasari, 2019). Companies often consider tax payment as a burden, so some of them apply tax avoidance strategies to reduce tax obligations without violating applicable regulations (Dewi, 2023).

The phenomenon of tax avoidance occurs in various companies in Indonesia, including PT Indofood Sukses Makmur Tbk in 2013 which is suspected of avoiding taxes of IDR 1.3 billion through the establishment of a new company and transfer of assets. Meanwhile, PT Adaro Energy Tbk in 2019 utilized a transfer pricing scheme by moving profits to singapore, which resulted in lower tax payments of IDR 1,75 trilion than what should have been paid in Indonesia. Meanwhile, global technology companies such as Google, Facebook, and Microsoft carried out

* Corresponding Author: Ainun Analisa Ilmi: ainunanalisa30@gmail.com

tax avoidance in 2020 by exploying loopholes in the global tax system to avoid taxes, which caused potential losses to the state of IDR 41 trillion per year.

The phenomenon of tax avoidance carried out by companies can have an impact on the loss of potential tax revenue in Indonesia. Companies take advantage of loopholes in tax regulations, such as through transfer pricing practices, to reduce the tax burden. Although this strategy is effective in optimizing profits, its impact can be detrimental to the company's image and risks reducing investor interest. In addition, the use of debt to finance fixed assets as an effort to reduce tax liabilities is also one of the strategies implemented by companies in their operations (Kamil, 2022).

Profitability is one of the factors that influences tax avoidance, profitability can be interpreted as the ability of an organization to optimize resources to obtain future profits (Modjo, 2023). Profitability is expected to affect tax avoidance because the higher the profitability, the greater the tax burden borne, thus encouraging companies to avoid taxes (Haamzah, 2023). The company's ability to generate profits can be measured using return on assets (ROA) (Sovita, 2023). ROA is used because ROA is able to assess the company's overall ability to generate profits based on the total assets owned by the company (Maelani, 2021). The higher the ROA value, the greater the profit earned by the company, which reflects good asset management. An increase in ROA indicates higher profits, which in turn increase income tax expense. So that this condition can encourage companies to do tax avoidance (Anastasia, 2021).

Besides profitability, the next factor is capital intensity. Capital intensity is related to the company's investment in fixed assets, where greater ownership of fixed assets can increase depreciation and amortization costs, so that it can reduce profits and tax burden (Kinasih, 2023). Research by Isnaini (2024), capital intensity is an indicator that reflects the proportion of fixed assets in the company's asset structure, which plays an important role in influencing the effective tax rate. According to Aini (2020), fixed assets provide opportunities for tax reduction through depreciation expense, so companies with high capital intensity tend to have lower tax burdens. This is in line with the opinion of Nirwasita (2024) which states that significant ownership of fixed assets, such as machinery and equipment, allows companies to implement tax saving strategies through favorable depreciation methods. In addition, Modjo (2023) asserts that the larger the fixed assets owned the more efficient tax management the company can do, as depreciation costs contribute to lowering taxable profit and ultimately reducing the tax burden to be paid.

The third factor that can affect tax avoidance is leverage. Leverage is a financial ratio that describes the relationship between debt, equity, and company assets and reflects the source of operational funding and the company's level of risk (Ernawati, 2019). Besides that, leverage is a financial ratio that describes the proportion of debt usage in the company's asset funding structure. According to Wardoyo (2022) leverage shows the extent to which company activities, both operational and investment are financed through debt which in turn creates interest expense as a fixed cost. This interest expense can be used to reduce taxable income, thereby reducing the company's tax burden. Haamzah (2023) adds that leverage includes the use of short-term and long-term debt in supporting operational activities. Aini (2020) states that companies with high leverage rely more on external loans, while companies with low leverage rely more on their own capital. However, according to Pujiastuti et al. (2022), the decision to use leverage requires careful consideration, because the company must be able to fulfill its obligations to pay interest and principal. Therefore, management commitment in financial management is crucial in managing the risks arising from debt funding decisions.

