

Determinants of Tax Avoidance on Basic Materials Companies

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1063

Submitted:
JULY 2025

Accepted:
SEPTEMBER 2025

ABSTRACT

This study investigates the effect of profitability, leverage, and firm size on tax avoidance among basic materials sector companies listed on the Indonesia Stock Exchange (IDX) during the 2021–2023 period. The research is motivated by Indonesia's persistently low tax ratio, which indicates a high potential for corporate tax avoidance and inefficiencies in the national tax system. Using purposive sampling, data from 34 companies (94 firm-year observations) were analyzed through multiple linear regression. Tax avoidance was measured by the Effective Tax Rate (ETR), profitability by Return on Assets (ROA), leverage by Debt to Assets Ratio (DAR), and firm size by the natural logarithm of total assets. The results reveal that profitability significantly influences tax avoidance, while leverage and firm size show no significant effects. Simultaneously, the three variables jointly affect tax avoidance but explain only 7% of its variation. The findings highlight the dominant role of financial performance in shaping corporate tax behavior and suggest that other factors, such as governance mechanisms or audit quality, may play more substantial roles in explaining tax avoidance practices. This study contributes to the literature by providing sector-specific evidence of post-pandemic corporate tax behavior in emerging markets."

Keywords: Tax Avoidance, Profitability, Leverage, Firm Size

ABSTRAK

Penelitian ini bertujuan untuk menganalisis pengaruh profitabilitas, leverage, dan ukuran perusahaan terhadap penghindaran pajak pada perusahaan sektor bahan baku yang terdaftar di Bursa Efek Indonesia (BEI) selama periode 2021–2023. Latar belakang penelitian ini adalah rendahnya rasio pajak di Indonesia yang menunjukkan potensi tinggi praktik penghindaran pajak serta indikasi inefisiensi dalam sistem perpajakan nasional. Data diperoleh melalui teknik purposive sampling terhadap 34 perusahaan dengan total 94 observasi, kemudian dianalisis menggunakan regresi linier berganda. Penghindaran pajak diukur dengan Effective Tax Rate (ETR), profitabilitas dengan Return on Assets (ROA), leverage dengan Debt to Assets Ratio (DAR), dan ukuran perusahaan dengan logaritma natural total aset. Hasil penelitian menunjukkan bahwa profitabilitas berpengaruh signifikan terhadap penghindaran pajak, sedangkan leverage dan ukuran perusahaan tidak berpengaruh signifikan. Secara simultan, ketiga variabel tersebut berpengaruh terhadap penghindaran pajak namun hanya mampu menjelaskan 7% variasinya. Temuan ini menegaskan bahwa kinerja keuangan menjadi faktor utama dalam perilaku penghindaran pajak perusahaan,

JIAKES

Jurnal Ilmiah Akuntansi
Kesatuan
Vol. 13 No. 4, 2025
pg. 1063 - 1074
IBI Kesatuan
ISSN 2337 - 7852
E-ISSN 2721 - 3048
DOI: 10.37641/jiakes.v13i4.3659

INTRODUCTION

Taxes constitute a vital instrument for economic development and public welfare because they serve as the government's primary and most sustainable source of revenue. In Indonesia, the government has consistently implemented reforms to enhance tax collection efficiency and broaden the tax base. Nevertheless, the **tax ratio remains among the lowest in Southeast Asia**, reflecting persistent challenges in tax compliance and enforcement (Muslim & Fuadi, 2023). This situation implies that the government's fiscal capacity to finance development programs is constrained, while corporate entities continue to exploit regulatory loopholes to minimize tax liabilities. Such practices—commonly referred to as **tax avoidance**—are technically legal but economically detrimental because they reduce potential state revenues and erode public trust in fiscal governance (Mangoting, 1999).

From a theoretical perspective, **agency theory** (Jensen & Meckling, 1976) explains that conflicts of interest arise between managers (agents) and shareholders (principals) regarding tax strategies. Managers often prioritize short-term profitability to maximize shareholder wealth, even if it involves aggressive tax planning or avoidance schemes that compromise fiscal fairness. In this context, **tax avoidance reflects managerial discretion** in balancing profit maximization and compliance obligations (Subagiastra et al., 2016). Therefore, understanding the determinants of corporate tax avoidance becomes essential for designing effective tax policy and improving compliance mechanisms.

