# ANALYSIS OF FACTORS AFFECTING TAX AVOIDANCE ON AGRICULTURAL COMPANIES LISTED ON THE INDONESIA STOCK EXCHANGE IN 2020 – 2023

**Vera Mardiana[1]; Achmad Fadjar[2]**
Widyatama University, Bandung, Indonesia (Magister Accounting)
Email : vera.mardiana@widyatama.ac.id

## ABSTRACT

This consider investigates how productivity, use, and firm estimate affect tax evasion in agricultural firms on the Indonesia Stock Trade from 2020 to 2023 are the think about population. Only 26 companies met the sampling criteria, therefore 104 available data were taken as samples The study employs purposive sampling, with secondary data analyzed through multiple regression methods to investigate how each variable affects tax avoidance and are processed using IBM SPSS Statistics 27 software. The data used are sourced from annual financial reports officially published through the website www.idx.co.id. The investigation comes about show that profitability (ROA) essentially impacts charge shirking, whereas use (DER) does not have a critical affect. Also, company estimate is appeared to essentially influence tax avoidance. Collectively, productivity, use, and company measure have a concurrent impact on tax avoidance.

Keyword : Profitability; Leverage; Firm Size Tax Avoidance; and Agricultural Companies

## *ABSTRAK*

*Tujuan Penelitian ini adalah untuk mengetahui bagaimana faktor-faktor termasuk profitabilitas, leverage, ukuran perusahaan yang mempengaruhi penghindaran pajak. Pada perusahaan pertanian yang terdaftar di Bursa Efek Indonesia dari tahun 2020 hingga 2023 menjadi populasi penelitian. Hanya 26 perusahaan yang memenuhi kriteria pengambilan sample, oleh karena itu 104 data yang tersedia diambil sebagai sample. Bentuk pengambilan sampel ini dikenal sebagai purposive sampling. Sumber data yang digunakan dalam penelitian ini sekunder dengan menggunakan metode regresi berganda untuk menyelidiki bagaimana setiap variable mempengaruhi penghindaran pajak dan diolah menggunakan perangkat lunak IBM SPSS Statistics 27. Data yang digunakan bersumber dari laporan keuangan tahunan yang dipublikasikan secara resmi melalui situs www.idx.co.id. Hasil analisis menunjukkan bahwa Profitabilitas (ROA) berpengaruh signifikan terhadap penghindaran pajak (Tax Avoidance), Leverage (DER) tidak berpengaruh signifikan. Selain itu, ukuran perusahaan terbukti berpengaruh siginifikan terhadap penghindaran pajak (Tax Avoidance). Profitabilitas, Leverage dan Ukuran perusahaan secara simultan berpengaruh terhadap Tax Avoidance.*

*Kata Kunci : Profitabilitas; Leverage; Ukuran Perusahaan; Penghindaran pajak (Tax Avoidance); dan Perusahaan Pertanian*

## INTRODUCTION

Taxes are a crucial element in the structure of state revenues. Mustikasari (2007) stated that around 80% of the funds used in the APBN come from taxes. This fact shows

Submitted : 15/05/2025 |Accepted : 14/06/2025 |Published : 15/08/2025
P-ISSN; 2541-5255 E-ISSN: 2621-5306 | Page 2633

that taxes have become the main pillar in state financing. Given the importance of the role of taxes, the Government is always trying to optimize revenues from this sector. However, these optimization efforts face various challenges, one of which is tax avoidance by both individuals and business entities (Swingly, C. and Sukartha, 2015).

Various internal factors are believed to influence a corporation's decision to engage in tax avoidance. One such factor is profitability, which reflects the firm's ability to generate earnings. Corporate with higher revenues may tend to lower their tax liabilities in an effort to retain substantial profits. On the other hand, less profitable companies may not have enough incentives or resources to engage in significant tax avoidance.

The second factor is leverage, indicated by the company's level of debt. Higher leverage leads to increased interest expenses, which are tax-deductible. As a result, highly leveraged firms may be more inclined to exploit their capital structure to reduce tax liabilities. However, excessive reliance on debt also heightens bankruptcy risk, requiring management to carefully balance tax advantages against financial stability.

The third is firm size. Large companies have a greater capacity to design complex tax strategies, including taking advantage of regulatory gaps or conducting cross-jurisdictional tax planning (for example through transfer pricing). However, large companies are also more exposed to reputational risk if caught avoiding taxes, Therefore, the relationship between firm size and tax avoidance requires further empirical validation.

The condition of tax avoidance is a major challenge in achieving the state revenue target. Tax Justice Network (2020) reported that Indonesia has the potential to lose IDR 68.7 trillion in taxes per year due to tax avoidance practices carried out by businesses and individuals.

It is estimated that as many as 300 businessmen in Indonesia are involved in tax avoidance practices with a value of around IDR 300 trillion. This statement was conveyed by Hashim Djojohadikusumo, the younger brother of President-elect Prabowo Subianto, in an economic discussion forum with international businessmen at the Kadin Tower on October 7, as reported by CNBC Indonesia. Hashim emphasized that the potential state revenue lost due to tax avoidance is very large. Therefore, Prabowo plans

to take firm steps against the perpetrators, starting with giving a "friendly warning" so that they immediately fulfill their tax obligations.

