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Original Article

Tax Avoidance Influenced By Company Profitability, Leverage, and Firm Size (Empirical Study On Agriculture Sectors Listed In Indonesia Stock Exchange)

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Abstract: *This study examines the impact of profitability, leverage, and firm size on tax avoidance behavior among agriculture sector companies listed on the Indonesia Stock Exchange (IDX) during the period from 2019 to 2021. The type of this research is a quantitative study conducted using SPSS version 27. Using purposive sampling, data from 30 companies with 43 observation data points were analyzed. The findings indicate that profitability significantly influences tax avoidance practices in the agriculture sector, suggesting that more profitable firms are more likely to engage in such behavior. However, no significant relationship was found between leverage and firm size with tax avoidance, indicating that debt levels and company size do not significantly affect tax avoidance tendencies. These findings have implications for policymakers, tax authorities, and investors in the agriculture sector, guiding the formulation of effective tax policies and facilitating informed decision-making.*

Keywords: *Tax Avoidance, Profitability, Leverage, Firm Size.*

I. INTRODUCTION

For many years, tax avoidance has been a major concern in the business sector. Tax avoidance is a prevalent business strategy in which corporations use legal measures to reduce their tax bill while increasing profits. While this strategy may maximize their profits, it has also piqued the interest of policymakers, regulators, and academics. However, in recent years, critics have claimed that the practice deprives the government of much-needed revenue and contributes to rising income inequality.

According to (Kimsen et al., 2018), tax avoidance is a legal tactic used by businesses to legitimately lower their tax liabilities without breaking any existing rules. This indicates that businesses use legal tax avoidance strategies to lower or completely eliminate their tax obligations. When there is a discrepancy between the amount of tax that should be paid and the amount that is actually paid, tax avoidance has taken place. By taking advantage of gaps or ambiguities in tax legislation, businesses use a variety of tactics to reduce their tax obligations. The goal of businesses to increase their profitability and protect their financial stability frequently serves as the motivation for tax avoidance.

Profitability, leverage, and company size are elements which could have an impact on the exercise of tax avoidance. More profitable companies tend to have more resources to engage in tax planning activities, while companies with higher leverage may have an incentive to engage in tax avoidance practices to maintain their financial position. Additionally, larger firms may also have the ability to use internal and external resources to engage in tax avoidance practices.

Previous studies on the subject of tax avoidance have maintained their level of interest due to the distinctive empirical findings they give, which fill a research need. For instance, a study (Barli, 2018) found no significant effect on firm size but identified a positive association between leverage and tax avoidance. These findings were reinforced by (Kimsen et al., 2018) research, which showed that leverage and Return on Assets (ROA) had a negative influence on tax avoidance but had no discernible effect on firm size. The manufacturing firms listed on the IDX (Indonesian Stock Exchange) between 2012 and 2016 were the subject of these investigations. Researchers are compelled to continue investigating since earlier studies on the factors driving tax avoidance have produced conflicting results.

Profitability, leverage, and firm size are only a few of the variables that affect a company's use of tax avoidance. Regarding the impact of profitability, which serves as the independent variable in this study, previous research has given a range of conclusions. For instance, research by Ganiswari (2019) suggests a favorable correlation between profitability and tax avoidance. Ariyanti et al. (2021), in contrast, found no evidence of a significant impact of profitability on tax avoidance. These conflicting results draw attention to the contradictions in earlier research on the influence of profitability. Therefore, the

researcher's goal is to explore, specifically in the agriculture industry between 2019 and 2021, the connection between profitability and tax avoidance.

According to studies by Mariana et al. (2021), the factor of leverage does not significantly affect tax avoidance. This result, however, conflicts with other studies, such as the one by Mahdiana and Amin (2020), which found a strong positive correlation between leverage and tax avoidance. Given the discrepancy between the two studies described above, the researcher wants to look at how leverage affects tax avoidance, specifically in the agriculture industry, from 2019 to 2021.

The results of earlier studies by Sari et al. (2021) show that firm size significantly affects tax avoidance. However, a different study by Kusumah et al. (2021) reveals the opposite result, arguing that firm size has a detrimental impact on tax avoidance. Given the discrepancy between the findings of these two studies, the researcher intends to examine, specifically within the agriculture sector, the impact of firm size on tax avoidance throughout the years 2019-2021.