Prior empirical studies have explored numerous determinants of tax avoidance, particularly **financial performance indicators** such as profitability, leverage, and firm size. Profitability, measured through Return on Assets (ROA), often signifies a firm's ability to generate income efficiently. According to Wulandari and Mahpudin (2020), highly profitable firms are more likely to engage in tax planning to preserve after-tax income. Several studies (e.g., Danardhito et al., 2023; Primasari, 2019; Suryani, 2021) confirmed a **positive association between profitability and tax avoidance**, implying that firms with higher profits possess both the incentive and resources to minimize their tax burden. However, other research (Apriliyani & Kartika, 2021; Priatno & Andini, 2022; Saputra & Asyik, 2017) found **no significant relationship**, suggesting that the effect of profitability may depend on contextual or sectoral differences.

Leverage, another determinant, represents the extent to which firms finance assets through debt. Interest expenses from debt can reduce taxable income, thus providing opportunities for tax avoidance (Barli, 2018). Empirical findings, however, remain **mixed**: some studies (Abdullah, 2020; Felix & Iskak, 2021) reported a significant positive impact of leverage on tax avoidance, while others (Aini & Kartika, 2020; Fitri, 2024; Marfu'ah et al., 2021) found no significant evidence. Firm size has also been debated. Larger firms are expected to possess greater resources and flexibility to engage in tax planning, yet they also face stronger public scrutiny and reputational risk (Basri et al., 2014; Ramarusad et al., 2021). In contrast, smaller firms might adopt simpler tax strategies due to limited financial capacity (Callista & Susanty, 2022). The inconsistency of these findings demonstrates that the relationship between firm characteristics and tax avoidance remains **empirically inconclusive**.

Moreover, most existing studies have concentrated on **manufacturing and financial sectors**, while **the basic materials sector**—comprising mining, metals, chemicals, and construction materials—has received minimal scholarly attention. This sector is crucial in supporting national industrialization and exports, yet it is characterized by volatile global commodity prices, high capital intensity, and complex cost structures that may shape unique tax behavior patterns (Putri & Suryarini, 2017). The **research gap** lies in the

limited understanding of how these firms manage tax obligations amid financial recovery following the COVID-19 pandemic. The post-pandemic era (2021–2023) presents new challenges, including liquidity constraints, shifting profitability patterns, and regulatory adjustments, which may alter firms' incentives and capabilities in conducting tax avoidance.

Therefore, this study aims to **empirically analyze the effects of profitability, leverage, and firm size on tax avoidance** among companies in the basic materials sector listed on the Indonesia Stock Exchange (IDX) during 2021–2023. By focusing on a sector that has been underrepresented in previous studies and examining a unique post-pandemic period, this research seeks to contribute both **empirical and theoretical novelty**. Empirically, it extends prior literature by providing sector-specific evidence on corporate tax behavior. Theoretically, it integrates **agency theory** to explain how managerial decision-making and firm financial characteristics interact in determining tax avoidance practices. The findings are expected to enrich the discourse on corporate taxation in emerging markets and offer policy insights for strengthening tax compliance and fiscal governance in Indonesia. Accordingly, this study seeks to address these inconsistencies by providing new empirical evidence from Indonesia's basic materials sector

LITERATURE REVIEW AND DEVELOPMENT OF HYPOTHESES

Agency Theory

Agency theory explains the contractual relationship between principals (owners) and agents (managers), in which managers are given authority to make decisions on behalf of shareholders (Jensen & Meckling, 1976). However, this delegation of authority may lead to agency conflicts, as managers sometimes act in their own interests rather than those of the owners. Within the context of taxation, this theory posits that managers may seek to maximize after-tax income through aggressive tax strategies or tax avoidance (Subagiastira et al., 2016). Such actions are viewed as efforts to enhance firm performance and shareholder wealth, even though they may reduce government tax revenue. Therefore, tax avoidance behavior can be understood as a manifestation of agency problems, where managers exploit available tax loopholes to serve private or organizational interests while remaining within legal boundaries (Mangoting, 1999).

