IRJEMS International Research Journal of Economics and Management Studies
Published by Eternal Scientific Publications
ISSN: 2583 – 5238 / Volume 4 Issue 9 September 2025 / Pg. No: 68-76
Paper Id: IRJEMS-V4I9P107, Doi: 10.56472/25835238/IRJEMS-V4I9P107

Research Article

The Influence of Fundamental Factors and Corporate Governance on Tax Avoidance

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Received Date: 12 August 2025 Revised Date: 30 August 2025 Accepted Date: 08 September 2025 Published Date: 13 September 2025

Abstract: *Tax avoidance is an effort that companies often conduct to minimize the tax burden because it is within the framework of applicable tax regulations. This research aims to get empirical evidence about institutional ownership, audit committee, managerial ownership, independent commissioner, firm size, leverage, and profitability on tax avoidance. The objects of this research were consumer non-cyclicals and consumer cyclicals sector companies listed on the Indonesia Stock Exchange (IDX) from 2020 until 2022. The sampling method used was a purposive sampling method with 189 samples or 63 companies. This study used multiple regression analysis methods to analyze the data. The results indicate that firm size and profitability affect tax avoidance. If firm size and profitability increase, tax avoidance will also increase. Meanwhile, institutional ownership, audit committee, managerial ownership, independent commissioner, and leverage do not affect tax avoidance.*

Keywords: *Tax Avoidance, Audit Committee, Independent Commissioner, Leverage.*
JEL: *H26, G34*

I. INTRODUCTION

For a country, taxes are a crucial element. Taxes are mandatory contributions to the state owed by individuals or entities, enforced by law, without any direct compensation, and used for state purposes for the greatest prosperity of the people. Taxes are a source of revenue that contributes significantly to the state. The benefits of tax collection by the state are not immediately felt; rather, they are realized later. However, taxes are a burden for companies, which reduces their net profit. Companies desire minimal tax payments, while tax authorities desire substantial and sustainable tax revenues.

Generally, taxpayers seek efficiency in tax expenditures, one of which is through tax avoidance. Tax avoidance is avoiding or minimizing taxes while remaining within the legal framework [1]. Tax avoidance is a common effort by companies to minimize their tax burden within the framework of applicable tax regulations. Although tax avoidance remains part of the taxation framework, it contradicts the government's goal of increasing tax revenue. The government has made various efforts to maximize tax revenue, but has encountered obstacles in optimizing it. Several obstacles contribute to the ineffectiveness of tax collection in Indonesia, including taxpayers attempting to manage their tax debt through tax avoidance and evasion. Tax avoidance is a form of tax management that companies can legally engage in. Tax planning aims to minimize the tax burden by exploiting existing regulations to increase after-tax profit, increasing the company's value.

Finance Minister Sri Mulyani Indrawati stated that Indonesia's tax ratio remains low, partly due to the low level of tax compliance. Some people even consider paying taxes not an obligation, but rather a form of colonialism. *Furthermore*, according to Bhima Yudhistira, an economist at the Institute for Development of Economics and Finance (INDEF), this negative perspective is not the only reason why Indonesia's revenue remains low, but also because many wealthy individuals, who should be taxpayers, are avoiding their responsibilities. Yusuf Rendy Manilet, an economist at the Center of Reform on Economics (CORE) Indonesia, also conveyed that. According to Yusuf, many wealthy individuals in Indonesia avoid paying taxes. According to a report by the Tax Justice Network, Indonesia is estimated to lose US$4.86 billion annually, equivalent to 68.7 trillion Rupiah (Rp 14,141/US$) due to this tax avoidance. Of this total, US$4.78 billion is attributed to corporate tax avoidance in Indonesia. Meanwhile, the remaining US$78.83 million comes from individual tax avoidance [2].

Given companies' significant opportunities for tax avoidance, good corporate governance is essential [3]. Companies implement the concept of good corporate governance to manage their own[4]. Corporate governance is a company management system that describes the relationship between stakeholders responsible for determining the company's performance [5]. Corporate governance also protects investors from being influenced by the interests of shareholders (principals) and management (agents). Corporate governance implementation can be used within companies to oversee management performance, including taxation, to ensure legal compliance. This concept is supported by institutional ownership,

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independent commissioners, audit committees, and managerial ownership [6]–[8].