Luhut Binsar Pandjaitan once reported to President Joko Widodo (Jokowi), the previous president, regarding alleged tax avoidance practices by palm oil land owners. In his report, Luhut revealed that around 9 million hectares of palm oil land had not fulfilled their tax obligations. He also added that based on available data, the total area of palm oil land in Indonesia reached around 14.6 million hectares. However, the results of an audit conducted by BPKP showed that only around 7.3 million hectares of land were recorded as having paid taxes properly. This means that there are still around 7.3 million hectares of palm oil land that have not complied with their tax obligations.

Tax avoidance is interpreted as a tax avoidance action carried out in a manner that is considered legal and does not violate tax legislation, so it is safe for taxpayers according to Pohan (2016). This approach is commonly adopted due to gaps or ambiguities (grey areas) in tax laws that enable companies to reduce their tax payments. The level of tax avoidance can be measured using the Cash Effective Tax Rate (CETR), which is calculated as the ratio of total cash taxes paid to the company's pre-tax income.

The main problem of tax avoidance practices by agricultural companies is because every company certainly wants a high level of profit. However, the more substantial the profit realized, the greater the tax obligation that must be paid to the state. This condition encourages companies to manage their tax obligations more carefully. As previously explained, taxes are a expenses that can reduce the company's revenue or net income..

What must be done is to increase supervision and law enforcement by increasing supervision of the financial statements of agricultural companies, imposing strict sanctions on companies that are proven to be avoiding taxes, evaluating and improving tax regulations that may have loopholes to be exploited, adjusting tax rates and incentives to be fairer and not encouraging companies to avoid tax obligations.

The research objective is to explore the determinants of tax avoidance among agricultural corporations, such as profitability, tax evasion, and tax avoidance, company size, leverage, and others. Analyze the extent to which each of these factors affects the level of tax avoidance. Provide policy recommendations or actions that can be used by

related parties (government, tax authorities, and companies) to minimize tax avoidance practices in the agricultural sector.

## LITERATURE REVIEW

### Agency Theory

Agency Theory describes a contractual connection of one or more parties as principals who give power to another party as an agent to make decisions and manage the company on their behalf (Jensen & Meckling, 1976). resulting in a conflict of interest between the owner of the company (principal) and the manager (agent). This suggests that tax avoidance may serve as a strategic tool for management, and the degree of oversight, like the quality of corporate governance, influences the extent of tax avoidance. Nonetheless, this action may not align with the interests of shareholders or other stakeholders.

### Political Cost Theory

Political Cost Theory is part of Positive Accounting Theory developed by Watts and Zimmerman (1978). This scheme states that large companies or those that show high profitability will be the target of greater regulation or taxation from the government. Consequently, these companies often seek to minimize their political costs by reducing their tax liabilities through tax avoidance in their accounting practices.

### Legitimacy Theory

Legitimacy theory, as explained by Dowling and Pfeffer (1975), states that companies try to maintain the sustainability of their operations by adjusting their behavior to fit social norms and community expectations. In the context of tax, companies can avoid aggressive tax avoidance practices to preserve their image and standing in the view of the public. Businesses facing higher social pressure, like public corporations and multinational firms, generally exercise more caution in their tax avoidance strategies for fear of losing social legitimacy.

### Stakeholder Theory

Stakeholder theory highlights that corporations do not simply prioritize their own interests, but also provide value to their stakeholders.. In this context, stakeholders encompass creditors, suppliers, shareholders, customers, communities, governments, and other parties with vested interests. The term 'stakeholder' was initially introduced in

1963 by the Stanford Research Institute and is defined as a group that can contribute to the sustainability of an organization (Harmony, 2013).

**Tax Avoidance**

Tax is a compulsory contribution levied by the government on taxpayers according to prevailing laws, and its payment is mandatory. Tax payments do not provide direct compensation to individuals who pay them, but are used to finance state expenditures to assist with the execution of government functions and the provision of public services. (Sari ,2016)

There are three methods that can be used in tax avoidance methods According to Merks (2007) in Kurniasih, Tommy, and Sari (2013), namely:

1)Substantive tax planning is an attempt to shift the tax subject or object to a country or region that provides specialized tax treatment., such as very low tax rates or even tax-free, in order to obtain fiscal benefits legally. Areas like this are known as tax havens because they offer tax relief or relief on certain income.

2)Formal tax planning is a tax avoidance strategy where taxpayers select transaction forms or structures that are legally permissible and result in the lowest tax liability, The transaction's economic substance remains unaltered.

3)The General Anti-Avoidance Rule (GAAR) is an anti-tax avoidance regulation. It aims to anticipate practices such as transfer pricing. It also aims to anticipate thin capitalization. GAAR aims to anticipate treaty shopping. It also aims to anticipate control of foreign companies. Finally, it aims to anticipate transactions that do not have real business substance.

**Profitability**

Profitability is vital for a company to maintain its business continuity; companies that fail to increase profitability usually lose interest from investors, and face difficulties in improving their capital structure through external loans. Highly profitable companies generally prefer to maintain low levels of debt, because they are able to utilize internal funding sources to finance their operational and investment activities (Brigham and Houston, 2010).

Agency theory highlights a possible conflict of interest between the company's management and its owners. Managers looking to demonstrate strong performance and boost their earnings might be incentivized to engage in tax avoidance tactics to report

enhanced profits. Consequently, profitability may be a factor that affects the extent of tax avoidance by a company.