Profitability and Tax Avoidance

Profitability represents a company's capability to generate earnings relative to its assets, and is often perceived as a measure of managerial efficiency and business success (Wulandari & Mahpudin, 2020). From an agency perspective, highly profitable firms have stronger incentives and greater capacity to engage in tax avoidance. This occurs because the higher a company's earnings, the larger its taxable income, which directly increases its tax burden. To preserve profits and satisfy shareholders, managers may utilize legitimate tax planning strategies, such as shifting income recognition, exploiting deductions, or timing expenses (Primasari, 2019; Suryani, 2021). Consequently, profitability tends to increase the motivation for tax avoidance, as firms seek to minimize the proportion of profits allocated to tax payments and maximize post-tax returns. Previous empirical evidence supports this argument, showing a significant positive relationship between profitability and tax avoidance (Danardhito et al., 2023; Wulandari & Mahpudin, 2020). H1: Profitability has a significant positive effect on tax avoidance.

Leverage and Tax Avoidance

Leverage indicates the extent to which a firm uses debt financing to support its operations and investments. High leverage levels result in substantial interest expenses, which are tax-deductible under most corporate tax systems (Barli, 2018). According to the tax shield hypothesis, the deductibility of interest expenses reduces taxable income, thereby lowering the firm's effective tax rate. As a result, companies with higher debt ratios may deliberately use borrowing as a strategic tool to minimize their tax obligations (Abdullah, 2020; Sumartono & Puspasari, 2021). However, excessive leverage can also

increase financial risk and reduce profitability, leading to varied empirical results. Some studies (Felix & Iskak, 2021; Ramarusad et al., 2021) found leverage positively related to tax avoidance, while others (Aini & Kartika, 2020; Fitri, 2024) reported no significant influence. Despite these inconsistencies, theory suggests that the tax benefits of debt financing provide firms with a rational basis to adopt higher leverage as part of their tax management strategies. Nevertheless, the extent of such effects may vary across industries depending on capital structure stability and regulatory oversight. H2: Leverage has a significant positive effect on tax avoidance.

Firm Size and Tax Avoidance

Firm size reflects the overall scale of an organization in terms of assets, revenue, and operations. Larger firms generally have more complex structures and access to sophisticated tax planning expertise, which enables them to identify and exploit tax loopholes more effectively (Basri et al., 2014). From a resource-based viewpoint, large corporations possess greater bargaining power and internal capabilities to minimize tax liabilities. However, according to legitimacy theory, larger firms also face higher public visibility and reputational risk. Because they are more closely monitored by stakeholders—including regulators, investors, and the public—they tend to balance tax planning aggressiveness with the need to maintain a positive corporate image (Putri & Suryarini, 2017). Therefore, the relationship between firm size and tax avoidance may be dual in nature: large firms are capable of engaging in sophisticated tax strategies, yet they may refrain from doing so excessively to avoid reputational damage (Callista & Susanty, 2022). H3: Firm size has a significant positive effect on tax avoidance.

Conceptual Model

Based on the theoretical framework and empirical literature, the conceptual relationship among the variables can be illustrated as follows:

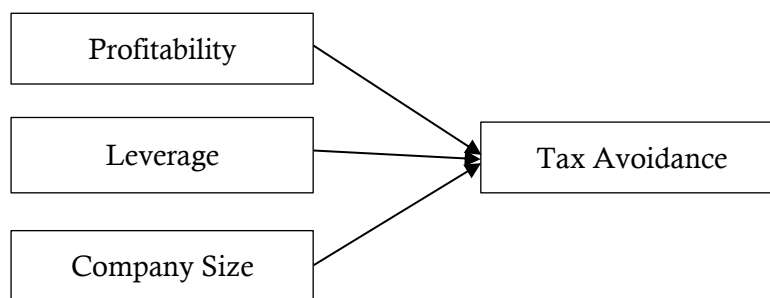


Figure 1. Conceptual Framework

METHODS

Research Design

This study adopts a **quantitative associative research design** aimed at examining the causal relationships between profitability, leverage, firm size, and tax avoidance among basic materials companies listed on the Indonesia Stock Exchange (IDX). The associative design is appropriate because it enables the identification of cause-and-effect relationships between independent and dependent variables using empirical financial data (Kepramareni et al., 2024). The research employs a **panel data approach** over the 2021–2023 period to capture post-pandemic financial dynamics and tax behavior.

