



DETERMINANTS OF TAX AVOIDANCE WITH FIRM SIZE AS A MODERATING VARIABLE

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Abstract

In the context of the growing consumer goods industry, tax avoidance practices are increasingly viewed not only as a means of efficiency but also as an integral part of corporate strategy. This study analyzes the impact of profitability, leverage, and firm age on tax avoidance, while also assessing the role of these three factors in moderating the relationship between firm size and tax avoidance. The research involved a sample of 20 firms in the consumer goods sector listed on the Indonesia Stock Exchange (IDX) during the years 2020 and 2023, with analysis conducted using the Moderated Regression Analysis (MRA) approach and EViews 12 software. The results indicate that profitability and leverage do not significantly affect tax avoidance. Conversely, firm age has been shown to have a positive impact. In the moderation analysis, only firm age serves as a significant moderating variable, while leverage does not. These findings suggest that the age and internal characteristics of a firm exert a more substantial influence on tax strategies compared to other financial ratios. Consequently, tax policies should be formulated with careful consideration of the unique characteristics of the consumer goods sector. This study contributes to the literature on agency theory, as well as to practices in corporate tax management and financial strategy.

Keywords: Firm age, Firm size, Leverage, Profitability, Tax Avoidance

INTRODUCTION

As the main source of funding for national development, taxes have an important role. Reporting from the official website of the Cabinet Secretariat of the Republic of Indonesia, IDR 459,1 trillion or 22,2% of the state budget target as of March 2023 has been realized. However, the government still faces significant challenges from tax avoidance practices, where companies in Indonesia tend to reduce their tax burden through various legal strategies. A World Bank survey noted that around 26% of companies in Indonesia have not fully complied with paying taxes. The prevalence of this practice arises from the difference in interests between the tax authorities and business actors.

The phenomenon of tax avoidance is not only found in general in various industries, but also specifically in the manufacturing and consumer goods sectors. The consumer goods sector has a strategic role because it produces products that people need every day, with high activity intensity and transaction volume. In the context of tax avoidance, taxpayers do not clearly go against legal provisions or make mistakes in understanding existing regulations. However, this step is not in line with the main purpose and spirit of the tax provisions that have been decided. Therefore, tax avoidance is a complicated and difficult issue to resolve, because even though this action is not legally considered violating, the government still sees it negatively because it can reduce the amount of tax revenue that should be obtained (Setyaningsih & Wulandari, 2022). Although legally tax avoidance is not considered a violation, many argue that this practice remains unjustified from an ethical and social responsibility standpoint. This is because even though it is legal, tax avoidance can reduce the company's contribution to social and economic development which relies heavily on fair tax revenue (Sholekah & Oktaviani, 2022).

This study is expected to contribute to companies, especially in the manufacturing sector, especially in the consumer goods industry. In order to conduct tax management more thoroughly and effectively, companies must adopt tax avoidance strategies that are legal and in accordance with existing regulations, so as to avoid the risk of being sanctioned or fined. In



addition, the findings of this study will be an input and evaluation for managerial manufacturing companies to improve the efficiency of tax administration in the coming period.

Some factors that can affect tax avoidance behavior include profitability, leverage, firm age and firm size. As shown in research by Hossain et al (2024), Martinus et al (2021) and Ratu & Meiriasari (2021) found that the higher the profitability, the greater the tendency of companies to do tax avoidance, but Leonardo & Wahyudi (2023) stated that in difficult conditions, companies tend to take advantage of tax incentives by the government rather than actively avoid taxes.

Furthermore, research by Angel et al (2022) and Hossain et al (2024) suggests that when leverage increases, the practice of tax avoidance also tends to increase, on the other hand research by Dianawati & Agustina (2020) and Helmi & Kurniadi (2024) which states that leverage has no effect because debt functions more as a funding strategy. Research conducted by Andriyani & Mu'arif (2024) and Putri & Setiawan (2022) concluded that the longer a company is in business or the older it is, the more likely it is to be involved in tax avoidance practices, in contrast to research by Fasiska et al (2023) which assesses that firm age is not a determining factor because it is influenced by the level of tax awareness and compliance.

After examining the various factors that influence tax avoidance, researchers chose to include firm size as a moderating variable. This variable serves to strengthen or weaken the relationship between the independent and dependent variables. Based on the findings from previous research, firm size does have the potential to act as a moderating variable, albeit in different contexts and research designs.