**Leverage**

Dharma & Putu (2016:588), leverage refers to how the extent to which a company relies on debt to fund its business operations. Meanwhile, Ardyansah and Zulaikha (2014) stated that leverage shows the amount of company financing sourced from debt and is used as an indicator to assess how much company assets are funded by debt.

In this scenario, firms with significant leverage can potentially lower their tax liabilities due to the substantial interest costs that diminish their taxable earnings. Consequently, leverage can serve as one of the methods employed by firms to legally evade taxation. This method aligns with the trade-off theory, which asserts that firms will weigh the tax advantages of debt against the bankruptcy risk posed by excessive borrowing.

**Firm Size**

Firm size refers to the extent of a commercial organization that can be assessed various indicators such as total assets, total sales, profit, tax burden, and other financial variables. (Brigham & Houston 2010:4). Classification Based on Law No. 28 of 2008, companies are classified into four types of scale, specifically micro enterprises, small enterprises, medium enterprises, and large enterprises.

Big enterprises also experience greater visibility in the public eye compared to smaller firms. This results in significant firms facing tighter oversight from the government, investors, and the public. Watts and Zimmerman (1986) suggest in the Positive Accounting Theory that large corporations often steer clear of actions that could harm their public image, such as aggressive tax avoidance. Consequently, they might exercise greater caution when engaging in tax avoidance.

Based on the discussion, the conceptual framework and variable of this research can be described as follows:

Y : Tax Avoidance

H1 : Profitability

H2 : Leverage

H3 : Firm Size

## RESEARCH METHODS

Method is a method of work that can be used to obtain something. While the research method can be interpreted as a work procedure in the research process, both in searching for data or disclosing existing phenomena (Zulkarnaen, W., et al., 2020:229). The current research utilizes a quantitative methodology. Sugiyono (2018), the objective of quantitative methodology is the study of particular groups or samples, the gathering of information via research tools, and the subsequent statistical analysis of the data to test hypotheses.. Hermanto & Puspita (2022) define quantitative methods as research that produces results using statistical and measurement techniques. The study uses both descriptive and verification approaches, specifically explanatory research, to examine the causal relationships between independent variables—profitability, firm size, and leverage—and the dependent variable, tax avoidance.

This study utilizes secondary data. The required secondary data include :

1. Annual financial position report published to the public or audited by a Public Accounting Firm, namely to see changes in fixed assets, changes in the proportion of debt to equity and the firm's total assets from year to year.
2. Income statement, namely to see depreciation expenses and interest expenses on debt.
3. Record to the financial statements, namely to see clear information on the financial position report and income statement.

## ANALYSIS AND DISCUSSION RESULTS

### Analysis

Descriptive statistics are utilized for the purpose of summarizing and elucidating the fundamental characteristics of research data. The primary objective is to facilitate comprehension of the distribution pattern, the tendency of central values, and the extent of variation in the data. A primary component of this analysis entails the assessment of central tendency, encompassing the mean (average), median (the middle value), and mode (the most frequently occurring value).

Based on the calculation results obtained in Table 2, the following results were obtained:

1) Profitability (ROA)

Table 2 shows the profitability of Indonesian agricultural companies on the Indonesia Stock Exchange (IDX) from 2020 to 2023 has a mean value of 3.12. The

highest profitability was recorded at 22.08, while the lowest was -17.409. The standard deviation is 7.1492, which is higher than the mean value. This shows that there is a fairly large difference in the level of profitability between companies, which is also reflected in the high standard deviation.

2)Leverage (DER)

Table 2 shows that agricultural companies listed on IDX from 2020-2023 have a mean leverage value of 1.7697. The highest leverage was recorded at 29.32, while the lowest was -2.20. The presence of a negative minimum leverage value warrants attention, as theoretically, leverage is usually positive. This condition is caused by liabilities (debts) being greater than equity (capital) in the company which causes the ratio to be negative. The table also shows a standard deviation value of 3.52. The standard deviation figure exceeds the average value. meaning that the Leverage variable data tends to have varying values and values that are far from the average.

3)Firm size

Base on Table 2, the mean value of the size variable for agricultural companies listed on the Indonesia Stock Exchange (IDX) from 2020 to 2023 is 29.19. recorded as the largest company size, with a value of 31.38, while the smallest was 25.25. The standard deviation is 1.4284, which is smaller than the mean, indicating that company sizes are relatively homogeneous compared to other variables.

4)Tax Avoidance (CETR)

According to the data presented in Table 2, the Tax Avoidance variable for agricultural companies listed on the Indonesia Stock Exchange (IDX) from 2020 to 2023 exhibits a mean value of -1.3798. The highest value was 9.38, while the lowest was -2.. The standard deviation of 1.1029 indicates considerable variation in tax avoidance practices among these companies.

**Classical Assumption Test**

**1.Normality Test**

The purpose of A normality test aims to determine if the residuals from the regression model follow a normal distribution. This is a fundamental assumption in classical linear regression analysis. When residuals are normally distributed, the regression model is deemed valid, enhancing the reliability of statistical test results. The

Kolmogorov-Smirnov (K-S) test is commonly utilized to determine whether a variable follows a normal distribution, parametric statistical analysis. Decision Making Criteria:

- If the Significance value (Sig.) > 0.05 → the residual data is normally distributed
- If the Sig. value < 0.05 → the residual data is not normally distributed

By using the IBM SPSS 27 program, the Kolmogorov-Smirnov (K-S) test results are obtained as follows: The results of the aforementioned normality test yielded a probability value of 0.000 (<0.05), thereby suggesting non-normal distribution of the data. Therefore, it was necessary to identify and remove outliers or extreme values, both at the high and low ends.