The last factor that can influence tax avoidance is company size. Company size plays a supporting role to strengthen or weaken the existence of dependent and independent variables. Company size is categorized based on total assets, where companies with large assets are more productive, so they can generate high profits and pay higher taxes. This condition can encourage tax avoidance practices because large companies have better resources to manage their tax burdens (Amiah, 2022). Company size is grouped into large or small based on several factors, such as total assets, stock market value, average sales, and total sales. In general, company size is divided into three categories, namely large firm, medium firm, and small firm (Mukin, 2019).

Agency theory explains the cooperative relationship between agents (managers) and principals (owners) based on a contract, where agents are given the authority to manage the interests of the principal. To prevent information asymmetry that can trigger conflicts of interest, information alignment is needed between the two parties (Sofiamanan, 2023). In study, agency theory is applied to the relationship between tax authorities as representatives of the government (principal) and corporate taxpayers (agents). The government has the right to receive taxes from taxpayers income, while companies seek to maximize profits for the benefit of investors (Sovita, 2023). Imbalances in agency relationships can encourage managers to engage in tax avoidance, which although it reduces the tax burden, risks reducing investor confidence in the company (Apriliana & Margir, 2024)

This research is a development of research conducted by Sofiamanan (2023). The novelty of this research lies in the addition of variables, namely company size as a moderating variable. This variabke is added because company ize is a scale or value that can be used to classify companies as large or small based on various criteria. On commonly used indicator is the total assets owned. The greater the total assets, it is expexted that the company's productivity will increase. This increase in productivity will result in greater profits, which in turn affects the amount of tax that must be paid. High profits, which in turn affects the amount of tax that must be paid. High profits tend to increase tax liabilities, so companies are encouraged to do tax avoidance. In addition, large companies usually have adequate resources to manage tax burdens more effectively (Amiah, 2022).

The autor uses the object of research on food and beverage sub-sector manufacturing companies listed on the IDX in 2019-2023. The reason for using this period is with the consideration that the period will obtain more recent data. While the reason for the food and beverage sub-sector is included in on of the largest tax-contributing company sub-sectors in the manufactur sector (Sovita, 2023). In addition, this industry is part of an economic sector that continues to grow along with population growth and economic conditions in Indonesia (Rahmawati, 2023).

This study aims to analyze the factors that influence tax avoidance in food and beverage sub-sector manufacturing companies listed on the IDX during 2019-2023. The main focus of this study includes the effect of profitability, capital intensity, and levevrage on tax avoidance. In addition, this study also explores the role of company size as a moderating variable, which can strengthen or weaken the relationship between these factors and tax avoidance. Thus, the results of this study are expected to provide a deeper understanding of the factors that contribute to tax avoidance practices in the food and beverage sector.

Research Hypothesis

Effect of Profitability on Tax Avoidance

Profitability in this study is measured using return on assets (ROA) which reflects the efficiency of assets in generating profits. Negative ROA indicates lesses, while positive ROA reflects good financial management (Novianty., 2024). Companies with high profitability tend to prioritize profits for owners so they are more likely tend to prioritize profits for owners so they are more likely to avoid taxes, while low profitability contributes to smaller tax payments without active efforts to avoid them (Pramaiswari, 2022). Based on agency theory, there is a conflict between the tax authorities and companies that seek to maximize profits for investors (Sovita, 2023). Tax avoidance is a strategy to save cash, so companies with high profitability are more likely to optimize tax planning to reduce tax costs (Pramaiswari, 2022).

H1: Profitability has an effect on tax avoidance.

The Effect of Capital Intensity on Tax Avoidance

Capital intensity reflects the level of company investment in fixed assets that contribute to increased operations and profits. However, this investment also incurs high depreciation charges, resulting in reduced taxable profit and decreased company tax liabiilities (Safitri & Wahyudi, 2022). In addition, large depreciation costs are recognized as a reduction in income, resulting in smaller profits and lower tax burdens (Suhartono & Ekadjaja, 2024). Therefore, the higher the capital intensity of a company, the more likely the company is to avoid taxes in order to optimize financial efficiency (Adhima, 2023).

H2: Capital intensity has an effect on tax avoidance.