This empirical study focuses on the agriculture sector, which is a good choice for a study on the influence of profitability, leverage, and firm size on tax avoidance. Several reasons attract researchers to use the agricultural sector as their research object. Firstly, the agricultural industry tends to have many incentives to minimize costs, including tax costs. Because this industry often has low-profit margins, reducing tax costs can help increase company profits. Secondly, the agricultural industry often depends on environmental and weather factors, which can greatly affect the financial performance of companies. Therefore, tax avoidance practices can be considered as one strategy to balance environmental risks and improve financial stability. Thirdly, the agricultural industry often has large assets, such as land and farming facilities, which can result in high tax burdens. Therefore, agricultural companies may tend to engage in tax avoidance practices to reduce excessive tax burdens and maintain healthy financial liquidity.

In addition, the agricultural sector usually has different characteristics compared to other industries, such as seasonal planting, which can affect company income. This can be an important factor in understanding how profitability, leverage, and firm size can affect tax avoidance practices in this sector. Furthermore, agricultural companies also often have different government subsidy policies, which can have varying impacts on tax avoidance practices for each company. Therefore, a study on the influence of profitability, leverage, and firm size on tax avoidance practices in the agricultural sector can guide governments and industry stakeholders in developing more effective tax policies and promoting companies' compliance with their tax obligations.

Barli (2018) study serves as a foundation for this investigation. It differs from the prior analysis, though, in that it includes a further independent variable—profitability—that was extracted from the study carried out by Aulia et al. (2020). This study is unique in that it has a different time frame and analytical focus. It specifically looks at agricultural businesses that were listed on the Indonesia Stock Exchange (IDX) between 2019 and 2021.

II. LITERATURE REVIEW

A) Tax and Tax Avoidance

As Indonesian citizens, we're all required to pay taxes to the government. This money is used to help make our country better. But some people don't like paying taxes because it means they have less money. To avoid paying too much tax, some people try to reduce their profits or increase their expenses. Companies also do this by planning ahead to pay less tax. This is called tax avoidance.

According to Pohan (2013), tax avoidance is the legal practice of lowering taxpayers' tax obligations by taking advantage of loopholes or weaknesses in tax laws and regulations. This strategy entails using a variety of strategies and tactics, like conducting business with non-taxable goods. For instance, taxpayers can change monetary benefits into non-financial ones that are not subject to taxation. Taxpayers might avoid paying taxes while still complying with the law by taking advantage of tax law loopholes.

The measurement used for tax avoidance is the Effective Tax Rate (ETR). A high ETR value for an entity indicates that it is less effective in utilizing tax incentives and has a high tax payment burden. Conversely, entities with a low ETR can be used as an indicator of the utilization of tax incentives or a high level of tax avoidance, resulting in a low tax burden payment.

B) Profitability

According to several experts, profitability is a ratio that evaluates a business's ability to turn a profit from its main operations within a given time frame (Hery, 2018, p. 192; Kasmir, 2019, p. 196; Sudana, 2015, p. 22). The effectiveness of the corporation in employing its own resources, such as assets, capital, and sales, to produce profits is assessed using this ratio. According to these professional explanations, profitability may be defined as a ratio used to measure and assess a company's capacity to produce profits over a specific period of time while taking into account its available resources. The high

profitability ratios indicate the existence of an entity's ability to get better in obtaining profit for the entity.

To measure profitability, the Return on Assets (ROA) method is used. This method reflects how effectively an entity is using its assets to generate profit. ROA considers all of the assets owned by the entity, regardless of whether they were acquired using its own capital or external funding sources.

C) Leverage

Leverage is a way to assess whether an entity can fulfill its short-term and long-term debt or liabilities (Barli, 2018). It measures the extent to which an entity uses debt to fund its operations or investments. However, borrowing also incurs additional costs in the form of interest expense. High debt levels mean high-interest expense for the entity. Nonetheless, the interest paid on loans can be a deductible expense, which can lower taxable income. Therefore, high leverage can lead to lower tax payments due to the decrease in taxable income.

The Debt to Equity Ratio (DER) assesses how much a company relies on debt compared to equity. A high DER shows more debt financing and higher risk, while a low DER is safer and preferred by investors and creditors. DER is calculated by dividing total debt by total equity or capital.