After eliminating these outliers from the 90 sample data points, the following results were obtained : A subsequent evaluation of the normality test results reveals a probability of 0.200 (> 0.05), suggesting a normal distribution of the data and affirming the validity of the normality assumption.

Figure 2 Data Normality Test Results II, entitled "Normal P-P Plot of Regression Standardized Residuals," illustrates that the residuals closely adhere to the diagonal line, thereby suggesting a normal distribution. Consequently, the normality assumption is satisfied, and the regression model is deemed appropriate for further investigation.

**2. Multicollinearity Test**

A test for multicollinearity was conducted to ensure that the independent variables in the regression model are not highly correlated. The present test utilizes the Variance Inflation Factor (VIF), whereby a VIF value less than 10 or a tolerance above 0.1 indicates the absence of multicollinearity. The findings of the multicollinearity examination are presented in the subsequent section.

According to Table 5 multicollinearity test results, the Profitability (ROA) variable has a VIF value of 1.113 <10 and a Tolerance of 0.899 > 0.1; the Leverage (DER) variable has a value of 1.092 <10 and a Tolerance of 0.916 > 0.1; and the Firm size variable has a value of 1.021 <10 and a Tolerance of 0.980 > 0.1. All independent variables are free from multicollinearity problems, because they show a Tolerance value greater than 0.1 (>0.1) and a VIF value less than 10 (<10).

**3. Heteroscedasticity Test**

Subsequent to the execution of the normality and multicollinearity tests, a heteroscedasticity test was conducted. The objective of this test is to ascertain determine if the variance residuals exhibits variation among observations in the regression model. According to Gujarati (2012), heteroscedasticity occurs when the variance is not constant from one observation to another. Examination of heteroscedasticity symptoms using a scatterplot test. When the points on the graph are randomly dispersed without any discernible pattern and are distributed around zero on both the X and Y axes, suggests the lack of heteroscedasticity. Below are the heteroscedasticity test findings.

Based on Figure 3 Heteroscedasticity Test Results, the scatterplot illustrates that the data points are scattered randomly around zero on the Y-axis, there isn't a specific pattern such as narrowing, widening, or forming a curve, which indicates that the assumption of homoscedasticity is met. Consequently, the regression model employed in this case is not afflicted by heteroscedasticity issues.

**4. Autocorrelation Test**

The autocorrelation test is performed to detect serial correlation among residuals. This study uses the Durbin-Watson (DW) test.

As shown in Table 6 Autocorrelation Test Results (Durbin Watson Test), the regression results indicate a Durbin-Watson (DW) value of 1.361. While this value is slightly closer to the lower bound, it generally falls within an acceptable range, suggesting no serious autocorrelation in the model. However, if the value is below the lower limit (dL) and outside the autocorrelation-free zone, it may indicate the presence of positive autocorrelation.

**Multiple Linear Regression Analysis**

Multiple linear regression analysis is utilized to analyse how variables like profitability, leverage, and company size affect tax avoidance. It also predicts the value of the Y variable based on the X variables, showing how strong the relationship between variables is. Estimation of the linear regression model equation using IBM SPSS Statistics 27 Software showed the following findings.

Based on the unstandardized coefficients (B) values as presented in table 7 Multiple Linear Regression Analysis Results, the moderating regression equation can be formed as follows:

$$Y = -5.4405 + 0.005\ X1 - 0.005\ X2 + 0.025X3$$

Submitted : 15/05/2025 |Accepted : 14/06/2025 |Published : 15/08/2025
P-ISSN; 2541-5255 E-ISSN: 2621-5306 | Page 2642

Where:

Y = Tax Avoidance (CETR)
X1 = Profitability
X2 = Leverage
X3 = Firm Size

The coefficients obtained from the company can then be interpreted as follows:

1. Constant value -5.4405 with a negative value of variable Y if variable X is 0The constant value of -2.462 suggests that, assuming all independent variables remain unchanged or are equal to zero, the predicted level of tax avoidance among agricultural companies would be -2.462. This reflects the baseline value of the dependent variable in the absence of influence from the explanatory factors.
2. A positive multiple regression coefficient is indicative of an expected increase in tax avoidance of 0.005 percent with each 0.005 increase in profitability.
3. Leverage has a regression coefficient of -0.005. This implies that for every one percent decrease in leverage, there shall be a .005 percent decrease in tax avoidance.
4. The coefficient of regression for company size is 0.025, indicating that a 0.025 percent increase in company size will result in a 0.025 percent increase in corporate tax avoidance.

**Coefficient of Determination Test (R2)**

R2 assumes values within the range of 0 and 1. A value approaching 1 implies that the independent variables account for a greater part of the variability in the dependent variable, thereby demonstrating enhanced predictive capability. Conversely, an R2 value approaching 0 indicates inadequate explanatory power. The subsequent table presents the outcomes of the determination coefficient analysis.