This study aims to further understand the factors influencing tax avoidance behavior. This study builds upon research conducted by [9]–[11], which examined transfer pricing, leverage, profitability, and sales growth as independent variables. The difference from previous studies is the addition of variables based on research by [6] and [12]. Based on [6] research, these additional variables include company size and corporate governance, including institutional ownership, independent commissioners, audit committees, and managerial ownership. In addition to the independent variables, this study differs from previous studies in its research period. The research conducted by [9] used manufacturing companies listed on the Indonesia Stock Exchange (IDX) from 2018 to 2020, while this study used non-cyclical and consumer cyclical consumer sector companies listed on the Indonesia Stock Exchange (IDX) from 2020 to 2022.

II. LITERATURE REVIEW

A) Theoretical background

Agency theory explains how the principal-agent relationship works together to fulfill their respective duties. Agency theory suggests an information gap exists between managers (agents) and shareholders (principals), as managers typically possess a deeper understanding of the company's internal information and prospects than shareholders and other stakeholders. That theory serves as a foundation for understanding the concept of good corporate governance because management and ownership of companies are increasingly separated in modern economies [13]. Agency theory also states that company leaders are highly motivated to increase profits. *However*, the taxes associated with those profits will be greater. Therefore, company leaders (agents) are necessary in utilizing company resources to reduce and file corporate taxes. Principals and agents have different perspectives. Principals want agents to make the best decisions to maximize company performance. However, agents tend to make risk-averse decisions to gain the principal's approval and avoid being rejected by others [13], [14]. The differing perspectives between principals and agents can influence management's policymaking to achieve company performance, including tax policy. *Shareholders* expect management to comply with tax regulations, while management exploits loopholes in tax regulations to minimize tax payments. Legal tax reductions can be achieved by, among other things, engaging in transactions not prohibited by tax regulations, utilizing tax regulations that provide incentives for tax deductions, selecting business activities with low tax rates, and exploiting weaknesses in tax regulations [15].

B) Tax Avoidance

Tax avoidance is a strategy companies employ to minimize their tax burden without violating specific regulations by exploiting weaknesses or loopholes in tax regulations. Furthermore, tax avoidance is a means of saving on taxes paid to the government, aimed at increasing the company's cash flow and maximizing the company's after-tax value [16][17]. *According* to[18], tax avoidance is an action taken by taxpayers to minimize or reduce the amount of tax owed without violating applicable laws and regulations, significantly reducing corporate taxes. One way companies engage in tax avoidance is by increasing their debt. *Meanwhile*, according to[19], tax avoidance is a legal act of exploiting loopholes in tax laws and regulations to minimize the tax burden that should be paid. Tax avoidance is typically carried out in a manner that aligns with the interests of shareholders and is often done to increase corporate profits. [20] They argue that shareholders place high expectations on managers and other executives, who act as agents within the company, to reduce the company's tax burden. One way companies avoid taxes is by increasing their debt. High debt will result in high interest expenses, reducing the tax burden [21].

C) Institutional Ownership and Tax Avoidance

Institutional ownership is the right of institutional investors to own a company. Institutional ownership is incentivized to monitor and directly influence managers to protect their investments [22], [23]. A large percentage of ownership indicates a greater ability to monitor management, which increases oversight. Darsani and Sukartha (2021) argue that this situation can occur because institutional ownership is necessary for monitoring company management activities. Institutional investors are external investors who are not affiliated with the company in question, and therefore tend to comply with government regulations.

Furthermore, institutional investors, acting as external supervisors, will oversee company management in its tax administration because institutional investors tend to avoid the risk of tax avoidance activities that could damage the company's reputation. Therefore, a high percentage of institutional share ownership will increase management's control over compliance with tax regulations. Therefore, institutional ownership can reduce a company's management's tax avoidance efforts.

H_1: Institutional ownership affects tax avoidance

D) Audit Committees and Tax Avoidance

The audit committee, typically consisting of at least three members, oversees corporate governance and financial reporting. This committee is established and reports to the board of commissioners. It is important to note that the committee

also operates a monitoring mechanism to improve the audit function for external company reporting [24]–[26]. It also assists the board of commissioners in overseeing and providing recommendations on controls to prevent information asymmetry. The audit committee's primary responsibility in corporate governance is to ensure that the company operates in accordance with applicable laws, implements effective oversight of conflicts of interest and employee fraud, and ethically conducts its business. The audit committee must assist the board of commissioners in ensuring that financial reporting and internal and external audits comply with applicable standards and are properly executed. The audit committee is considered a company's added value. Investors feel more secure investing in companies that implement good corporate governance, and audit committees are a common component of good corporate governance [27]. A company with a small audit committee increases the opportunity for management to engage in tax avoidance. Likewise, a large audit committee will naturally result in tighter oversight, thus reducing the opportunity for management to engage in tax avoidance [28].