The Effect of Leverage on Tax Avoidance

According to Saputra (2020) the leverage ratio reflects the proportion of debt used by the company to fund its operations. The higher the leverage ratio, the greater the amount of debt the company has, so that interest expenses increase. This interest expense can be deducted from taxable income, resulting in lower company tax liabilities. Therefore, companies tend to utilize funding through debt to reduce the impact of taxes on profits (R. S. Safitri & Oktris, 2023). Thus, the higher the leverage ratio, the greater the funding from third-party debt, thus contributing to an increase in interest expenses and the potential to reduce the company's tax liabilities (Setyaningsih, 2023).

H3: Leverage has an effect on tax avoidance.

The Effect of Profitability on Tax Avoidance is Moderated by Company Size

According to Amiah (2022), company size can be measured based on the total assets owned, thus reflecting the company's capacity to increase sales and profitability. The higher the profit obtained, the higher the tax liability that must be paid. However, many companies try to minimize taxes even though they earn high profits. Therefore, companies with a larger scale tend to carry out tax planning in order to optimize tax payment (Prabowo & Sahlan, 2021). In addition, broader operational activities in large companies also contribute to increased profits, which has an impact on the increase in taxes that must be borne (Silaen et al., 2024).

H4: Company size moderates the effect of profitability on tax avoidance.

The Effect of Capital Intensity on Tax Avoidance is Moderated by Company Size

Large companies tend to have better management and resources in running their businesses, but do not always use fixed assets for tax avoidance because they are more vulnerable to government supervision. Conversely, small companies with limited assets find it difficult to utilize fixed assets in tax avoidance strategies (Fazri & Hariani, 2024). The larger the company, company size plays a role in moderating the relationship between capital intensity and tax avoidance, because large companies have a better capacity to optimize capital intensity in tax avoidance strategies (Hidayat et al., 2024). The larger the company, the higher its operational activities, which require large amounts of fixed assets. The large amount of fixed assets results in depreciation costs that can be used as a deduction for income tax, thereby reducing the company's tax liabilities (Khamisan, 2023).

H5: Company size moderates the effect of capital intensity on tax avoidance.

The Effect of Leverage on Tax avoidance is Moderate by Company Size

According to Saputra (2020) company size is often associated with the amount of debt it has, where large companies with large debts tend to be more careful in avoiding taxes to avoid government attention. Increasing external burdens and high interest expenses can reduce profits, thus having an impact on reducing the tax burden. Large companies need large funding to support operations and increase production, with debt as the main source of funding (Safitri & Oktris, 2023). The ease of access of large companies to external funding also increases the leverage ratio which shows the proportion of capital from debt. Consequently, high interest costs and decreasing profit before tax contribute to reducing the company's tax liabilities (Ulinuha & Nurdin, 2024).

H6: Company size moderates the effect of leverage on tax avoidance

2. METHOD

The data in this study were obtained from the annual financial statements of food and beverage sub-sector manufacturing companies listed on the Indonesia Stock Exchange (IDX) during the period 2019 to 2023. The typo of data used in this study is quantitative data, with secondary data sources obtained through the official IDX website www.idx.co.id. There are 25 companies included in the category. Furthermore, researchers selected samples using the purposive sampling method, namely sampling based on certain predetermined criteria. From the screening results, 16 companies were obtained as research samples, with the following criteria:

A. The company is part of the food and beverage sub-sector listed on the IDX during the 2019-2023 period.
B. The company has complete annual financial reports in the 2019-2023 time span.
C. Companies whose financial statements use rupiah currency.
D. The company experience profits in the 2019-2023 time span.