Table 8 Results of Determination Coefficient Test, the coefficient of determination (R2) value indicates that 28.6% of the variation in tax avoidance (CETR) can be accounted for by a combination of three independent variables, namely profitability (ROA), company size, and leverage (DER). Consequently, the residual 71.4% of variance is attributable to other factors that were not incorporated into the present model. The Adjusted R2 value of 0.261 is used as a measure of model accuracy when involving more than one independent variable. This adjustment is important to avoid overestimating the influence of independent variables. Thus, this regression model explains around 26.1% of the diversity in tax avoidance accurately and can be better generalized.

**Hypothesis Test Results**

Sugiyono (2017), hypothesis testing is the process of making decisions regarding the proposed hypothesis, whether the null hypothesis ($H_0$) is dismissed or accepted based on sample data analyzed statistically.

**1. F Test (Simultaneous Test)**

The F-test is a statistical procedure employed to assess the collective significance of independent variables, namely Profitability, Leverage, and Firm Size, on the dependent variable, Tax Avoidance, as delineated within the multiple linear regression model.

Based on table 9 F Test Results (Simultaneous Test), the F statistic value is 11.484 with a significance value <0.001. Because the significance value is much smaller than 0.05 ($\alpha = 5\%$), it can be concluded that:

- The regression model built is suitable for predicting the dependent variable.
- Simultaneously, the three independent variables, namely profitability (ROA), leverage (DER), and company size, have a significant effect on tax avoidance.

**2. T-test (Partial Test)**

The t-test, also referred to as the incomplete test, is a statistical method employed to evaluate the specific effect of every independent variable on the dependent variable, which in this instance is tax avoidance. The latter is calculated by the Cash Effective Tax Rate (CETR).

The results on Table 10 Result of t-Test (Partial Test) the coefficients table show the following values:

1. Profitability (ROA)

The t-test results indicate a t-value of 3.406 with a significance level of 0.001. The importance value of the test is less than 0.05 (0.001 < 0.05), thus showing a statistically meaningful connection between profitability and tax avoidance. This finding indicates a potential correlation between company profitability and CETR values, with higher profitability being associated with lower levels of tax avoidance.

2. Leverage (DER)

The t-value for leverage is -1.821, with a significance level of 0.072. The result suggests that given a value of significance higher than 0.05 (0,072 > 0,05), the hypothesis regarding the effect of leverage on tax avoidance is not significant.

Submitted : 15/05/2025 |Accepted : 14/06/2025 |Published : 15/08/2025
P-ISSN; 2541-5255 E-ISSN: 2621-5306 | Page 2644

Consequently, the high or low debt-to-equity ratio in agricultural companies exerts minimal influence on the level of tax avoidance.

3. Firm Size

The company size variable exhibited a t-value of 3.251 and a p-value of 0.002, indicating statistical significance. The outcome suggests that, given the p-value of 0.002, the influence of firm size on tax avoidance is deemed significant. This implies that larger companies tend to have higher CETR and are more compliant with tax obligations compared to smaller companies.

## DISCUSSION RESULTS

### The Effect of Profitability (ROA) on Tax Avoidance (H1)

The findings indicate a significant connection between the profitability variable (ROA) and tax avoidance (CETR), as evidenced by a p-value of 0.001 (<0.05) and a positive regression coefficient of 0.005. This suggests that as profitability increases, the CETR also increases, implying a reduction in tax avoidance. Hence, companies with higher profitability demonstrate greater adherence to tax obligations.

This study suggests that higher company profitability corresponds to greater net profits. As profits increase, the level of income tax payable also rises proportionally alongside the company's current earnings. It can be inferred that highly profitable companies are less likely to engage in tax avoidance, as they are capable of effectively managing their income and tax obligations through tax planning. These results are in agreement with the research by Diana Sari, Deny Eko Andrianto, and Hendi Rosmana (2020), which found that Return on Assets (ROA) positively influences tax avoidance. This outcome aligns with the political cost hypothesis theory, where more profitable firms try to avoid the risk of receiving negative attention from the government by demonstrating higher tax compliance.

### Effect of Leverage on Tax Avoidance (H2)

Leverage (DER) exhibited a negative coefficient value (-0.005) and a significance value of 0.072 (> 0.05). This finding suggests that leverage does not exert a significant influence on the practice of tax avoidance. Although the direction of the relationship is negative, its effect cannot be proven statistically. This may be due to the variation in the company's debt structure, which does not consistently affect the company's tax policy.

Research that supports the findings of studies carried out by Eriana Kartadjumena and Muhammad Mujaddid Muntazhar (2021) shows that leverage has no effect on tax avoidance. These results contradict the agency theory and trade-off theory which state that businesses with elevated degrees of leverage tend to engage in tax avoidance to maximize company value.

**The Effect of Firm Size on Tax Avoidance (H3)**

The frim size variable demonstrated a p-value of 0.002, which was less than 0.05, along with a positive coefficient of 0.025. This investigation reveals a robust and statistically meaningful association between firm size and tax avoidance. This observation suggests that an increase in firm size is concomitant with higher CETR values and a reduction in tax avoidance practices. Consequently, companies with substantial assets tend to significantly reduce tax avoidance practices. However, tax avoidance is not limited by company size, as small, medium, and large firms alike can engage in such activities.

