

Research Article

The Influence of Financial Factors on Tax Avoidance in Manufacturing Companies

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Abstract

The purpose of this study is to investigate how company size, leverage, and profitability affect the likelihood of tax evasion in manufacturing firms that are listed on the Indonesia Stock Exchange. The study employs a quantitative methodology, utilizing secondary data obtained from financial and annual company reports available on the website www.idx.co.id. Using a purposive sampling methodology, 71 sample firms with 284 analytical units were acquired over the course of four years of observation. Multiple regression analysis is the method used for data analysis. The SPSS software, version 25, was used to test the sample. The study's findings indicate that tax avoidance is influenced by profitability, leverage, and company size, based on the outcomes of multiple regression analysis performed at a significance level of 5%. The implications of these findings for managerial decision-making are profound. Managers must be cognizant of the financial factors that influence tax avoidance tendencies within their companies and formulate strategies to optimize tax positions while ensuring compliance with legal and ethical standards. This knowledge empowers managers to make financial structures practices that financial goals and tax obligations.

Keywords: tax avoidance, profitability, leverage, company size.

JEL Classification: M31, M81, L91

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1. Introduction

Taxes are a means of contributing citizens to their income which is used by the government as the largest source of state revenue for state development. Therefore, it is necessary to increase taxes so that the country's economic growth increases and development can be carried out well. Not a few cases of tax irregularities which often take the form of tax evasion in several business and economic sectors have been discovered by the authorities. One sector that is considered vulnerable and has a high potential for tax evasion is the mining sector (katadata.co.id, 2020).

The State Revenue and Expenditure Budget (APBN) explains that the largest state income comes from tax revenues. This means that if the amount of tax revenue in the state increases, the infrastructure and public facilities that will be built by the government will also increase and the quality of state services to the community will also increase. by Espi & Dul Muid (2019) This is why the tax sector has an important role in government. However, the interests between taxpayers and the government regarding tax payments are contradictory. The government hopes that tax revenues will continue to increase every year, while some taxpayers interpret that tax is a burden that can reduce the company's profit level and reduce shareholder welfare, so taxpayers hope that tax payments can be made as little as possible.

As a developing country, the Indonesian government continues to do so state development to advance the country and create prosperity its people. In its implementation, process This development requires funds Very large. To help the government to deal with this problem using taxes as a source of funds needed because tax is one of the country's largest sources of income. Negative responses are not uncommon for the government when collecting taxes on the company because the company assumes taxes will reduce profits will be obtained so that the company tends to make payments as low as possible Possible. Meanwhile, the government expects high tax revenues to help with the financing process government administration activities. The difference between these two interests finally makes taxpayers tend to minimize the tax burden that must be incurred paid. The case above is a trigger. Arikunto (2019) This research was conducted so that the holder's shares, and other stakeholders are more careful in supervising related management actions. tax avoidance practices. This research done with the aim of getting Empirical evidence about the influence of returns on assets, institutional ownership, size company, leverage, sales growth, composition of the independent board of commissioners, and audit committee against tax avoidance.

According to Apriyanto *et al* (2019) the Indonesian Ministry of Finance, tax revenue grew 48.60% compared to last year's revenue in the same period. Apart from that, this tax revenue is also equivalent to 9.44% of the 2023 State Revenue and Expenditure Budget (APBN) target. If you look at the business sector, the manufacturing sector is the sector with the largest contribution to tax revenue with a contribution of 31.5%. The performance of the processing industry in January 2023 was observed to grow 65.1% on an annual basis or higher than the growth in the same period the previous year which was 55.3%. In line with this, it was also quoted from the kontan.co.id page that even though performance has improved, challenges for tax revenue in 2023 still remain. Minister of Finance Sri MulyaniIndrawati in our APBN Press Conference, Wednesday (22/2) stated that the Indonesian Manufacturing PMI was expansive, accelerated and imports were growing high, especially for capital goods and also intermediate goods needed by the processing industry, so this research focuses on the company's financial condition can be seen from the assets owned by manufacturing companies listed on the Indonesian Stock Exchange.

In the previous year, it was noted that the manufacturing sector in Indonesia had great potential but did not contribute enough income to the country (Pricewaterhouse Coopers Indonesia, 2021). Tax revenue from the manufacturing sector is only 4.3% or 6.6% of the total Gross Domestic Product (GDP), which is lower than the transportation and warehousing sector at 4.7%. This allows for high potential for manufacturing companies to contribute to their tax obligations in the coming year.