Population and Sample

The population comprises **103 basic materials companies** listed on the Indonesia Stock Exchange (IDX) from 2021 to 2023, yielding a total of 309 firm-year observations. Sampling was conducted using the **purposive sampling technique**, which allows the selection of companies that meet specific criteria relevant to the study’s objectives (Apriliyani & Kartika, 2021). The sample inclusion criteria are as follows:

1. Companies consistently listed under the basic materials sector during 2021–2023.

2. Companies that published **complete and audited annual financial statements** during the observation period.
3. Companies reporting all variables required for the study, including total assets, total debt, profit before tax, and income tax expense.

Based on these criteria, **34 companies** met the sampling requirements, resulting in **94 valid firm-year observations** used in the final analysis.

Data Collection and Sources

The research relies exclusively on **secondary data** obtained from the companies' annual financial statements published through the **official IDX website (www.idx.co.id)** and the **Indonesia Capital Market Directory (ICMD)**. The data were compiled manually into a structured dataset and cross-checked for consistency and completeness. All financial figures were standardized in Indonesian rupiah (IDR) and adjusted for comparability across firms and years.

Variable Measurement

The study involves one dependent variable (tax avoidance) and three independent variables (profitability, leverage, and firm size). The operational definitions and measurement formulas are as follows:

Variable	Symbol	Measurement	References
Tax Avoidance	ETR	Effective Tax Rate = Income Tax Expense / Profit Before Tax. Lower ETR values indicate higher levels of tax avoidance.	Saputra & Asyik (2017); Suryani (2021)
Profitability	ROA	Return on Assets = Net Income / Total Assets. Measures a firm's efficiency in generating profit from assets.	Wulandari & Mahpudin (2020)
Leverage	DAR	Debt to Assets Ratio = Total Debt / Total Assets. Indicates the proportion of debt financing and potential tax shield effect.	Barli (2018); Abdullah (2020)
Firm Size	SIZE	Natural logarithm of total assets (Ln Total Assets). Used to normalize scale differences across firms.	Basri et al. (2014); Putri & Suryarini (2017)

Data Analysis Technique

Data were analyzed using **multiple linear regression analysis**, which estimates the effect of independent variables (ROA, DAR, SIZE) on the dependent variable (ETR). Prior to regression, a series of **classical assumption tests** were conducted to ensure the validity of the model, including:

- **Normality test** using the Kolmogorov–Smirnov method.
- **Multicollinearity test** based on Variance Inflation Factor (VIF) values.
- **Heteroscedasticity test** using Glejser regression.
- **Autocorrelation test** using the Durbin–Watson statistic.

The regression model used in this study is formulated as follows:

$$ETR_{it} = \alpha + \beta_1 ROA_{it} + \beta_2 DAR_{it} + \beta_3 SIZE_{it} + \varepsilon_{it}$$

where:

- ETR_{it} = Effective Tax Rate of firm i in year t (indicator of tax avoidance),
- ROA_{it} = Profitability of firm i in year t ,
- DAR_{it} = Leverage of firm i in year t ,
- $SIZE_{it}$ = Firm size of firm i in year t ,
- α = Constant,
- $\beta_1, \beta_2, \beta_3$ = Regression coefficients,
- ε_{it} = Error term.

The model was estimated using **SPSS version 30**. Statistical significance was assessed at the 5% level ($p < 0.05$). Model goodness-of-fit was evaluated using the **F-test** (for joint significance) and **R² (coefficient of determination)** to assess explanatory power.

Validity and Reliability

To ensure data reliability, all financial variables were sourced from **audited reports** issued by the companies. Consistency checks were conducted across years to identify outliers or reporting anomalies. The use of audited financial statements also minimizes **measurement bias** and enhances the credibility of the regression outcomes (Danardhito et al., 2023).