These findings are consistent with prior research by Kadek Kristina Surya Dewi and Gerianta Wirawan Yasa (2020), which reported a positive effect of company size on tax avoidance. Conversely, research by Vicka Stawati (2020) found that firm size does not possess a considerable positive impact on tax avoidance. This aligns with legitimacy theory, which suggests that larger firms tend to protect their reputation and public legitimacy by minimizing tax avoidance practices.

**Profitability, Leverage, and Frim Size Simultaneously Influence Tax Avoidance (H4)**

The present study confirms that profitability, leverage, and company size influence tax avoidance simultaneously, as evidenced by an F-test significance value of less than 0.001. This finding suggests that collectively, these three independent variables have a substantial impact on tax avoidance strategies. The fourth hypothesis was evaluated using the F-test to ascertain whether profitability (ROA), leverage (DER), and firm size collectively influence tax avoidance, as measured by the Cash Effective Tax Rate (CETR).

The results show an F value of 11.484 with a significance level of less than 0.001, which is below the 0.05 significance threshold. Hence, the null hypothesis ($H_0$), which posits no simultaneous effect of the three independent variables on tax avoidance,

is rejected. The alternative hypothesis ($H_1$) is accepted, indicating that profitability, leverage, and firm size together have a statistically significant influence on tax avoidance among the agricultural firms studied.

This finding shows that the regression model built has good predictive power in explaining variations in tax avoidance, with the three variables contributing together in influencing the level of corporate tax compliance. Although partially leverage does not show a significant effect, when combined with profitability and firm size in one model, all three are able to explain differences in the level of tax avoidance significantly.

The implication is that company management does not make tax decisions based on one factor alone, but rather through a combination of interrelated financial factors. Therefore, a comprehensive analysis of the corporate financial condition is very important to understand the tax strategy implemented. In addition, for external parties such as investors, regulators, and tax authorities, the research results indicate that monitoring and evaluation of tax avoidance must be executed comprehensively by considering various financial indicators simultaneously.

## CONCLUSION

Based on the research titled 'Analysis of Factors Affecting Tax Avoidance in Agricultural Companies Listed on the Indonesia Stock Exchange from 2020 to 2023,' and the data analysis conducted using multiple linear regression and hypothesis testing on agricultural sector companies, the following conclusions can be drawn:

1. Profitability (ROA) has a significant effect on tax avoidance.

   The test results show that the profitability variable has a significance value of 0.001, which is less than 0.05. This means that profitability has a significant effect on tax avoidance. The direction of the influence is positive, which means that the higher the company's profitability, the greater the CETR (Cash Effective Tax Rate), therefore businesses often steer clear of tax avoidance practices.

2. Leverage (DER) does not have a significant effect on tax avoidance.

   The leverage significance value is 0.072, greater than 0.05, so there is no significant effect between leverage and tax avoidance. This shows that the company's debt level is not strong enough to influence tax avoidance policies.

3. Frim size has a significant impact on tax avoidance.

The company size variable has a significance value of 0.002, indicating a significant effect on tax avoidance. The positive direction of the relationship suggests that larger companies exhibit higher tax compliance, as reflected by an increase in the CETR.

4. Profitability, leverage, and company size collectively have a significant impact on tax avoidance.

   The F test results show a significance value of less than 0.001, indicating that the three independent variables collectively influence the tax avoidance variable. Thus, the regression model used is suitable for explaining variations in corporate tax avoidance practices.

**Suggestion**

Based On The Results of this study and the discussion on "Analysis of Factors Affecting Tax Avoidance On Agricultural Companies Listed On The Indonesia Stock Exchange In 2020 – 2023", the suggestions that can be given are as follows:

1. For companies

Companies, particularly agricultural firms listed on the IDX, are encouraged to enhance profitability in a sustainable way while maintaining compliance with tax obligations. They should engage in tax planning that aligns with applicable regulations, avoiding excessive tax avoidance practices, which can harm their reputation and increase legal risks. Company management is also advised to be more transparent in presenting
financial reports and implementing good corporate governance principles in tax planning.

2. For investors and stakeholders

The results of this study provide an overview that the level of profitability and firm size can be indicators in assessing the level of company tax compliance. Therefore, investors are advised to consider information related to tax strategies in the investment decision-making process, especially in the agricultural sector which is vulnerable to financial fluctuations and fiscal policies.

3. For the government and the Directorate Jendral of Taxes (DJP)

The findings of this study suggest that tax avoidance is affected by a combination of internal financial factors within the company. Consequently, the Directorate General of Taxes (DJP) should enhance its risk-based tax supervision and

audit strategies by incorporating indicators such as profitability and firm size to better identify potential tax avoidance. The government is also anticipated to encourage transparency and accountability through digitalization of the tax system, more intensive counseling, and increasing tax literacy among business actors. In addition, the preparation of adaptive and equitable tax policies is very important so that the national taxation system is able to close the gap for tax avoidance and concurrently support the growth of the real sector.

4. For further researchers

Future research is expected to expand this study by incorporating additional variables that may affect tax avoidance, such as ownership structure and corporate governance. fixed asset intensity, and dividend policy. In addition, expanding the sample to other industrial sectors and increasing the observation period can increase the generalization and predictive power of the research model.