H_2: Audit committees affects tax avoidance

E) *Managerial Ownership and Tax Avoidance*

Managerial ownership is the proportion of shareholders actively participating in the company's decision-making process, including directors and commissioners [29]. That focuses on aligning the interests of management and shareholders to ensure managers are encouraged to improve performance and achieve shareholder prosperity. Increasing managerial ownership in a company will reduce agency problems because managers, acting as agents and principals, also act as agents. This dual role will impact management's motivation to increase profits while receiving incentives and dividends. Managerial ownership can improve optimal oversight and influence management in formulating tax avoidance policies. The more managers share ownership in a company, the less likely they are to commit fraud. Therefore, increasing managerial share ownership can reduce a company's tendency to avoid tax. That is because managerial share ownership tends to make managers consider the company's sustainability, thus discouraging their business from being audited for tax issues. Consequently, tax policy discourages tax avoidance [30].

H_3: Managerial ownership affects tax avoidance

F) *Independent Commissioners and Tax Avoidance*

An independent commissioner is defined as a member of the board of commissioners who has no relationship with the other board of directors members. Independent commissioners are typically appointed to oversee company management and are accountable to shareholders. Based on agency theory, the more independent commissioners in a company, the better they can fulfill their role in monitoring management actions regarding potential opportunistic behavior [6]. [31] argue that the higher the proportion of independent commissioners, the greater and stricter the supervision within a company, thus reducing the likelihood of the company engaging in tax avoidance.

H_4: Independent Commissioners affects tax avoidance

G) *Capital Intensity and Tax Avoidance*

Capital intensity refers to the money a company spends to generate income from increasing fixed assets. Capital concentration, the ratio of fixed assets such as buildings and machinery within a company, is used for tax avoidance. [8] states that capital intensity is used by investing in fixed assets or tangible goods with depreciable value. This depreciation rate is key to tax avoidance practices. Fixed assets have a depreciable (exploitable) value that can be tax-deductible, thus reducing the amount of tax payable. Capital intensity can influence depreciation expense because fixed assets depreciate annually, reducing the company's tax burden. Similar results were found by [19]. [19] argue that the higher a company's capital intensity, the higher the likelihood of tax avoidance. That is because companies that tend to invest more capital in fixed assets will incur a greater depreciation expense on those assets, thus increasing the company's burden. With greater corporate burdens, profits are lower, resulting in lower taxable income. Therefore, companies that engage in tax avoidance typically invest in fixed assets.

H_5: Capital intensity affects tax avoidance

H) *Company Size and Tax Avoidance*

Company size is a scale or value that classifies a company into a large or small category based on total assets, log size, and other factors. Higher total assets indicate a larger company size. The larger the company, the more complex the transactions [32]. Company size reflects whether the company is large or small. Companies can be classified as large or small by examining, among other factors, their market capitalization, which reflects the company's current assets or profits. Tax avoidance tends to be practiced by companies with large and stable profits, as these profits result in a substantial tax burden. Meanwhile, small companies cannot optimize their tax burden because they lack sufficient expertise [33]. *Companies* with higher total assets are observed to have a higher tendency to legally avoid taxes due to their ability to manage taxes through plans designed to ensure optimal tax savings. Companies typically pay less tax to achieve a lower effective tax rate [6].

H_6: Company size affects tax avoidance

I) *Leverage and Tax Avoidance*

One indicator of a company's success is leverage or solvency. Leverage is a financing policy related to a company's decisions regarding financing [19]. Leverage reflects a company's ability to finance its debt by managing assets or capital. The greater the leverage, the higher the interest expense. Interest expense can reduce pre-tax profit, reducing the company's interest expense. The level of debt management (leverage) is related to how the company is financed, specifically whether it is primarily financed by liabilities or capital from shareholders. Therefore, the greater the company's debt, the greater the risk it will bear [32]. The higher the debt, the lower the company's tax burden, thus reducing the company's efforts to avoid tax. When a company decides to borrow or take on debt, its tax burden will be smaller due to increased interest costs. This reduction in tax burden is particularly significant for companies subject to high taxes. Therefore, companies with high tax burdens can avoid taxation by increasing their debt [34].