D) Firm Size

According to Saifudin and Yunanda (2016), a company's size refers to the extent that separates it from smaller or larger entities. The size of a firm is influenced by a number of variables, including equity value, sales value, staff count, total assets, and others. These elements make it possible to divide businesses into three groups based on their size: small, medium, and large.

To evaluate the size of a company, the method of transforming the total assets of the company into a natural logarithm (Ln) form can be used. By using this measure, more consistent results can be produced and compared with other measures. Since the total assets of a company usually have large values, they can be simplified by using a natural logarithm without affecting the actual number of assets (Christy & Subagyo, 2019).

E) Hypotheses Development and Conceptual Framework

a. Hypotheses Development

i) The Relationship Between Profitability and Tax Avoidance

A company's ability to make money from its routine business operations is measured by its profitability (Hery, 2018, p. 192). Kusumah et al. (2021) and Ganiswari (2019) both assert that profitability has a substantial impact on tax avoidance. A company's propensity to engage in tax avoidance strategies increases along with increasing profitability.

This can be explained by the fact that companies with high profitability may feel that they can gain more profit by avoiding taxes rather than paying them. In this case, companies tend to use their resources and financial capabilities to avoid taxes and maximize their profits. So, the first hypothesis of the author is:

H_1: Profitability influences tax avoidance.

ii) The Relationship Between Leverage and Tax Avoidance

According to Barli (2018), leverage is a measure of a company's capacity to pay its short- and long-term debt commitments. The concept that leverage plays a significant role in tax avoidance is supported by research by Mahdiana and Amin (2020) and Putri and Halmawati (2023). Their research indicates that corporations with higher levels of leverage are more likely to use tax avoidance techniques. This suggests that companies with higher debt loads may decide to use tax planning strategies to efficiently manage their tax burden.

The second explanation is predicated on the notion that companies with higher levels of leverage—which leads to higher interest rates—are more inclined to employ tax avoidance strategies. This issue is explained by the potential for high loan rates to severely disadvantage such businesses financially. They may use tax avoidance techniques to lower their tax liabilities and hence boost their profits. Leverage is, therefore, believed to have a significant impact on the tax avoidance strategies used by firms. The following is the second hypothesis:

H_2: Leverage has an influence on tax avoidance.

iii) The Relationship Between Firm Size and Tax Avoidance

The magnitude of a company determines its classification as either a large or small entity (Saifudin & Yunanda, 2016). According to research by Christy & Subagyo (2019) and Sari et al. (2021), firm size has a considerable impact on tax avoidance, meaning larger businesses are more likely to use tax avoidance strategies.

This can be explained by the fact that larger companies have more resources and financial capabilities to access

more complex tax avoidance strategies and practices. In addition, large companies may also have more business activities overseas, allowing them to shift profits to countries with lower tax rates and significantly reduce their tax burden.

Previous studies have also shown that larger companies tend to have higher levels of tax avoidance compared to small and medium-sized companies. Therefore, the third hypothesis that can be made is:
H_3: Firm size has an influence on tax avoidance.

b. Conceptual Framework

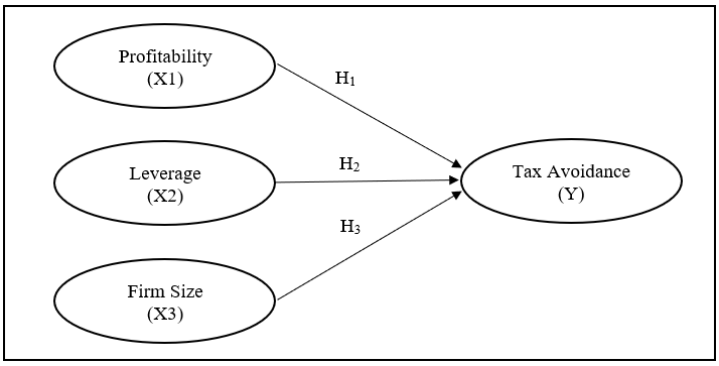

Figure 1: The Conceptual Framework

Source: *Processed by author*

III. RESEARCH METHODOLOGY

A) Research Method and Sample Selection

This study makes use of both secondary data and quantitative analysis. All 30 agricultural enterprises that have consistently been listed on the Indonesia Stock Exchange (IDX) between 2019 and 2021 comprise the target population. The analytical method for examining the relationships between variables is multiple regression analysis. Samples are chosen using purposeful sampling, and they are chosen in accordance with preset standards. These prerequisites consist of the following: (1) the company must list on the IDX between 2019 and 2021; (2) financial data must be reported in Indonesian Rupiah (IDR); (3) a full financial report must be released between 2019 and 2021; and (4) profits must be recorded during that time.