One of the companies that commit tax avoidance is PT. Adaro Energy Tbk, this company operates in the manufacturing sector. In 2019, this company has been practicing tax avoidance since 2009 - 2017 by James (2020) means of transfer pricing or moving large amounts of profits (profits) from Indonesia to countries that exempt taxes or have tax rates lower than the tax rates imposed by Indonesia. Due to the practices carried out by PT. Adaro Energy Tbk, this company pays lower taxes than IDR. 1.75 trillion compared to the amount of tax that must be paid in Indonesia.

Even though tax avoidance is not considered to violate the law, the losses arising from this practice are not small. As stated above, manufacturing companies have large potential in terms of tax contributions, but their tax revenues are smaller compared to the contributions of other sectors (Wilhemma et al., 2022). As stated by the Minister of Finance, Mrs. Sri Mulyani, although this year there has been an increase in tax revenues obtained from the manufacturing sector, it still presents challenges and concerns in the following year. This is because there are quite a few tax avoidance practices carried out by issuers. So, it is necessary to study further regarding things that can influence tax avoidance, especially tax avoidance (Wulansari & Rahmawati, 2017).

The practice of tax avoidance carried out by issuers is influenced by various factors (Fionasari et al., 2020). These factors include profitability, leverage, company size. Several calculations used to calculate the level of profitability include ROA (Return on Assets). ROA can be calculated by looking at the company's net profit divided by total assets and the imposition of income tax for corporate taxpayers. This statement is supported by research by Rahman (2020), that the amount The ROA value can influence a company's ability to avoid taxes. If the ROA value of a company is higher, it means that the profitability obtained by the company is also higher. The high profitability of a company will provide an opportunity to carry out tax avoidance carefully so that the company can pay as little tax as possible. However, this is not in line with research conducted, Permata et al (2018) which states that the profitability variable has no significant effect on tax avoidance.

2. Literature Review and Hypothesis

Tax evasion

Petax avoidance is the legal practice of minimizing the amount of tax that must be paid by taking advantage of the gaps in the relevant tax laws and regulations. According to Mardiasmo (2018), tax avoidance is an attempt to reduce taxes without breaking the law. Tax avoidance is a lawful method of avoiding paying taxes that poses no risk to taxpayers since it does not violate any tax laws. Tax avoidance is an attempt by taxpayers to reduce their tax liability without breaking any rules already in place.

Profitability

The profitability ratio, is a ratio used to evaluate a business's potential for profit. This ratio also gives an indication of how well a company's management is doing its job. The earnings from sales and investment income demonstrate this. The key is that the ratio's application demonstrates the business's efficiency. Turnover The financial performance of the business in making money from asset management is referred to as profitability. According to Desyana & Yanti (2020), a company's net profit will increase in direct proportion to its profitability. This means that the company's planning will be more sophisticated and result in optimal profits, which will draw in investors.

Leverage

The use of company financing sources, both short-term financing sources and long-term financing sources, will give rise to an effect called leverage Ghazali dan Iman (2019). Meanwhile, financial leverage is a measure of a company's ability which shows the extent of debt and preferred shares in company management to maximize company share income. *Leverage* is a ratio that shows the proportion of debt used to finance investments. The Leverage Ratio is used to measure the company's ability to fulfill both long-term and short-term obligations to finance company assets. For creditors or potential creditors, the leverage ratio is crucial. Generally speaking, in order to assess the degree of creditor security, creditors or potential creditors require information regarding the amount of shareholder funds. Investors may become skeptical of a company's capacity to continue operating in the future if it has a high leverage ratio. The Debt to Total Asset Ratio (DAR) can be used to determine the Leverage Ratio. The debt-to-asset ratio, or DAR, indicates how much a company's assets can afford to pay down its debt. The total assets financed by debt in a firm are measured using DAR.