Ethical Considerations

This research uses publicly available secondary data and does not involve direct interaction with human participants. Therefore, it does not require ethical clearance. However, all data were processed with integrity, transparency, and academic accountability in accordance with research ethics standards.

RESULTS

Table 1. Descriptive Statistics

Variable	N	Minimum	Maximum	Mean	Std.Deviation
ROA	94	0.13	24.99	7.4502	5.28139
DAR	94	3.00	68.62	29.1003	16.17004
SIZE	94	25.16	32.05	28.1456	1.63276
ETR	94	0.05	0.40	0.2310	0.06165
Valid N (listwise)	94				

Based on Table 1, it is known that 94 observation data were used in the statistical analysis.. The variable ROA (0.13), DAR (3.00), SIZE (25.16), and ETR (0.05) represent the minimum values of each variable. Meanwhile, the variables ROA (24.99), DAR (68.62), SIZE (32.05), and ETR (0.40)) represent their maximum values.

The maximum value of the DAR variable indicates that some company finance up to 68.62 of their total assets through debt. The SIZE variable, which is measured by the natural logarithm of total assets, has an average value of 28.2456, indicating that most companies in the sample are classified as a medium to large scale. Finally, the ETR variable shows a minimum value of 0.05, which means that there are companies that pay only 5% of their pre-tax income as taxes.

Table 2. Normality Test

Description	Model 1
Mean	0.0003751
Std. Deviation	0.05976825
Test Statistic	0.062
Sig (2-tailed)	0.200

Based on Table 2, the normality test using the Kolmogorov-Smirnov method shows an Asymp. Sig. (2-tailed) value of 0.200, which is greater than the significance level of 0.05. This results indicates that the data are normally distributed, as the significance value exceeds the 0.05 threshold. Therefore, it can be concluded that the regression model satisfies the normality assumption and is suitable for further analysis.

Table 3. Multicollinearity Test

Model 1	Tolerance	VIF
ROA	0.992	1.009
DAR	0.971	1.030
SIZE	0.976	1.024

Based on Table 3, the Variance Inflation Factor (VIF) value for all independent variables are below 10, with ROA 1.009, DAR 1.030, and SIZE 1.024. in addition, the tolerance values for all variables are greater than 0.1. These results indicate that there is no multicollinearity among the independent variables in this regression model.

Table 4. Heteroscedasticity Test

Construct	Unstandardized B	Coefficients Std. Error	Standardized Coefficients Beta	t	Sig
(Constant)	0.127	0.070		1.815	0.073
ROA	-4.322	0.001	-0.006	0.056	0.955
DAR	0.000	0.000	0.53	0.502	0.617
SIZE	-0.003	0.003	-0.128	-1.209	0.230

Based on the test results, it can be observed that all variables have significance values than 0.05. this indicates that the variables are free from heteroscedasticity problems, and regression model meets the homoscedasticity assumption.

Table 5. Autocorrelation Test

R	R Square	Adjusted R Square	Std. Error of The Estimate	Durbin-Watson
0.318	0.101	0.071	0.05564	1.928

Based on the test results, the Durbin-Watson value is 1.928, with a sample size(n) of 94 and three independent variables 3 (k=3). The dU value is 1.7306, indicating that the Durbin Watson value is greater than dU and less than 4-dU (2.2694). Therefore, it can be concluded that no autocorrelation is present in the regression model, as the Durbin Watson value of 1.928>1.7306 and 1.928<2.26939.

Table 6. Linear Regression Test

	Unstandardized B	Coefficients Std. Error	Standardized Coefficients Beta	t	Sig
(Constant)	0.052	0.106		0.489	0.626
ROA	-0.003	0.001	-0.290	-2.920	0.004
DAR	0.000	0.000	0.049	0.487	0.627
SIZE	0.007	0.004	0.187	1.869	0.065

Based on Table 6, the constant value of 0.052 indicates that when all independent variables are equal to zero, the value of tax avoidance is 0.052. An increase in profitability (ROA) by one unit leads to a decrease in tax avoidance by 0.003. Similarly, an increase in leverage (DAR) by one unit results in a decrease in tax avoidance by 0.000, while an increase in company size (SIZE) by one unit causes a decrease in tax avoidance by 0.007.