By referring to these criteria, researchers excluded companies that did not have complete financial reports and/or experienced losses during the observation period. As a result, the number of samples obtained was 16 companies, each with data for five years, so that the total financial statement data used in this study was 80 observations. Furthermore, the measurement of each variable is carried out based on the indicators determined in the research framework as follows:

Table 1. Measurement of Variables

Variable	Indicator Measurement	Measurement Scale
Profitability (X1)	$\text{ROA} = \frac{\textit{Net Income}}{\text{Total Assets}}$	Ratio (Fadila, 2017)
Capital Intensity (X2)	$\text{CIR} = \frac{\textit{Total Fixed Assets}}{\text{Total Assets}}$	Ratio (Puspita, 2017)
Leverage (X3)	$\text{Leverage} = \frac{\textit{Total Debt}}{\text{Total Assets}}$	Ratio (Fadila, 2017)
Tax Avoidance (Y)	$\text{CETR} = \frac{\textit{Taxes Paid}}{\textit{Profit Before Tax}}$	Ratio (Fadila, 2017)
Company Size (M)	Size = Ln Total Assets	Ratio (Amiah, 2022)

This study uses panel data regression analysis techniques to test the relationship between the variables studied, the selection of the best regression model is done by comparing three approachhes, namely the Common Effect Model (CEM), Fixed Effect Model (FEM), and Random Effect Model (REM). The entire panel data analysis process was carried out with the help of Eviews 12 statistical software. This panel regression analysis technique not only aims to determine the direct effect between the independent variables on the dependent variable, but also to identify the role of moderating variables, namely company size, in strengthening of weakening the relationship between the two types of variables. In addition, this study also conducted several statistical test, including the F Test, R-Square Test, T Test, and Moderated Regression Analysis (MRA).

3. RESULT AND DISCUSSION

Model Selection Results

Table 2. Model Selection Results

Cross-section Chi-Square	0,0021
Cross-section random	0,344
Breusch-Pagan	0,235

Source: Eviews 12 Output (2025)

Based on the test results in the table above, it is known that the Cross-Section Chi-Square probability value of 0,0021 is smaller than the significance level of 0,05. Therefore, the model chosen at this stage is the Fixed Effect Model (FEM). Furthermore, based on the Hausman test results, a probability value of 0,344 is obtained which exceeds the significance limit 0,05. Thus, the more appropiate model based on this test is the Random Effect Model (REM). Finally, the Langrange Multiplier (LM) test results show that the Both Breusch-Pagan probability value is 0,235, which is also greater than 0,05. Therefore, the appropriate model to use based on the LM test is the Common Effect Model (CEM).

Classical Assumption Test Results

1. Multicollinearity Test

   The multicollinearity test is conducted to determine whether there is too strong a relationship between the independent cariables in the study. If the correlation value between variables is less than 0,80, then there is no multicollinearity. However, if the correlation value is more than 0,80, there is a multicollinearity problem.

Table 3. Multicollinearity Test

	X1	X2	X3
X1	1,000	-0,094	-0,516
X2	-0,094	1,000	0,190
X3	-0,516	0,190	1,000

Source: Eviews 12 Output (2025)

Based on the multicollinearity test results above, it is known that the correlation coefficient between X1 and X2 is -0,094 < 0,80, X1 and X3 are -0,516 < 0,80, and X2 AND X3 are 0,190 < 0,80. Then these variables are free from multicollinearity or pass the multicollinearity test.

2. Heteroscedasticity Test

   The heteroscedasticity test aims to determine whether there are differences in residual variabces between observations. A good regression model does not experience heteroscedasticity. If the probability value < 0,05 then there is heteroscedasticity. Conversely, if the probability > 0,05 then there is no heteroscedasticity.

Tabel 4. Uji Hetroskedastisitas

Variabel	Coefisien	Std. Error	t-Statistic	Prob.
C	5,561	1,779	3,124	0,025
X1	-10,937	8,409	-1,300	0,197
X2	-3,652	2.268	-1,610	0,111
X3	-6,261	3,275	-1,911	0,059

Source: Eviews 12 Output (2025)

Based on the test results above, it can be seen that the probability value is more than 0,05. This it can be concluded that the probability of the profitability variable (X1) is 0,197 > 0,05, for the probability of the capital capital intensity variable (X2) of 0,111 > 0,05, and the leverage variabel (X3) of 0,059 > 0,05. So it can be concluded that there is no heteroscedasticity problem.

Panel Data Regression Analysis

This study uses panel data regression analysis that combines time series data (2019-2023), and cross-section (16 food and beverage sector companies listed on the IDX) with the aim of analyzing the relationship between profitability, capital intensity, and leverage on tax availability. The results of the panel data regression analysis can be seen in the following table.