H_7 Leverage affects tax avoidance

J) *Profitability and Tax Avoidance*

Profitability is an indicator that measures how much profit a company earns from its assets. According to [34], Return on Assets (ROA) is one approach that can reflect a company's profitability. The ROA approach shows the profit a company earns using its total assets. ROA also considers the company's ability to generate profits regardless of funding. ROA indicates a company's effectiveness in managing assets, both equity and investor capital. Therefore, investors will assess how effectively the company manages its assets [35]. The higher this ratio, the better the company performs in utilizing assets to generate net income. [19] define a company's ability to generate profits. Profits can be used to measure the efficiency of asset use and represent the end result of company policies and decisions. The higher a company's profit, the higher the tax it must pay. [9] argue that a company's high profitability will impact its tax burden. Management tends to avoid taxes because they feel the company is too large to pay taxes, even with high profitability, and the effect is significant.

H_8 Profitability affects tax avoidance.

Based on the theories, concepts, phenomena, and research shortcomings explained previously, this study formulates eight hypotheses depicted in Figure 1 as a research framework.

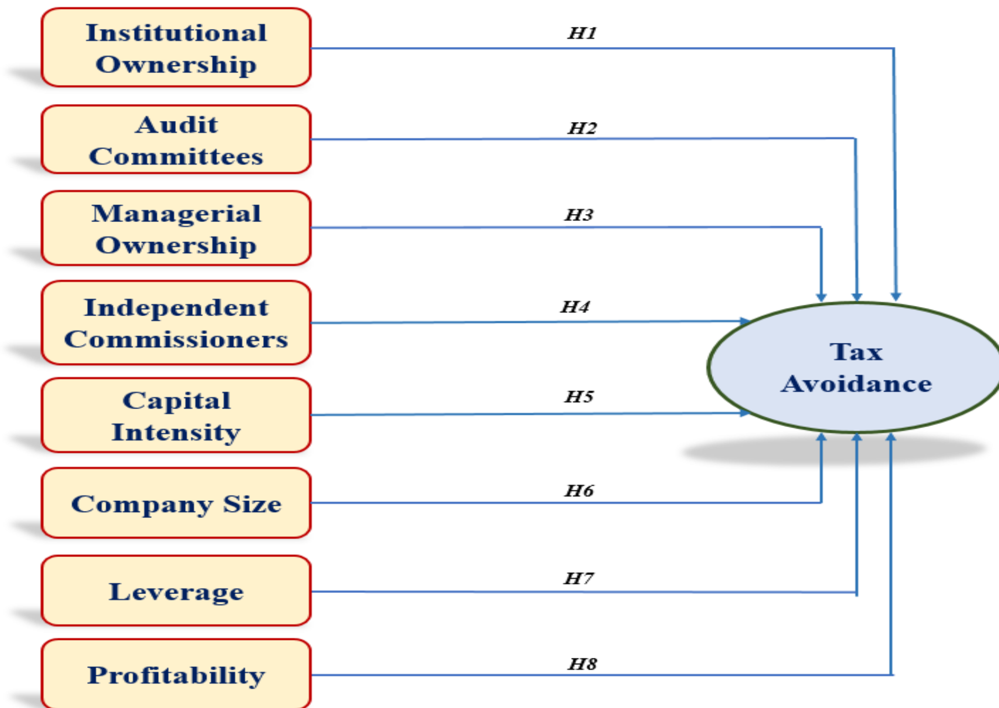

Fig. 1 Conceptual Research
Source: *Author's design*

III. METHOD

A) Sample Selection and Data Collection

The subjects of this study were companies in the consumer non-cyclical and consumer cyclical sectors listed on the Indonesia Stock Exchange (IDX) between 2020 and 2022. The sampling method used in this study was purposive sampling. The benchmarks used in this study include: (1) Consumer non-cyclical and consumer cyclical companies consistently listed on the Indonesia Stock Exchange (IDX) from 2020 to 2022; (2) Consumer non-cyclical and consumer cyclical companies that did not publish financial reports on the Indonesia Stock Exchange from 2020 to 2022; (3) Consumer non-cyclical and consumer cyclical companies that did not have a closing period for their financial reports as of December 31 from 2020 to 2022; (4) Consumer non-cyclical and consumer cyclical companies that consistently experienced losses from 2020 to 2022; (5) Consumer non-cyclical and consumer cyclical companies that did not publish financial reports in rupiah from 2020 to 2022; (6) Consumer non-cyclical and consumer cyclical companies. cyclicals that do not have an effective tax rate of $0 < X < 1$; (7) Non-cyclical consumer sector companies and consumer cyclicals that have institutional ownership > 0.

B) Operational Definition and Variable Measurement

Tax avoidance is a legal endeavor that involves optimally exploiting tax provisions, such as permitted exemptions and deductions, unregulated provisions, and weaknesses in existing tax regulations. Tax avoidance is measured using the Effective Tax Rate (ETR), which is calculated by dividing the total tax burden by the pre-tax income [9]. Institutional ownership (INST) refers to the proportion of a company's shares held by institutions that act as institutional investors [12]. The measurement used to measure institutional ownership is >0. This measurement follows the one found in [35] research. Institutional ownership is measured by dividing the number of shares owned by the company by the number of shares outstanding. INST denotes the institutional ownership variable.