Table 7. t Test Results

	Unstandardized B	Coefficients Std. Error	Standardized Coefficients Beta	t	Sig
(Constant)	0.052	0.106		0.489	0.626
ROA	-0.003	0.001	-0.290	-2.920	0.004
DAR	0.000	0.000	0.049	0.487	0.627
SIZE	0.007	0.004	0.187	1.869	0.065

Based on the test results, the profitability variable (ROA) has a significance value of 0.004 which is less than 0.05. This indicates that profitability has a significant effect on tax avoidance. Furthermore, the leverage variable (DAR) shows a significance value of 0.627, which is greater than 0.05, indicating that leverage has no significant effect on tax avoidance. Similarly, the company size variable (SIZE) has a significance value 0.065, which also exceeds 0.05, suggesting that company size has no significant effect on tax avoidance.

Table 8. F Test Results

	Sum of Squares	df	Mean Square	F	Sig
Regression	0.041	3	0.014	3.977	0.010
Residual	0.312	90	0.003		
Total	0.353	93			

Based on Table 8, it is shown that the variables of profitability, leverage, and company size simultaneously affect tax avoidance. This is indicated by an F-value of 3.977 with a

significance level of 0.01. Since the significance value is smaller than 0.05, it can be concluded that profitability, leverage, and company size collectively have a significant influence on tax avoidance.

Table 9. R Square

R	R Square	Adjusted R Square	Std. Error of The Estimate	Durbin-Watson
0.318	0.101	0.071	0.05564	1.928

Based on Table 9, the Adjusted R-Square value of 0.071 indicates that the independent variables, profitability, leverage, and company size collectively explain 7% of the variation in the dependent variable, tax avoidance. The remaining 93% of the variation is explained by other factors not included in the model.

DISCUSSION

The empirical findings demonstrate that **profitability has a significant effect on tax avoidance**, while leverage and firm size exhibit no significant influence. This outcome provides meaningful theoretical and practical insights into corporate tax behavior within the basic materials sector in Indonesia. From the perspective of **Agency Theory** (Jensen & Meckling, 1976), managers, as agents, are motivated to maximize shareholders' wealth by minimizing corporate tax obligations through legitimate strategies. When firms generate higher profits, the **agency conflict** between owners and managers intensifies because higher profits imply higher tax liabilities, which could reduce the firm's distributable income. Consequently, managers may engage in tax avoidance to optimize after-tax returns (Subagiastra et al., 2016). The significant relationship between profitability and tax avoidance in this study aligns with previous research by Danardhito et al. (2023), Primasari (2019), and Suryani (2021), who also found that highly profitable firms tend to be more aggressive in implementing tax minimization strategies.

From the perspective of **Signaling Theory**, the findings suggest that profitability may serve as a double-edged signal. On one hand, high profitability signals strong performance to investors; on the other hand, it increases managerial incentives to engage in tax avoidance to sustain favorable earnings signals (Kepramareni et al., 2024). By strategically managing tax expenses, firms can maintain an optimal after-tax profit level and signal financial stability to external stakeholders. Thus, tax avoidance can be interpreted not merely as opportunistic behavior, but also as a **strategic signaling mechanism** aimed at reinforcing firm value and investor confidence.

In contrast, **leverage** and **firm size** do not show significant effects on tax avoidance. This may be attributed to the **unique characteristics of the basic materials sector**, which is generally capital-intensive and highly dependent on tangible assets and raw materials (Basri et al., 2014). High leverage in this sector may primarily reflect financing for fixed assets and production capacity rather than a deliberate tax management tool. Consequently, interest expenses may already be incorporated into operational structures, providing limited incremental tax advantages. This argument aligns with Aini and Kartika (2020) as well as Fitri (2024), who reported that leverage does not necessarily predict tax avoidance in industries with stable capital structures and predictable financing patterns.