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## FIGURE AND TABLE

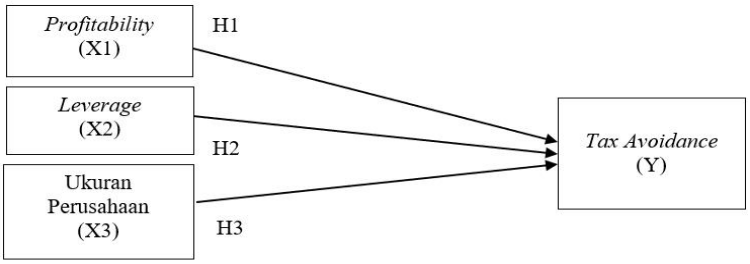


Figure 1 Framework
Source: Data processed by researchers, 2025

Table 1 Operational Research Variables

| Variables | Definition | Proxy | Scale |
|---|---|---|---|
| Profitability *ROA* (X1) | (Ningsih & Noviari, 2022) Return on Assets (ROA) is one of the numerous profitability ratios that show a firm's ability ratios that illustrate a firm's ability to produce earnings. The extent of profit | $\text{ROA} = \frac{\text{Net Icome}}{\text{Total Assets}}$ | Ratio |

| | | | |
|---|---|---|---|
| | obtained is a pivotal factor in the assessment of this capacity. ROA as metric is utilized to evaluate a business's capacity to leverage its assets for the purpose of generating profit. The ratio of net profit after tax to total assets is an assessment of return on assets (ROA). | | |
| Laverage (X2) | (Heru Harmadi Sudibyo, 2022) Leverage is defined as a financial ratio that measures the proportion of a firm's liabilities in comparison to its equity and resources. This research utilizes the debt-to-equity ratio (DER), (S. S. Nabila & Zulfiri, 2018) DER is utilized to determine the scope of the company's assets. In the event that the DER value exceeds, it will indicate the higher interest charged by the company | $\text{DER} = \frac{\text{Total Liabilities}}{\text{Total Equity}}$ | Ratio |
| Firm Size (X3) | (Suyanto & Kurniawati, 2022) The Classification of companies according to firm size is is defined by the quantity of assets owned.. Firm Size can be measured by the amount of sales, share value, amount of capital, and so on. In this study, the measurement of firm size is derived from total assets, a metric that exhibits a relatively sustainable degree of stability. | *Size* = Ln (Total asset) | Ratio |
| Tax Avoidance (Y) | Tax avoidance is in the context of a legal tax system, where a person or business entity takes advantage of tax loopholes, namely carrying out legal activities according to statutory provisions, but contrary to the spirit and intent of tax regulations. Usually tax avoidance includes specific activities with the sole purpose of reducing taxes owed (Wulandari & Maqsudi, 2019) | $\text{CETR} = \frac{\text{Cash Taxes Paid}}{\text{Pre-Tax Income}}$ | Ratio |

Table 2 Descriptive Statistics of Variables

Descriptive Statistics

| | N | Minimum | Maximum | Mean | Std. Deviation |
|---|---|---|---|---|---|
| Profitabilitas (ROA) | 104 | -1749,00 | 2208,00 | 312,0962 | 715,05061 |
| Leverage (DER) | 104 | -220,00 | 2932,00 | 177,1058 | 352,13308 |
| Firm Size | 104 | 2525,00 | 3138,00 | 2919,7308 | 142,91203 |
| Tax Avoidance (CETR) | 104 | -353,00 | 938,00 | 34,0577 | 106,34472 |
| Valid N (listwise) | 104 | | | | |

Source: Data processed with *IBM SPS Statistics 27,2025*

Table 3 Data Normality Test Results I

**One-Sample Kolmogorov-Smirnov Test**

| | | | Unstandardized Residual |
|---|---|---|---|
| N | | | 104 |
| Normal Parameters[a,b] | Mean | | .0000000 |
| | Std. Deviation | | 106.1356781 |
| Most Extreme Differences | Absolute | | .355 |
| | Positive | | .355 |
| | Negative | | -.319 |
| Test Statistic | | | .355 |
| Asymp. Sig. (2-tailed)[c] | | | <,001 |
| Monte Carlo Sig. (2-tailed)[d] | Sig. | | .000 |
| | 99% Confidence Interval | Lower Bound | .000 |
| | | Upper Bound | .000 |

Table 4 Data Normality Test Results II

**One-Sample Kolmogorov-Smirnov Test**

| | | | Unstandardized Residual |
|---|---|---|---|
| N | | | 90 |
| Normal Parameters[a,b] | Mean | | .0000000 |
| | Std. Deviation | | 9.91746631 |
| Most Extreme Differences | Absolute | | .077 |
| | Positive | | .077 |
| | Negative | | -.065 |
| Test Statistic | | | .077 |
| Asymp. Sig. (2-tailed)[c] | | | .200[d] |
| Monte Carlo Sig. (2-tailed)[e] | Sig. | | .204 |
| | 99% Confidence Interval | Lower Bound | .194 |
| | | Upper Bound | .215 |

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

d. This is a lower bound of the true significance.

e. Lilliefors' method based on 10000 Monte Carlo samples with starting seed 1502173562.