Table 1: Sample Selection

Criteria	Data Observations
Agriculture companies registered on IDX	90
Companies not listed on IDX (2019-2021)	(5)
Do not use the rupiah currency (IDR)	(3)
Incomplete financial statements	(1)
Loss during the period	(35)
Outlier data	(3)
Complete data	43

Source: *Processed by Author*

The data in this study is analyzed using SPSS software version 27. The data processing consists of multiple stages, including data editing, to ensure it aligns with the research objectives. The second stage involves tabulating the data into labeled tables based on the necessary analysis. Lastly, the statistical data processing is conducted using the SPSS version 27 software.

The dependent variable in this study is tax avoidance. The proxy used to assess tax avoidance is the Effective Tax Rate (ETR). ETR can be calculated using this formula:

$$Effective\ Tax\ Rate = \frac{Income\ Tax\ Expense}{Earnings\ before\ Taxes}$$

Source: *(Tanjaya & Nazir, 2021)*

The study's independent variables include Profitability (X1), Leverage (X2), and Firm Size (X3). The measurement for profitability in this study is Return on Assets (ROA). ROA can be calculated using this formula:

$$Return\ on\ Assets = \frac{Net\ Profit\ after\ Tax}{Total\ Assets}$$

Source: *(Aulia et al., 2020)*

The measurement for leverage in this study is Debt to Equity Ratio (DER), which can be calculated using this formula:

$$Debt\ to\ Equity\ Ratio = \frac{Total\ Debt\ (Liabilities)}{Total\ Shareholders' Equity}$$

Source: *(Barli, 2018)*

Lastly, the measurement for the firm size can be calculated with this formula:

$$Firm\ size = Ln\ (Total\ Asset)$$

Source: (Barli, 2018)

The linear regression equation in this study can be written as follows:

$$Yi=\alpha+\beta1ROAi+\beta2DERi+\beta3SIZEi+\varepsilon i$$

Information:
Y = Tax Avoidance
α = Constant
$\beta1, \beta2, \beta3$ = Coefficient
ROA = Profitability
DER = Leverage
SIZE = Firm size
ε = Error
i = Amount of Data

IV. RESULTS AND DISCUSSIONS

A) Descriptive Statistics

Table 2. Descriptive Statistics Test

	N	Minimum	Maximum	Mean	Std. Deviation
ETR	43	-6.70	0.95	0.1511	1.05467
ROA	43	0.00	0.49	0.0748	0.09680
DER	43	-2.20	7.94	1.1662	1.30675
SIZE	43	26.68	31.33	29.3957	1.33173

Source: *SPSS Version 27*

From Table 2, it is found that for the ROA variable, the highest (maximum) value is found to be 49%, and the average value is 7.48%, whereas the lowest (minimum) value is 0%. For the DER variable, the highest (maximum) value was found to be 794%, and the average value was 116.62%, whereas the lowest (minimum) value was minus 220%. A minus result is obtained on the DER because there is a liability value in a company that exceeds the asset value, causing the equity value to be negative or a deficit. For the variable SIZE, the highest (maximum) value was found to be 31.33, and the average value was 29.3957, whereas the lowest (minimum) value was 26.68. The highest ETR is 95%, whereas the lowest is minus 670% and has an average of 15.11%. A negative ETR result was obtained since the final year, and these costs had been charged to profit and loss; this year's correction of these costs is treated as income.

B) Classical Assumptions Test

a. Normality Test

Table 3: Normality Test One Sample K-S

		Unstandardized Residual
N		43
Normal Parameters[a,b]	Mean	0.0000000
	Std. Deviation	0.52976756
Most Extreme Differences	Absolute	0.130
	Positive	0.092
	Negative	-0.130
Test Statistic		0.130
Asymp. Sig. (2-tailed)[c]		0.066
a. Test distribution is Normal.		

b. Calculated from data.
c. Lilliefors Significance Correction.
d. Lilliefors' method is based on 10000 Monte Carlo samples with starting seed 957002199.