A company's board of directors establishes the Audit Committee (KA). It is tasked with overseeing and maintaining the independence of internal auditors from the management team in accordance with GCG principles. The measurement used to calculate the audit committee in this study follows the measurement found in [12] research and POJK No. 55, namely the number of audit committee members. Managerial Ownership (KM) refers to the proportion of Ownership held by management within the company's ownership structure [36]. The measurement used to calculate managerial Ownership in this study follows the measurement found in [6] research: the proportion of shareholders who actively participate in the company's decision-making process as directors and commissioners.

Independent Commissioners (Kom_Ind) are members of the board of commissioners from outside the company. This study's measurement of the proportion of independent commissioners follows the measurement found in the [31] study, which is dividing the number of independent commissioners by the total number of the company's board of commissioners. Capital intensity (CI) refers to a company's capital in the form of fixed assets that can be used to generate income. The capital strength ratio indicates a company's strong capital. The capital intensity ratio refers to the research of [8], which divides total fixed assets by total assets.

Company size (FSIZE) is a scale or value that can classify a company into large or small categories [32]. The measurement of company size refers to the research of [21] using the natural logarithm of total assets. Leverage (LEV) is defined as a company's ability to meet all its short-term and long-term obligations [32]. Leverage measurement in this study will follow [33], using the Debt to Equity Ratio (DER) by dividing total debt by the company's equity. Profitability (ROA) refers to a company's ability to generate profits from business activities. The higher the profit earned, the higher the tax payable [19]. Profitability measurement in this study will follow [37], using Return on Assets (ROA) by dividing total net income by the company's total assets.

C) Data Analysis Method

The data analysis method used in this study is multiple regression analysis, which can be formulated in the following model: $TAV = \alpha + \beta 1\ INST + \beta 2\ KA + \beta 3\ KM + \beta 4\ Kom_Ind + \beta 5\ CI + \beta 6\ FSIZE + \beta 7\ LEV + \beta 8\ ROA + \varepsilon$. This study will use SPSS version 25 as an analytical tool. This testing begins with Data Quality Testing, classical assumption testing, and hypothesis testing.

IV. RESULTS AND DISCUSSION

A) Results

This study uses data from non-cyclical and cyclical consumer sector companies during 2020-2022, with 63 companies as a sample from 618 companies listed on the Indonesia Stock Exchange, as shown in Table 1. A residual normality test using the One-Sample Kolmogorov-Smirnov test in SPSS 25 showed the data to be non-normal (Asymp. Sig. 0.000 < 0.05); therefore, an outlier test was conducted using the z-score approach (values above 3 and below -3). The outlier test results showed no outliers, so all 189 data points were used in the analysis.