Similarly, the insignificant effect of **firm size** may result from the heightened visibility and public accountability of large corporations in this sector. As Putri and Suryarini (2017) and Callista and Susanty (2022) emphasized, larger firms tend to avoid aggressive tax strategies to maintain legitimacy and protect their corporate reputation. Given that basic materials companies are often among the most publicly exposed due to environmental and regulatory scrutiny, they may adopt more conservative tax policies to avoid reputational risk and potential regulatory penalties. These findings partially contradict earlier studies such as Ramarusad et al. (2021), which found that larger firms

are more capable of tax planning, but support the legitimacy-based view that **reputational pressure mitigates tax aggressiveness**.

Overall, these findings highlight that within the post-pandemic context, **profitability remains the dominant financial determinant of tax avoidance**, while leverage and firm size play less significant roles due to sectoral and institutional factors. The results extend the applicability of agency and signaling theories to the Indonesian basic materials industry, where managerial incentives to preserve profit and signal strength outweigh structural financing and scale considerations. Future research should incorporate additional moderating variables—such as corporate governance quality, ownership concentration, or environmental performance—to better explain the complex nature of tax avoidance behavior in capital-intensive sectors. These sectoral distinctions confirm that tax avoidance is a multifaceted behavior shaped not only by financial capacity but also by institutional and reputational constraints

CONCLUSION

This study investigates the influence of profitability, leverage, and firm size on tax avoidance among basic materials companies listed on the Indonesia Stock Exchange (IDX) during the 2021–2023 period. Using 94 firm-year observations analyzed through multiple linear regression, the results show that **profitability has a significant positive effect on tax avoidance**, while **leverage and firm size have no significant impact**. These findings indicate that financially stronger firms are more likely to minimize their tax burden through legitimate tax planning strategies, whereas variations in capital structure and company scale are less decisive in shaping tax behavior in this sector.

From a **theoretical perspective**, the results support **Agency Theory**, which posits that managers act to maximize shareholders' wealth by minimizing tax payments within legal boundaries (Jensen & Meckling, 1976). Higher profitability strengthens the agency conflict between managers and the state, motivating managers to reduce taxable income and preserve post-tax profits. The findings also align with **Signaling Theory**, where firms use tax management as a strategic signal of efficiency and financial strength to investors. However, the insignificant influence of leverage and firm size suggests that **sectoral and institutional factors**—particularly the capital-intensive nature and high public scrutiny of basic materials companies—moderate these relationships. This contributes to refining the theoretical understanding of how firm-level characteristics shape tax avoidance behavior across different industries.

From a **practical standpoint**, the findings have several implications. For **regulators and tax authorities**, the study highlights the need to strengthen monitoring mechanisms for highly profitable firms, which are more prone to engage in tax minimization strategies. The Directorate General of Taxes (DGT) could develop **profit-based risk profiling systems** to identify potential tax avoidance practices more effectively. For **corporate managers**, the results emphasize the importance of balancing tax planning with corporate reputation and compliance, especially in publicly visible sectors such as basic materials. Transparent disclosure of tax policies and compliance practices can enhance stakeholder trust and mitigate reputational risks.

This research also offers value for **investors and policymakers**. Investors may interpret moderate tax avoidance as an indicator of efficient management, while excessive tax avoidance could signal governance weaknesses or future regulatory risks. Policymakers, in turn, can use these insights to design **targeted fiscal incentives or regulations** that promote tax fairness without discouraging investment.

Despite its contributions, this study has several limitations. First, it focuses exclusively on companies in the basic materials sector, limiting generalizability to other industries. Second, the observation period (2021–2023) captures post-pandemic recovery dynamics, which may not represent long-term corporate behavior. Third, the model explains only 7% of the variation in tax avoidance, suggesting that unobserved factors—such as

corporate governance, ownership structure, political connections, or environmental performance—may play significant roles.

Future research is therefore encouraged to **expand the scope** by including multiple sectors, longer time horizons, and additional variables such as board independence, audit quality, or environmental, social, and governance (ESG) disclosure. Employing **panel data regression or structural equation modeling (SEM)** could also enhance the robustness of causal inference. Such extensions would deepen the understanding of how financial, governance, and ethical dimensions jointly influence tax avoidance behavior in emerging markets like Indonesia. By capturing post-pandemic tax behavior in an underexplored sector, this research provides a relevant reference for fiscal policymakers and future comparative studies in emerging economies

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