Company Size

Company size is the size of the company seen from the size of its equity value, sales value, or asset value. Company size is stated as a determinant of financial structure. A company's size can be categorized using a variety of factors, such as its total assets, sales, market value of its shares, and more, using the company size scale. Company size can determine investors' perceptions of a company Tirtanata & Yanti (2021). The larger the company size can provide the assumption that the company is known to the wider community so that it is easier to increase the company value Henry (2018). Company managers will have a predisposition to be aggressive in tax avoidance or compliance, depending on the size of their organization and how much attention it receives from the government. According to this definition, the equity value, sales value, total assets, and personnel count context variables that gauge consumer demand for an organization's goods and services all serve as indicators of the size of the business. A company's firm size is determined by its market capitalization. To calculate the size of a corporation, take the natural logarithm of all its assets.

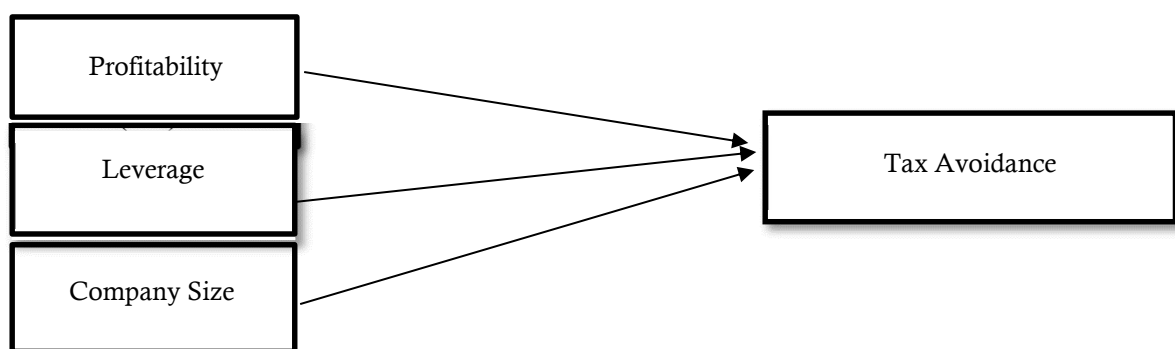


Figure 1. Framework of Thought

Hypothesis

The Effect of Profitability on Tax Avoidance

The ability of a business to turn a profit over a specific time at a given level of revenue, assets, and share capital is known as profitability. The ratio known as return on assets, or ROA, is used to assess how profitable an organization can make investments. Greater profits are earned by a firm, better asset management is practiced, and the company's financial performance is classified as good when the ROA value is reached. Agency theory assumes that every individual will act for their own welfare, including managers. Where managers as agents will take opportunistic actions for their own benefit by manipulating financial reports, including efforts to manage tax expenditures borne by the company to a minimum while still maintaining profitability to remain high and stable. Because tax planning carried out by financial management allows companies to make efforts to avoid taxes. This is in line with the research conducted (Fiandri and Khairul Adhi, 2017) which states that agency theory assumes that each part is motivated by its own interests so that it can cause conflict between the principal and the agent. In this case the tax authorities act as principal and corporate taxpayers as agents who comply with applicable tax regulations (klikpajak.co.id, 218). Research on the influence of profitability on tax avoidance has been researched by researchers, Janrosl&Efriyenti (2018) who stated that research results on the profitability variable have a significant effect on tax avoidance. The research results are like research by Handayani (2018) which states that profitability has a significant influence on tax avoidance. Based on this description, the hypothesis in this research is:

H1: Profitability has a positive effect on tax avoidance.

The Effect of Leverage on Tax Avoidance

An analysis of leverage is used to determine how much of a company's funding comes from debt. The Debt to Total Asset Ratio (DAR), which indicates how much of the company's assets are financed with total debt, is one of the measures used to assess a company's solvency status.

In agency theory, it is assumed that everyone will act for his or her own welfare, including managers. Where managers as agents will take opportunistic actions for their own benefit by manipulating financial reports by increasing interest costs which results in reduced profits that the company can generate so as to lessen the amount of taxes that the business must pay. According to Amin (2020), leverage is a financial ratio that illustrates how a company's debt, capital, and assets are related to one another. The company's operating funding source is disclosed by the leverage ratio. The company's risks are also displayed by the leverage ratio. Incorporate prior studies to bolster your reasoning.