Table 1: Sample Selection Procedure

Characteristics	Amount
Companies in the consumer non-cyclical and consumer cyclical sectors listed on the Indonesian Stock Exchange 2020-2022	206
Not Having Complete Financial Reports	-15
Not have a closing period in their financial reports as of December 31	-6
Consistently experienced losses	-109
Not publish financial reports in Rupiah	-5
Not have an effective tax rate of 0 < X < 1	-5
Not have institutional ownership > 0	-3
Total Companies Used as Samples	**63**
Number of Years of Research	3
Total data	**189**

Source: *IDX and Company Financial Reports*

Descriptive statistics in Table 2 showed significant variations in values: institutional ownership ranged from 0.044 (Indonesian Tobacco Tbk) to 0.979 (Tigaraksa Satria Tbk) with an average of 0.693; audit committees between 2 to 4 with an average of 3.02; managerial ownership from 0 to 0.639 with an average of 0.041; independent commissioners between 0.167 to 0.833 with an average of 0.421. Capital intensity variables ranged from 0.013 to 0.762 (average 0.295), firm size from 25.7 to 32.8 (average 29.22), leverage between 0.09 and 4.41 (average 0.94), and profitability from 0.0001 to 0.349 with an average of 0.079, indicating the diversity of firm characteristics in the sample.

Table 2: Descriptive Statistics

Variable	N	Min	Max	Mean	Std. Deviation
TAV	189	0,003792	0,942923	0,256907	0,128486
INST	189	0,044000	0,979032	0,693454	0,183414
KA	189	2	4	3,02	0,23
KM	189	0,000000	0,638511	0,041437	0,109560
Kom_Ind	189	0,166667	0,833333	0,421383	0,118025
CI	189	0,013256	0,762247	0,295251	0,168331
FSIZE	189	25,703362	32,826382	29,222930	1,592635
LEV	189	0,089780	4,413093	0,941032	0,822387
ROA	189	0,000112	0,348851	0,079391	0,064045

Source: *SPSS data processing*

The classical assumption test results indicate no multicollinearity in all independent variables with a tolerance value of > 0.1 and VIF < 10. However, heteroscedasticity is observed in variables such as capital intensity, company size, leverage, and profitability. In contrast, the variables of institutional ownership, audit committee, managerial ownership, and independent commissioners are free from heteroscedasticity. The autocorrelation test using the Breusch-Godfrey method produces a Sig. Value of $0.457 > 0.05$ means there is no autocorrelation, so the data is suitable for use in regression. The correlation coefficient (R) test of 0.451 indicates a moderate correlation between the independent variables and tax avoidance. In contrast, the coefficient of determination (Adjusted R^2) of 20.3% indicates that the independent variables explain 20.3% of the variation in tax avoidance. The F test shows a significance of $0.000 < 0.05$, so the regression model is declared fit and suitable for use.

Table 3: Hypothesis Testing

Variable	Unstandarized Coefficients β	P-value
Constant	0,714	0,011
INST	0,055	0,079
KA	-0,004	0,776
KM	0,004	0,107
Kom_Ind	0,035	0,582
CI	0,062	0,354
FSIZE	-0,016	0,012
LEV	0,022	0,110
ROA	-0,701	0,000

Furthermore, Table 3 describes the results of the hypothesis test. Out of eight hypotheses, only two were accepted: that company size and profitability affect tax avoidance. The study results indicate that institutional ownership, audit committee, managerial ownership, independent commissioners, capital intensity, and leverage do not significantly affect tax avoidance because the significance value is > 0.05. In contrast, company size and profitability have a significant effect with a significance value < 0.05; firm size has a negative effect on the Effective Tax Rate (ETR), which means that the larger the company, the tax avoidance increases, while profitability also has a negative effect, indicating that the higher the profit, the tendency for tax avoidance increases to minimize the tax burden.

B) Discussion

Institutional ownership, such as pension funds, mutual funds, or insurance companies, is often a major shareholder. However, they tend to focus on investment returns and are lenient with corporate tax policies as long as profitability is maintained. For example, a large consumer goods company majority-owned by foreign investment institutions may not experience significant pressure to change its internal tax policies, as institutions are more focused on capital returns than intervening in the company's tax strategy. Furthermore, some companies' relatively small proportion of institutional ownership weakens their influence over tax avoidance decisions, as control and oversight are also limited. The *audit committee* oversees financial reporting and the continuity of internal controls, including oversight of tax compliance. However, if the audit committee lacks adequate capacity, knowledge, or independence, oversight of tax avoidance practices can be weakened. For example, in medium-sized manufacturing companies, audit committees often focus more on compliance with financial reporting standards without thoroughly examining complex tax planning. As a result, they can detect and prevent aggressive tax planning practices less, especially when management has discretion in tax management decisions.