Source: Data processed with *IBM SPS Statistics 27,2025*

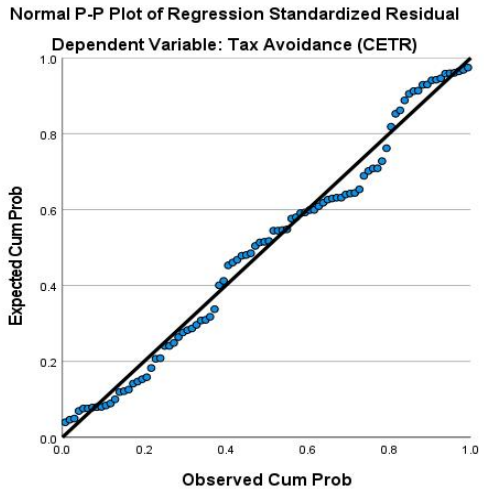


Figure 2 Data Normality Test Results II

The results of the normality test (Normal P-P Plot of Regression Standardized Residual)

Table 5 Multicollinearity Test Results

*Coefficients*[a]

| Model | | Collinearity Statistics | |
|---|---|---|---|
| | | Tolerance | VIF |
| 1 | (Constant) | | |
| | Profitability (ROA) | 0,899 | 1,113 |
| | Leverage (DER) | 0,916 | 1,092 |
| | Firm Size | 0,980 | 1,021 |

a. Dependent Variable: *Tax Avoidance* (CETR)

Source: Data processed with *IBM SPSS Statistics* 27, 2025

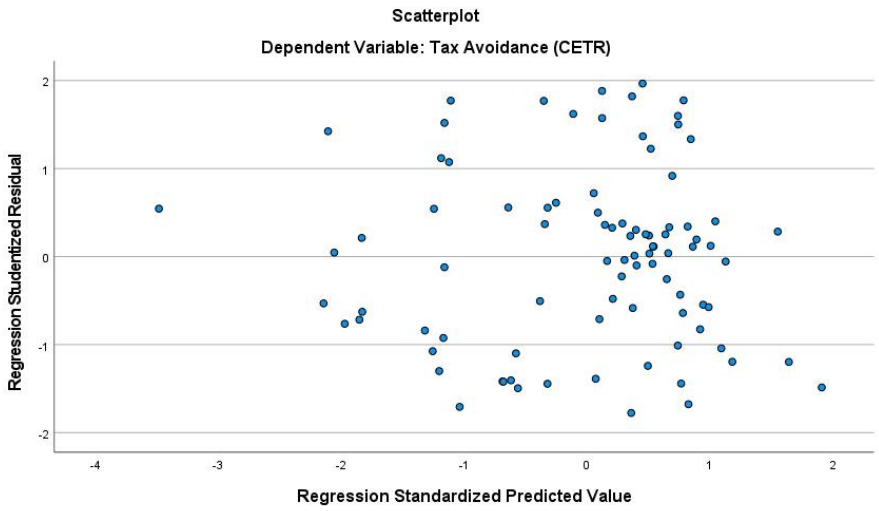


Figure 3 Heteroscedasticity Test Results

Table 6 Autocorrelation Test Results (Durbin Watson Test)

Model Summary[b]

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Durbin-Watson |
|---|---|---|---|---|---|
| 1 | .535[a] | 0,286 | 0,261 | 10,08896 | 1,361 |

a. Predictors: (Constant), Firm Size, Leverage (DER), Profitabilitas (ROA)

b. Dependent Variable: Tax Avoidance (CETR)

Table 7 Multiple Linear Regression Analysis Results

Coefficients[a]

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | -54,405 | 22,095 | | -2,462 | 0,016 |
| | Profitabilitas (ROA) | 0,005 | 0,001 | 0,327 | 3,406 | 0,001 |
| | Leverage (DER) | -0,005 | 0,003 | -0,173 | -1,821 | 0,072 |
| | Firm Size | 0,025 | 0,008 | 0,299 | 3,251 | 0,002 |

a. Dependent Variable: Tax Avoidance (CETR)

Table 8 Results of Determination Coefficient Test

Model Summary[b]

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | Durbin-Watson |
|---|---|---|---|---|---|
| 1 | .535[a] | 0,286 | 0,261 | 10,08896 | 1,361 |

a. Predictors: (Constant), Firm Size, Leverage (DER), Profitabilitas (ROA)
b. Dependent Variable: Tax Avoidance (CETR)

Table 9 F Test Results (Simultaneous Test)

ANOVA[a]

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 3506,704 | 3 | 1168,901 | 11,484 | .000[b] |
| | Residual | 8753,696 | 86 | 101,787 | | |
| | Total | 12260,400 | 89 | | | |

a. Dependent Variable: Tax Avoidance (CETR)
b. Predictors: (Constant), Frim Size, Leverage (DER), Profitabilitas (ROA)

Table 10 Result of t-Test (Partial Test)

Coefficients[a]

| Model | | Unstandardized Coefficients | | Standardized Coefficients | | |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | t | Sig. |
| 1 | (Constant) | -54,405 | 22,095 | | -2,462 | 0,016 |
| | Profitabilitas (ROA) | 0,005 | 0,001 | 0,327 | 3,406 | 0,001 |
| | Leverage (DER) | -0,005 | 0,003 | -0,173 | -1,821 | 0,072 |
| | Firm Size | 0,025 | 0,008 | 0,299 | 3,251 | 0,002 |

a. Dependent Variable: Tax Avoidance (CETR)