The results of research regarding the effect of leverage on tax avoidance have been studied by Janrosl&Efriyenti (2018). Their study's findings demonstrate that leverage significantly affects tax evasion. This demonstrates that because debt interest has higher tax incentives, the taxable profit will be smaller the larger the debt. Therefore, because interest charges are incurred, a company's ability to avoid taxes decreases with increasing leverage. Research by Amin (2020), which claims that raising leverage will result in interest expenses that can lower profits and so influence reducing taxes, further supports this. There is prior research to support this additional hypothesis. Considering the foregoing explanation of how leverage influences tax evasion, the following is the research's hypothesis:

H2: Leverage has a negative effect on tax avoidance.

The Effect of Company Size on Tax Avoidance

Company size influences Tax Avoidance Company size is the size or size of the assets owned by the company. The total asset value, total sales, market capitalization, number of employees, and other factors can all be used to determine a company's size. The larger the firm, as determined by the total assets owned, the more susceptible it is to tax evasion, since management will work to keep profits stable to reduce tax liabilities.

According to According to agency theory, big businesses incur higher agency expenses than small businesses. Large corporations will therefore release more information to lower agency fees. The scale of the company has a favorable and noteworthy impact. The cash effective tax rate of a firm increases with its growth, suggesting a higher degree of tax evasion. Amin (2020) also found in his research that a measurement of a company's size may be used to represent its operational activities and revenue. This measurement is grouped according to the size of the organization. When opposed to smaller organizations, larger companies are more likely to require funding, which is why they often aim for higher revenues.

The results of research regarding the influence of company size on tax avoidance have been studied by Andriyani (2019), Handayani (2018) and Janrosl&Efriyenti (2018) with the results of their research being that company size has a significant effect on tax avoidance. This is also in line with research conducted by Amin (2020). In addition to overseeing larger corporations, tax authorities may also target smaller businesses to ensure compliance with relevant tax laws and regulations and proper taxation. This description leads to the following research hypothesis:

H3: Company size has a negative effect on tax avoidance.

3. Data and Method

Associative research techniques are combined with a quantitative approach in this study. The quantitative approach is a methodical scientific study strategy that examines elements, phenomena, and their connections. The goal of associative research is to ascertain how two or more variables are related to one another. The portion in question is the Tax Avoidance in Manufacturing Companies Listed on the Indonesia Stock Exchange for the 2019–2022 Period: Profitability, Leverage, and Company Size section. It may be found at (www.idx.co.id).

The manufacturing enterprises that are listed on the Indonesia Stock Exchange between 2019 and 2022 comprise the study's population. One of the industries listed on the Indonesia Stock Exchange (BEI) is manufacturing. The Basic Industry and Chemical Sector, Miscellaneous Industry industry, and Consumer Goods Industry Sector are some of the sub-sectors and sectors that make up the

manufacturing sector. On the IDX (www.idx.co.id), 171 manufacturing businesses have listed their shares.

The sample determination method used in this research is the purposive sampling method, where the author uses certain criteria in selecting the sample. The criteria used are as follows:

1. Manufacturing companies listed on the Indonesian Stock Exchange in 2019-2022.
2. The relevant company has completed financial reports for 2019-2022 and data regarding research variables.
3. The company that publish financial reports in currency rupiah
4. Companies with positive profit values

The following is a table of research sample findings:

Table 1. Sample Discovery List

No.	Information	Amount
1	Manufacturing companies listed on the Indonesian Stock Exchange in 2019-2022 also have variables in this research.	171
2	The company concerned does not have complete financial reports for 2019-2022 and data regarding research variables.	(15)
3	Manufacturing companies that publish financial reports in foreign currency	(22)
4	The related company has a negative profit value	(63)
Number of Sample Companies		71
Number of Samples (Number of Sample Companies x Number of Years of Observation)		284

Source: Data processed from the Indonesian Stock Exchange, 2023

Based on the criteria that have been determined, it can be seen in table 3.1 that 71 sample companies were obtained for 4 years of observation, resulting in 284 analysis units registered on the IDX from 2019-2022.