Table 5. Panel Data Regression Analysis

Variable	Coefisien	Std. Error	t-Statistic	Prob.
C	-1,859	0,299	-6,206	0,000
X1	-0,454	0,156	-2,909	0,004
X2	-0,883	0,244	-3,608	0,000
X3	-0,377	0,316	-1,191	0,237

Source: Eviews 12 Output (2025)

Based on the table above, the following panel data regression equation results can be obtained:

$$\mathbf{Y = -1.85967834488 - 0.454507623209*X1 - 0.883787788595*X2 - 0.377448798808*X3}$$

Based on the regression equation, it can be interpreted as follows:

1. The constant coefficient value shows a number of -1,859, which means that if the independent variable, namely profitability, capital intensity, and leverage is worth 0, then tax avoidance iw worth – 185,9%.
2. The coefficient value of the profitability variable shows the number -0,454, which means that every 1 unit increase in profitability will reduce tax avoidance by – 45,4%.
3. The coefficient value of the capital intensity variable shows the number -0.883, which means that every increase in capital intensity by 1 unit will reduce tax avoidance by – 88,3%.
4. The coefficient value of the leverage variable shows the number -0,377 which means that every increase in leverage by 1 unit will reduce tax avoidance by – 37,7%.

T-Test

The t-test is conducted to assess the impact of the independent variables individually on the dependent variable. In this test, there are three hypotheses that need to be explained, namely the impact of profitability on tax avoidance, the impact of capital intensity on tax avoidance, and the impact of leverage on tax avoidance. The results of the t-test show:

Table 6. T-Test Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-1,859	0,299	-6,206	0,000
X1	-0,454	0,156	-2,909	0,004
X2	-0,883	0,244	-3,608	0,000
X3	-0,377	0,316	-1,191	0,237

Source: Eviews 12 Output (2025)

Referring to the data listed in the table above, the results of the hypothesis testing from the t-test can be described as follows:

1. A profitability of 0,004 with a t-statistic of -2,909 is indicated by the profitability variable (X1). Because the probability value is less than 0,05, the hypothesis that profitability affects tax avoidance is accepted. Therefore, profitability affects tax avoidance.
2. The capital intensity variable (X2) shows a probability value of 0,000 with a t-statistic of -3,608. The hypothesis that capital intensity affects tax avoidance is accepted because the probability value is less than 0,05. Thus, capital intensity affects tax avoidance.
3. A probability value of 0,237 with a t-statistic if -1,191 is indicated by the leverage variable (X3). Because the probability value is greater than 0,05. The hypothesis that leverage affects tax avoidance is rejected. Therefore, leverage does not affect tax avoidance.

F Test

The F test is conducted to find out whether the independent variables simultaneously affect the dependent variable. If the significant value of F < 0,05, it can be interpreted that the independent variables simultaneously affect the dependent variable or vice versa. The results of the F test show:

Table 7. F Test Results

F-*statistic*	7,788
Prob(F-*statistic*)	0,000

Source: Eviews 12 Output (2025)

The F- statistic value is known to be 7,788 with a probability value. (F-statistic) of 0,000 < 0,05, it can be concluded that the independent variables (profitability, capital intensity, and leverage) affect that dependent variable (tax avoidance).

Uji *R-Square*

This test aims to determine how much influence the independent variable has on the dependent variable. The R-Square value shows the precentage of variation in the dependent variable that can be explained by the independent variable. The higher the R-Square value, the greater the influence of the independent variable on the dependent variable.

Table 8. *R-Square Test Results*

R-Squared	0,2351
Adjusted R-Squared	0,2049

Source: Eviews 12 Output (2025)

It is known that the Adjusted R-Squared value is 0,2049. So that this value can be interpreted that the independent variables (profitability. capital intensity, and leverage) are able to influence tax avoidance by 20,49%. While the remaining 79,51% is influenced by othe factors outside the variables studied.