Source: *SPSS Version 27*

Based on the Kolmogorov Smirnov One Sample Test in Table 3, Asymp. Sig. (2-tailed) is 0.066, which means A symp. Sig. (2-tailed) > 0.05. Therefore, it can be concluded that the data used in this study are normally distributed.

C) Multicollinearity Test

In this study, the tolerance and VIF (variance inflation factor) values were examined as part of the multicollinearity test using SPSS version 27, with the following outcomes:

Table 4. Multicollinearity Test

Model		Collinearity Statistics	
		Tolerance	**VIF**
1	TransROA	0.839	1.192
	TransDER	0.852	1.174
	TransSIZE	0.966	1.036
a. Dependent Variable: TransETR			

Source: *SPSS Version 27*

Under the test conditions, multicollinearity does not occur when the tolerance value is more than 0.1. On the other hand, multicollinearity is assumed to exist if the tolerance value is less than 0.10. Based on estimations of the tolerance values in Table 4, none of the independent variables in this study have a tolerance value less than 0.1. Moreover, none of the independent variables had a Variance Inflation Factor (VIF) greater than 10, according to the data. All of these findings demonstrate that there is no multicollinearity among the independent variables in the regression model. Consequently, the analysis concludes that the independent variables do not exhibit multicollinearity issues.

D) Heteroscedasticity Test

a. Scatter Plot

According to Aulia et al. (2020), the heteroscedasticity test determines whether variable inequality exists between the residuals of different observations in a study using a regression model. The pattern in the model's scatterplot image can be used to predict whether heteroscedasticity would be present in the model or not. The data does not exhibit heteroscedasticity if the points are distributed uniformly about the number 0, do not accumulate exclusively above or below, do not form wavy patterns with widening and narrowing variations, and do not exhibit any particular, recognizable pattern.

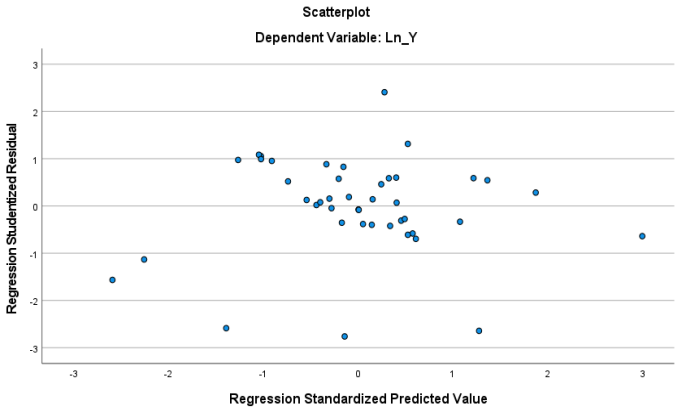

Figure 2: Heteroscedasticity Test - Scatter Plot

Source: *SPSS Version 27*

The information in Figure 2 illustrates how the data points are distributed both above and below the value of zero, with no dense clump occurring only above or below. It is also impossible to discern a pattern in the data points' distribution. Therefore, we can conclude that there is no heteroscedasticity in this study.

b. Glejser Test

A common method for detecting heteroscedasticity in regression analysis is the Glejser test. Suliyanto (2011) claims that the Glejser test's main goal is to find signs of heteroscedasticity by comparing each independent variable's regression coefficient to the absolute value of the residual. The model is said to not display heteroscedasticity if the probability is greater than 0.05 (α).

Table 5: Heteroscedasticity – Glejser Test

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.236	4.147		0.539	0.593
	TransROA	0.081	0.057	0.241	1.422	0.163
	TransDER	0.038	0.052	0.123	0.731	0.469
	TransSIZE	-0.472	1.232	-0.061	-0.383	0.704
a. Dependent Variable: ABS_RES1						

Source: *SPSS Version 27*

The significance level of each variable is clearly larger than the specified alpha value of 0.05, as shown by the results in Table 5 that are presented. Since there are no signs of heteroscedasticity in the regression model, we may conclude that it is not heteroscedastic.

c. Autocorrelation Test

Table 6: Autocorrelation Test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0.763[a]	0.582	0.551	0.12963	1.721
a. Predictors: (Constant), TransSIZE, TransDER, TransROA					
b. Dependent Variable: TransETR					

Source: *SPSS Version 27*

Based on the autocorrelation test findings displayed in Table 6, the Durbin-Watson value (DW test) is 1.721. 1.664 is the calculated value of dU for all three independent variables. By subtracting dU from 4, we get 2.336. This leads to the establishment of the condition dU<DW<4-dU, which in this case is equal to 1.664<1.721<2.336. These results demonstrate that the data utilized in this study do not exhibit autocorrelation, which allows us to conclude that there are no signs of autocorrelation in the regression model that was employed.