4. Results

Descriptive Analysis

In order to acquire 72 observations from the entire sample of current companies, this research used a sample of 71 Manufacturing sector companies registered on the Indonesia Stock Exchange with an observation period of three years, namely from 2019 to 2021. The following table displays a description of the research variables:

Table 2. Descriptive statistics

Variable	N	Minimum	Maximum	Mean	Std. Dev
Profitability	284	.00	.42	.0840	.07117
Leverage	284	.02	6.11	.3847	.38866
Company Size	284	25.05	33.66	28.6775	1.62696
Tax Avoidance	284	.01	.94	.2536	.11582

Source: Processed data, 2023

In accordance with the necessary number of observations included in this research, column N of the table above, which displays descriptive statistics, indicates the number of valid data utilized in this study, up to 284 data samples. with a mean of 28.67 and a calculated standard deviation of 1,626. The Cash Effective Ratio (CETR) is used to measure the Tax Avoidance variable. Out of 284 samples, the smallest value for this variable is 0.1, and the largest value is 0.94. obtaining a standard deviation value of 0.11582 and an average value of 0.2536.

Normality test

Regression analysis using normality testing determines if the independent variable, dependent variable, or both are regularly distributed. The purpose of this test is to determine whether the residual or confounding variables in the regression model have a normal distribution. If the distribution of the data is normal or nearly normal, the regression model is deemed to be good. This study employed the Kolmogorov Smirnov (1-Sample KS) analysis method for normality testing. When making decisions, the Kolmogorov Smirnov test is used to determine the Asymp value. Sig. (2-tailed) > indicates a regularly distributed set of data. The table below displays the findings of the normalcy test.

Table 3. Normality Test Results with Kolmogrov-Smirnov

		Unstandardized Residuals
N		284
Normal Parameters, b	Mean	0E-7
	Std. Deviation	,11156855
Most Extreme Differences	Absolute	,193
	Positive	,193
	Negative	-,156
Kolmogrove-Smirnov Z		3,250
Asymp. Sig. (2-tailed)		,299

Source: Processed data, 2023

According to Table 3, the results of the normality test indicate a Kolmogorov-Smirnov value of 3.250, accompanied with an Asymptotic significance value (2-tailed) of 0.299. There is a significant level above 0.05. As a result, it may be said that the regression model satisfies the normalcy assumption, allowing for the next round of testing.

Multicollinearity Test

To determine if the independent variables in a multivariate regression model are correlated, multicollinearity testing is done. When there is little to no correlation between the independent variables, a regression model is said to be good. It is said to have a multicollinearity problem if there is a correlation. You can use the regression model's VIF value, which needs to be less than 10, to identify multicollinearity issues. Multicollinearity among the independent variables is indicated if the VIF value in the regression results is greater than 10. The following are the findings of calculations made to determine the VIF value in the regression model utilized in this study utilizing multiple regression testing research with the help of SPSS statistical software:

Table 4. Variance Inflation Factor (VIF) Value

Model	Collinearity Statistics	
	Tolerance	VIF
Profitability	,673	1,028
Leverage	,596	1,004
Company Size	,676	1,025

Source: Processed data, 2023

Table 4 displays the results of the multicollinearity test calculations, which indicate that the regression model does not have a Variance Inflation Factor (VIF) greater than 10. There are no independent variables with a tolerance value of less than 0.10, which indicates that there is no correlation between independent variables with values more than 95%, as can also be observed in the tolerance value. Therefore, it can be said that the independent variables in the regression model do not exhibit multicollinearity.

Heteroscedasticity Test

The scatterplot diagram method is employed in this study to determine if the multiple linear

regression model exhibits signs of heteroscedasticity or not. If a scatterplot diagram shows no dots dispersed randomly and in a certain pattern, either above or below the zero point on the Y axis, the study is considered non-heteroscedastic. Figure 2 below displays the scatterplot graph's results:

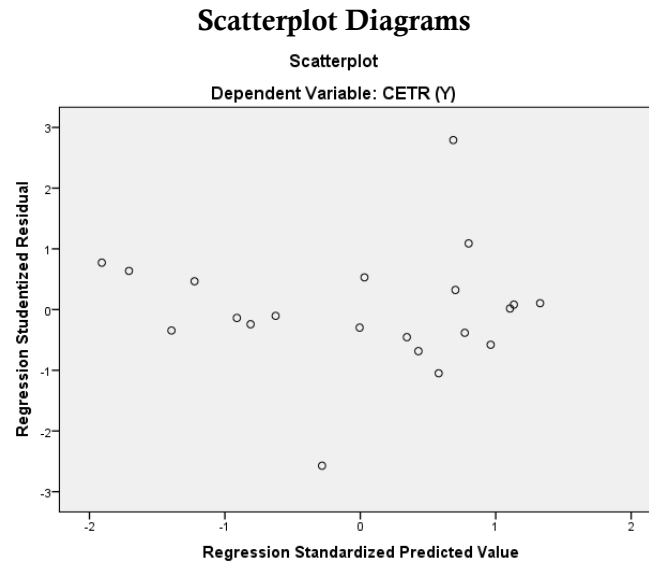


Figure 2. Scatterplot diagram

Figure 2 indicates that there is no discernible pattern and that the points are dispersed above and below 0 on the Y axis. The graph that is displayed in the event of heteroscedasticity is made up of the points that regularly spread and then narrow into a certain wave or pattern. Therefore, since the scatterplot graph in the regression model displays an ambiguous or erratic pattern, it may be said that heteroscedasticity does not occur.

Autocorrelation Test

To determine whether confounding errors in period t and the preceding one ($t-1$) in the linear regression model are correlated, autocorrelation testing is used. You can use the correlation coefficient of the DW test, which is used in the DW (Durbin Watson) test, to determine whether or not there is autocorrelation. It can be concluded that there is no autocorrelation if the DW value is more than DU and $(4 - DU)$ is greater than DW, or if $DU < DW < (4 - DU)$. Table 5 displays the following autocorrelation test findings that were computed using SPSS:

Table 5. Autocorrelation Test Results with Durbin Watson

Model	R	Std Error of the Estimate	Durbin-Watson
1	0.720	0.12165	0.437

Source: Processed data, 2023

Based on the autocorrelation test results above, a DW test value of 0.437 was achieved; this value indicates that the autocorrelation problem in this study is not present, since it falls between 1.669 and 2.331.

Multiple Linear Analysis Results

Through this analysis, the degree to which the three independent variables—profitability, leverage, and firm size—have an impact on the dependent variable—tax avoidance by Manufacturing sector companies listed on the IDX—is determined. Table 6 below displays the findings of numerous regression computations performed using the SPSS software:

Table 6. Summary of Multiple Regression Results

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	,488	,118		4,129	,000
	Profitability	,366	,095	,225	3,856	,000
	Leverage	-,015	,017	,051	3,886	,004
	Company Size	-,007	,004	,103	4,761	,001

Source: Processed data, 2023

The regression equation can be created as follows using Table 6 above: $= -0.488 + 0.366 + (-0.015) + (-0.007)$ The link between the independent variable and the dependent variable can be stated as follows using the multiple linear regression equation above:

- 1 Consequently, a constant value of 0.488 indicates that there will be tax avoidance worth 0.488 if the variables profitability, company size, leverage, and company size are all zero.
- 2 Changes in profitability will result in changes in tax avoidance since the profitability variable has a significant regression coefficient of 0.366 at a significance level of 0.000. Since there is a positive correlation, Tax Avoidance will rise by 0.366 if profitability rises by one unit while the other independent variables remain unchanged.
- 3 The leverage variable is significant, as indicated by its regression coefficient of -0.15 at the 0.004 significance level. Since the connection is negative, Tax Avoidance will drop by 0.015 if leverage increases by one per unit, assuming that the other independent variables remain constant.
- 4 Regression coefficient for the company size variable is -0.007 at a significance level of 0.001, indicating statistical significance. Given the negative link, Tax Avoidance will drop by 0.020 for every unit increase in company size, provided that all other independent variables remain constant.

Hypothesis test

Coefficient of Determination (R²)

The magnitude of the coefficient of determination (R²) can be used to illustrate the extent to which each independent variable has an impact on the dependent variable. To put it simply, the coefficient of determination is a useful metric for assessing how well the model accounts for changes in the dependent variable. The value of the coefficient of determination ranges from zero to one. A low coefficient of determination (R²) indicates a restricted capacity of the independent variables to account for variations in the dependent variables. When the independent variables yield nearly all of the information required to forecast changes in the dependent variable, the value is close to unity. The Coefficient of Determination (R²) computation yielded the following findings.

Table 7. Coefficient of Determination (R²)

Model	R	R Square	Adjusted R square
1	0.683	0.720	0.62

Source: Processed data, 2023

The test findings presented in Table 7 indicate that the Adjusted R square value is 0.561. This indicates that variations in company size, profitability, and leverage account for 56.2% of the variation in Tax Avoidance, with the remaining 43.8% being influenced by external variables. particular model of study. The ability of the independent variable to explain fluctuations in the dependent variable is high if it has an Adjusted R square value close to 1, however the ability of the dependent variable is very poor with an Adjusted R square coefficient value of only 0.562.