Moderated Regression Analysis (MRA) Test

Moderated regression Analysis is used to determine whether there is an influence between the independent and dependent variables moderated by the moderating variable. The results of the moderation regression analysis can be seen as follows:

Table 9. MRA Test Results

Variabel	Coefficient	Std. Error	t-Statistic	Prob.
C	2,224	35,330	0,062	0,950
X1*Size	-0,322	1,612	-0,200	0,841
X2* Size	-16,694	4,551	-3,668	0,000
X3* Size	5,262	10,445	-0,503	0,616

Source: Eviews 12 Output (2025)

1. In the tables above, the probability value of the profitability variable with company size as a moderation is recorded at 0,841. Because this value is greater than 0,05, company size is unable to moderate the effect of profitability on tax avoidance.
2. The probability value of the capital intensity variable with company size as a moderation is 0,000. Because the value is smaller than 0,05, company size is able to moderate the effect of capital intensity on tax avoidance.
3. For the leverage variable, the probability value with company size as a moderation is 0,616. Because the value is greater than 0,05, company size is unable to moderate the effect of leverage on tax avoidance.

Discussion

The Effect of Profitability on Tax Avoidance

The results of the study show that profitability has a negative and significant effect on tax avoidance, as measured using the cash effective tax rate (CETR). The higher the profitability of a company, the lower the CETR value, which indicates an increase in tax avoidance practices (Maelani, 2021). In agency theory, owners and shareholders ars principals expect an optimal rate of return in the company. The tax burden borne by the company contributes to a decrease in profits, which in turn reduces the return received by the principal. Therefore, company management as an agent seeks to maximize profits by making tax savings or tax avoidance in order to increase returns for the principal (Maelani, 2021). Large profits cause an increase in income tax expense in accordance with the precentage increase in profits. Therefore, companies tend to be more aggressive in tax avoidance to reduce the tax burden (Devi, 2021).

The Effect of Capital Intensity on Tax Avoidance

The results of the study show that capital intensity has a significant effect on tax avoidance. Capital intensity reflects the allocation of company wealth in fixed asset investment, where larger aset ownership can reduce the tax burden through depreciation mechanisms. High depreciation expenses contribute to decreased profits. Thus reducing the tax rate that must be paid. In addition, the depreciation methode applied by the company also affects the amount of tax paid (Ridwansyah, 2023). According to Muslim et al. (2023), incerasing fixed assets can increase company productivity, but also has consequences for tax avoidance strategies through optimizing asset depreciation. Therefore, capital intensity has an important role in influencing corporate tax avoidance policies. This study is in line with previous studies conducted by Adhima (2023), Ridwansyah (2023), and Syifa (2024) which state that capital intensity affects tax avoidance.

The Effect of Leverage on Tax Avoidance

The results of this study indicate that leverage has no effect on tax avoidance. This finding is consistent with research by Oktafiani (2023), Suryono (2022), and Aini (2020). Leverage does not affect tax avoidance because companies only utilize debt to finance operations, not as a tax burden reduction strategy (Aini, 2020). Corporate funding decisions reflect tax avoidance activities related to the effective tax rate. This is due to the existence of tax regulations that regulate the company's funding structure policy. The funding decision refers to the company's preference in using internal or external funding sources, where debt is a form of external funding (Muslim et al., 2023).

The Effect of Profitability on Tax Avoidance with Company Size as a Moderating Variable

The test results show that company size has no significant effect on the relationship between profitability and tax avoidance. Previous research by Ulinuha & Nurdin (2024) and Hidayat et al. (2024) also supports these results by stating that company size cannot moderate the effect of profitability on tax avoidance. The larger the size of the company, the higher the profit generated. Large-scale companies tend to practice tax avoidance, so they get close supervision from the tax authorities. This supervision can lead to an increase in the amount of tax to be paid, which ultimately affects the company's profitability. Therefore, as company size increases, the effect of profitability on tax avoidance tends to decrease (Hidayat et al., 2024). Company size has no effect on the amount of profit generated by the company. In addition, company size does not function as a moderating variable that can strengthen or weaken the relationship between profitability an tax avoidance. In other words, profitability affects tax avoidance, but this influence is not influence by the size of the Company (Pusposari & Dewi, 2024).