Managers who also own company shares are uniquely positioned as agents and principals. In many cases, *managerial ownership* encourages more compliant behavior with regulations, including tax regulations. For example, in large pharmaceutical companies or national consumer goods companies, managerial owners maintain the company's reputation and sustainability by complying with tax regulations to avoid the risk of legal sanctions and reputational damage. They prioritize business efficiency and sustainability over aggressive tax avoidance, which could damage the company's credibility. *Independent commissioners* are tasked with overseeing management, including governance and compliance aspects. However, in practice, their effectiveness in preventing tax avoidance depends on their experience, knowledge, and company regulations. In some medium-sized agribusiness companies, although the proportion of independent commissioners is quite high, their influence on tax decisions remains minimal because oversight focuses more on strategic and general managerial aspects. Furthermore, the inactivity of independent commissioners or their more ceremonial role reduces their ability to deter tax avoidance practices.

Capital intensity measures the size of fixed assets relative to a company's total assets. Capital intensity is often associated with long-term investments in production equipment and machinery, rather than aggressive tax planning purposes. For example, electronics manufacturing companies allocate significant funds to purchase machinery and production technology, focusing more on operational efficiency than tax manipulation. The physical and difficult-to-move nature of capital also limits the use of fixed assets as a tax avoidance tool, for example, through excessive depreciation or cost allocation. *Leverage* measures the proportion of debt in a company's capital structure. In practice, debt is typically used for investment, business expansion, or operational purposes. Large retail companies that use bank loans to open new stores focus on business growth, not reducing their tax burden through loan interest. Furthermore, Indonesian tax regulations limit the amount of deductible loan interest, so companies are reluctant to take on high debt solely for aggressive tax planning. Excessive debt risks depressing financial performance and eroding creditor confidence.

Firm size significantly influences tax avoidance because larger companies have more complex operations and resources to exploit various tax loopholes. For example, multinational companies in the food or consumer goods sectors often utilize transfer pricing, dual accounting systems, or subsidiaries in tax havens to lower their tax burden. Furthermore, large companies typically have tax departments and external consultants skilled in designing favorable tax structures and minimizing their effective tax burden through legal planning. *Profitability* has a significant impact because companies that achieve high profits are increasingly encouraged to reduce their tax burden to maximize net profits. For example, consumer goods companies with high profits tend to utilize various tax incentives, tax credits, or taxable profit reduction schemes, such as recognizing larger expenses, to reduce their tax burden. This strategy is implemented to maintain cash flow and increase funds available for business expansion, dividend payments, or investments, allowing the company to grow without excessive tax burdens.

V. CONCLUSION

The study shows that of the eight hypotheses, only company size and profitability significantly influence tax avoidance; other variables, such as institutional ownership, audit committee, managerial ownership, independent commissioners, capital intensity, and leverage, have no significant effect. Company size has a negative effect on the effective tax rate (ETR), meaning

that large companies tend to increase tax avoidance. At the same time, profitability also has a negative effect, indicating that higher profits increase the tendency to avoid tax.

Implications for Companies. Large and highly profitable companies must be aware of the risks of tax avoidance, which can damage their reputation and incur sanctions if carried out aggressively. Therefore, transparent tax management policies and good governance must ensure tax planning practices remain compliant and sustainable. Companies should also strengthen the role of internal audit and tax governance for more effective oversight.

Implications for Research. These findings emphasize the importance of company size and profitability in tax avoidance studies while reminding us that governance and capital structure variables are not universally influential. Further research is needed to explore other factors influencing tax avoidance, particularly in different contexts such as industry or geographic region.

Recommendations for future research. Future research could expand the variables to include aspects of corporate culture, the role of tax technology, or the influence of more specific government policies. Longitudinal studies are also recommended to examine the long-term dynamics of tax avoidance, focusing on multinational corporations with diverse tax strategies across countries. Qualitative approaches and case studies can also be used to gain an in-depth understanding of tax avoidance mechanisms across various companies.

Conflict of Interest

The authors declare no competing interests.

Funding

This research received no external funding.

Availability of Data and Materials

The data presented in this study are available on request from the corresponding author.

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