E) Multiple Regression Linear Test

In order to identify whether variables are positively or negatively correlated, multiple linear regression analysis is used to assess the direction of the relationship between them. This approach assists in resolving the issues raised by the research topic, specifically by examining the interaction of two or more variables (Riskatari & Jati, 2020). Through the use of multiple regression analysis, the researchers in this paper examine the impacts of profitability, leverage, and firm size on tax avoidance among agricultural companies listed on the Indonesian Stock Exchange between 2019 and 2021. Table 7 presents the research outcomes from this examination.

Table 7. Multiple Regression Linear Test

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-0.671	0.876		-0.767	0.448
	TransROA	-0.914	0.159	-0.644	-5.735	0.000
	TransDER	0.061	0.045	0.149	1.334	0.190
	TransSIZE	0.248	0.161	0.160	1.541	0.131
a. Dependent Variable: TransETR						

Source: *SPSS Version 27*

Based on the results of the regression analysis in Table 7, the regression equation used in this study can be written as follows.

$$ETR = -0.671 - 0.914ROA + 0.061DER + 0.248SIZE + \varepsilon$$

The level of tax avoidance at which all independent variables—profitability, leverage, and firm size—are set to zero is represented by the constant value (α) of -0.671. The coefficient value of 1 of -0.914 indicates that all other things being equal, a

1% rise in profitability leads to a 0.914 percent increase in tax avoidance. The coefficient value of 2 of 0.061 also shows that, under the assumption that all other factors stay constant, a 1 percent increase in leverage corresponds to a 0.061 decrease in the company's ability to avoid paying taxes. Last but not least, the coefficient value 3 of 0.248 indicates that a 1% increase in business size leads to a 0.248 decrease in tax avoidance by the corporation when all other parameters are held constant.

F) Hypothesis Test

a. T – Test

In this study, three independent factors—profitability (X1), leverage (X2), and firm size (X3)—were tested individually for their influence on the dependent variable of tax avoidance (proxied by ETR, Y). The T-test was used to see if each independent variable in the regression model had a significant impact on the dependent variable. The significance threshold for the T-test was set at 0.050. If a regression coefficient's significance value is higher than 0.050, it is considered irrelevant based on the first criterion. This implies that the independent variable has no discernible impact on the dependent variable when looked at separately. The T-test results are shown in Table 8.

Table 8. Partial Test - T Test

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-0.671	0.876		-0.767	0.448
	TransROA	-0.914	0.159	-0.644	-5.735	0.000
	TransDER	0.061	0.045	0.149	1.334	0.190
	TransSIZE	0.248	0.161	0.160	1.541	0.131
a. Dependent Variable: TransETR						

Source: *SPSS Version 27*

i) First Hypothesis (H1)

The T-test findings show that the variable profitability has a significant negative coefficient of -0.914, with a significance level of Tcount (0.000) being less than 0.050. The statement is supported by the fact that the Tcount number is more than the critical Ttable value (Tcount > Ttable = 5.735 > 2.021). Consequently, the null hypothesis (H0) is rejected, and the alternative hypothesis (Ha) is accepted. Based on the outcomes of the test, the first hypothesis (H1), which claims that "Profitability has an influence on tax avoidance," is thus validated and approved.

ii) Second Hypothesis (H2)

The T-test findings show that the leverage variable has a positive coefficient of 0.061, even if the Tcount significance level of 0.190 is higher than the predefined alpha value of 0.050. This is supported by the fact that the Tcount value is less than the crucial Ttable value (Tcount < Ttable = 1.334 < 2.021). Consequently, the null hypothesis (H0) is accepted, and the alternative hypothesis (Ha) is refuted. As a result, the test's results suggest that the second hypothesis (H2), according to which "Leverage has an influence on tax avoidance," is unfounded and should be rejected.

iii) Third Hypothesis (H3)