5. Discussion

The Effect of Profitability on Tax Avoidance

Based on studies by Fadila (2017), Susanti (2017), and Handayani (2018), it can be concluded that tax avoidance is significantly reduced by profitability. The test results in his study demonstrate that

middle-class and upper-class taxpayers have low ROA because ROA is impacted by significant spending on business development-related corporate research and development. The ability of a business to turn a profit from all of its assets is measured by profitability using the ROA ratio. The company's profits will rise in tandem with its ROA value, increasing its tax burden and overall performance. displays the profitability (ROA) regression coefficient, which is -4.904, with a significant value of $0.000 < 0.05$. These findings demonstrate that H_0 is rejected, indicating that profitability in this study has a negative impact on tax evasion. The decrease in tax evasion increases with the prosperity of the business. Businesses with high return on assets (ROA) will be able to pay their taxes, preserve their standing with shareholders, and remain visible in the public eye. As a result, they will be more likely to report their tax burden in compliance with relevant tax laws, thereby reducing the likelihood of tax evasion.

The Effect of Company Leverage on Tax Avoidance

The company's risks are also displayed by the leverage ratio. Janrosl & Efriyenti (2018) examined the findings of a study on the impact of leverage on tax evasion. Their study's findings demonstrate that leverage significantly affects tax evasion. This demonstrates that because debt interest has higher tax incentives, the taxable profit will be smaller the larger the debt. Because interest expenses accrue, a company's ability to avoid taxes decreases with increasing leverage. Research by Amin (2020), which claims that raising leverage will result in interest expenses, which can lower profits and so have an effect on reducing taxes, further supports this.

The Influence of Company Size on Tax Avoidance

The findings of this study are consistent with those of Rahman's (2020) research, which shows that a company's adoption of a tax avoidance policy decreases with the number of companies it owns. Agency theory states that the costs of agencies are higher for large businesses than for small businesses. Large corporations will therefore release more information in order to lower agency fees. The scale of the company has a favorable and noteworthy impact. The cash effective tax rate of a firm increases with its growth, suggesting a higher degree of tax evasion. firm size is a measurement that is grouped based on the size of the firm and can indicate the operational activities and income made by the company, as was also found by Amin (2020) in his research. Research by Andriyani (2019), Handayani (2018), and Janrosl & Efriyenti (2018) has examined the impact of firm size on tax avoidance, and their findings indicate that tax avoidance is significantly impacted by company size. Additionally, this is consistent with studies done by Amin (2020). Large enterprises are not the only ones subject to tax authorities' oversight; small businesses may also come to their notice by adhering to applicable tax laws and regulations and paying taxes in accordance with them.

6. Conclusion

Following a number of phases of data collection, processing, and analysis, the following findings about the impact of profitability, leverage, and company size on tax avoidance are produced from the analysis: Tax avoidance is positively and significantly impacted by profitability. This implies that a higher level of tax avoidance will be practiced by the corporation in proportion to its profitability. Tax Avoidance is significantly impacted negatively by the leverage variable. This implies that a company's level of tax avoidance increases with decreasing leverage. Tax avoidance is significantly and negatively impacted by the firm size variable. The lower the tax avoidance, the greater the company. As a result, this study clarifies the complex relationship between monetary considerations and tax evasion in manufacturing firms and provides useful guidance for managers making decisions. Fostering sustainable and responsible corporate practices requires organizations to have a thorough awareness of these financial factors as they negotiate the complex world of taxes. The management ramifications of financial factors' impact on tax evasion in manufacturing firms highlight the necessity of a methodical and well-rounded strategy. In addition to taking stakeholder expectations, ethical issues, and the company's overall risk profile into account, managers must negotiate the difficulties of tax planning. They can support the organization's long-term viability and success by doing this.

Recommendation

Recommendations for research The next suggestion is to get it take a longer research period longer than three years and observe companies other than manufacturing companies, such as non-financial companies so that they can shows better research results. Further research is also expected to adding another independent variable is thought to influence tax avoidance, such as Capital Intensity, Ownership Managerial, Audit Quality, Company Age, Corporate Social Responsibility (CSR), and Fiscal Loss Compensation.

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