The Effect of Capital Intensity on Tax Avoidance with Company Size as a Moderating Variable

The fifth hypothesis which states that company size is able to moderate the influence between capital intensity and tax avoidance is supported. The results of this study are line with research conducted by Hidayat et al. (2024) and Amiah (2022) which state that company size strengthens the relationship between capital intensity and tax avoidance. Large-scale companies tend to reduce reported profits by deferring them through the selection of accounting policies and the utilization of available policies. In investing in fixed asstes, companies can determine depreciation methods that are considered capable of lowering profits, because depreciation can be deducted from pre-tax profits. Therefore, companies with large scale and significant ownership of fixed assets tend to practice tax avoidance (Amiah, 2022). In addition, large companies with high capital intensity can utilize fixed assets, such as property and equipment, for tax planning strategies through depreciation and amortization to reduce the tax burden. Large company size supports the optimization of this strategy because it has adequate resources and capacity, while strengthening the relationship between capital intensity and tax avoidance (Hidayat et al., 2024).

The Effect of Leverage on Tax Avoidance with Company Size as a moderating Variable

The MRA test results show that company size cannot moderate the effect of leverage on tax avoidance. This finding (Fazri & Hariani, 2024) arch of (Fazri & Hariani, 2024) and (Andoko & Prabowo, 2024) which state that the government's strict supervision of tax compliance causes company size not to affect the relationship between leverage and tax avoidance. Company size does not affect the amount of debt owned, because the interest expense arising from leverage can reduce the company's income, which in turn (Fazri & Hariani, 2024) burden (Fazri & Hariani, 2024). Companies with high levels of leverage face greater risks, so they tend to be more careful in carrying out tax avoidance practices. The risks arising from debt have a similar level of significance in both small and large scale companies, so company size does not have a significant moderating affect (Andoko & Prabowo, 2024). The greater the loan from outside parties, the higher the level of leverage, which results in interest expense from the company's external debt. This interest expense can reduce the company's tax burden, so it tends to reduce tax avoidance (Prabowo & Sahlan, 2021).

4. CONCLUSION

The result of the study indicate that profitability has a negative and significant effect on tax avoidance. Increased profitability tends to reduce CETR, indicating tax avoidance practices by companies. Meanwhile, capital intensity has a significant effect on tax avoidance, indicating that the greater the company's fixed assets, the higher the depreciation costs that can be utilized to reduce taxable income. Conversely, leverage has no effect on tax avoidance, indicating that companies with high debt levels tend to have limitations in implementing tax avoidance strategies due to interest payment obligations.

In terms of moderation, company size is unable to strengthen the relationship between profitability and tax avoidance. This shows that although large companies have higher incomes, company size does not play a role in moderating the relationship between profitability and tax avoidance. However, company size has been shown to moderate the relationship between capital intensity and tax avoidance. Large companies tend to optimize accounting and taxation policies to delay profit reporting in order to reduce their tax obligations. Conversely, company size is unable to moderate the effect of leverage on tax avoidance, because the level of company debt is not directly influenced by company size in the context of tax avoidance.

Based on these findings, this study provides a number of relevant suggestions for various parties. For companies, it is expected to further improve transparency and compliance with tax regulations. Although tax avoidance practices are still within legal limits, it is important to consider the long-term impact on reputation and business sustainability. The management of profitability, capital intensity, and leverage should be balanced between fiscal efficiency and ethical compliance. For investors, an understanding of financial factors such as profitability and leverage is crucial in assessing risk as well as corporate tax strategies as part of investment analysis. For the government and regulators, the results of this study can be the basis for evaluating tax policies, especially in closing legal loopholes and increasing supervision of tax avoidance practices. For future researchers, it is recommended to enrich the research by adding variables such as corporate governance or institutional ownership, as well as expanding the scope of sectors and research periods to obtain more comprehensive results. In addition, this study has several limitations that neet to be considered, namely the scope of sampling is limited to manufacturing companies and financial institutions listed on the stock exchange within a certain period of time, so the results may not necessarily be generalized to all industrial sectors. As well as the relatively limited observation period, this may reduce the research ability to captur the long-term dynamics of tax avoidance practices.

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