After doing a T-test, the firm size variable shows a positive coefficient of 0.248, even if the Tcount significant level of 0.131 is higher than the predefined alpha threshold of 0.050. This is supported by the fact that the Tcount value is less than the crucial Ttable value (Tcount < Ttable = 1.541 < 2.021). Consequently, the null hypothesis (H0) is accepted, and the alternative hypothesis (Ha) is refuted. Based on the test results, the third hypothesis (H3), which claims that "Firm size has an influence on tax avoidance," is consequently unsupported and rejected.

b. F – Test

A feasibility test is used to evaluate the appropriateness and validity of regression models. The F-test is used to determine whether the total effect of all independent variables in the regression model significantly affects the dependent variable in this investigation. The F-test has a significance threshold of 0.05. Suppose the significance result of the F-test is less than or equal to 0.05. In that case, it indicates a substantial influence of the independent factors on the dependent variable and the null hypothesis (H0) is rejected. Conversely, if the significance value of the F-test is greater than 0.05, meaning that none of the independent factors significantly affects the dependent variable, then the null hypothesis (H0) is accepted. The results of the F-Test (Feasibility Test) for the regression model are shown in Table 9.

Table 9: Simultaneous Test – F Test

ANOVA[a]						
Model		**Sum of Squares**	**df**	**Mean Square**	**F**	**Sig.**
1	Regression	8.234	4	2.059	10.171	<0.000[b]
	Residual	4.655	23	0.202		
	Total	12.89	27			
a. Dependent Variable: TransPBV						
b. Predictors: (Constant), TransROA, TransSize, TransCSR, TransAge						

Source: *SPSS Version 27*

The computed F-value for the model feasibility test, as shown in Table 9, was 18.592 with a significance level of 0.000. This number is less than the predetermined cutoff of 0.05, indicating that the model is appropriate for the study. At a significance level of 0.05, the test conditions lead to the rejection of the null hypothesis (H0), indicating that all independent factors significantly affect the dependent variable. As a result, the model successfully explains how the independent and dependent variables relate to one another.

c. Coefficient of Determination

Regression analysis uses the coefficient of determination, often known as R-squared (R2), to assess how well the independent variable (predictor) can explain the variance in the variance of the dependent variable (response). It calculates the proportion of the dependent variable's overall variation that the regression model can account for. The results of the analysis of the coefficient of determination are shown in Table 10.

Table 10. Coefficient of Determination Test

Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**
1	0.763[a]	0.582	0.551	0.12963
a. Predictors: (Constant), TransSIZE, TransDER, TransROA				

Source: *SPSS Version 27*

Table 10 displays the model's corrected R-squared value, which is 0.551. The interpretation of this coefficient of determination indicates that the variables Profitability, Leverage, and Firm Size explain 55.1 percent of the explanation of the Tax avoidance variable, with additional variables outside the regression model accounting for the remaining 44.9 percent. Additionally, the Standard Error of the Estimate (SEE) is 0.129. Regression models with lower SEE scores are more accurate at predicting independent variables.

V. CONCLUSION

The research concludes that tax avoidance is impacted by the Return on Assets (ROA) ratio, which calculates profitability. A higher ROA indicates that the company has grown in profitability. This is a positive financial performance as it shows that the company has managed its assets well to generate significant profits. Furthermore, higher levels of profitability are associated with a lower Effective Tax Rate (ETR). This implies that when a company's profitability increases, there may be a tendency for it to use tax avoidance strategies.

The results of the study show that leverage, as indicated by the debt-to-equity ratio, does not affect tax avoidance. Tax avoidance tactics have not changed, notwithstanding a rise in debt levels. This can be explained by the fact that when debt levels increase, management generally adopts a more conservative approach to financial reporting and business operations. Furthermore, companies that rely on debt financing are less likely to engage in tax avoidance since they have taken into account the risks associated with such acts. These companies prioritize risk assessment over possible rewards from tax avoidance. Therefore, this study suggests that leverage has no bearing on tax avoidance.

According to the natural logarithm of total assets, the size of the business has no bearing on tax avoidance. Larger businesses typically pay taxes in accordance with the necessary amounts to comply with tax laws. This is because bigger businesses are subject to more government regulation, which deters them from using tax avoidance techniques. Larger businesses also benefit from using government-provided resources like tax advantages and facilities. These elements support the finding that tax avoidance is unaffected by firm size.

VI. REFERENCES

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