Firm size leads to the extent, large or small of a company, which can be measured by total assets, total profits, total sales, wealth, and tax burden owned by the company. The study conducted by Hidayat & Maulidiyah (2022) shows that firm size has a significant and positive impact on tax avoidance, in contrast to the study Tanjung & Nazir (2021) which shows that firm size has a significant negative impact on tax avoidance.

Through these factors, there are several research gaps that need to be further investigated, especially in the consumer goods industry regarding the impact, leverage, profitability, and firm age on tax avoidance, along with firm size as a moderating variable. Previous research shows a mismatch of results found regarding the impact of profitability, leverage, and firm age on tax avoidance.

The gap highlights the need for more detailed research to analyze the elements that influence tax avoidance in consumer goods companies listed on the IDX in the 2020 to 2023 timeframe. This study is expected to provide a deeper understanding of agency theory, enrich references related to tax avoidance, and provide a clearer explanation of the relationship between the variables studied.

LITERATURE REVIEW

Agency Theory

Agency theory proposed by Jensen & Meckling (1976) this research explains that the theory is a form of contractual agreement between one or more parties, especially between principals and agents. This theory seeks to enforce the agreements that have been agreed upon, while giving the agent the authority to make the best decisions in the interests of the principal (Tang, 2020). In a company, management as an agent has the task of increasing profits for shareholders as owners. However, there are often differences in interests between the two, which can lead to conflicts (Putri & Setiawan, 2022).

Company management seeks to maximize profits by using regulatory lacunae to increase pre-tax profits, which is in line with company goals (Helmi & Kurniadi, 2024). In addition, agency problems can also arise between companies and the state if there is information



asymmetry (Sopian et al., 2023). In this case, the state acts as a client, which requires companies to fulfill tax-related responsibilities in line with relevant regulations (Prananjaya et al., 2023).

Tax Avoidance

Tax avoidance is a strategy applied from the party subject to tax in order to reduce the amount of tax that needs to be paid, through the utilization of loopholes or deficiencies in tax regulations. Although this practice does not directly violate the law, tax avoidance remains a controversial issue because it contradicts the principle of fairness in the tax system (Asprilla & Adi, 2023). In addition, tax avoidance can also be interpreted as an effort to legally transfer income from the government to the company, so that it can be utilized for productive activities. However, this practice also has the potential to be exploited by managers for personal gain at the expense of investor interests (Duhoon & Singh, 2023). Although it provides benefits to the company, this practice can also harm the state (Ningsih & Noviani, 2022).

Profitability

Based on (kasmir, 2017) "profitability ratio is a financial measure that is used to evaluate the company's capacity when getting as much profit or profit as possible". Not only that, when the company manages to achieve optimal profits according to its goals, it allows providing a positive impact on the success of employees and owners, improving the quality of goods, and implementing new capital investments (Rinaldi et al., 2022). ROA reflects the extent to which the company is able to earn profits through effective and efficient asset management (Asprilla & Adi, 2023).

Leverage

Leverage is a financial indicator that is used to assess how significantly the company utilizes debt or loans when supporting its operational activities. In general, the leverage ratio is calculated by comparing the company's total debt and total equity. This measurement reflects the comparison between financing obtained from external sources and the company's internal capital (Aulia & Mahpudin, 2024).

The main purpose of companies in utilizing leverage is to evaluate the effectiveness of using borrowed funds in achieving profits, as well as to show the relationship between the amount of assets and equity. Through utilizing debt, companies try to grow profits through external resources. One of the benefits of applying leverage is that debt interest costs can be deducted from taxes to be paid, while dividend distributions on retained profits cannot be utilized as a tax deduction. This makes debt a strategic instrument in corporate tax management (Setyaningsih & Wulandari, 2022).

Firm age

Firm age is the period or length of time the company can survive from its inception to the present. The age of the company reflects how long a company is able to optimize its operations in order to continue to develop and compete in the business world (Triyanti et al., 2020). According to Indrawati et al (2024) the age of the company is determined by the duration of the company's listing and operation on the IDX. With the increase in operating time, companies tend to gain more experience in managing financial statements, a factor that can increase their opportunities for tax avoidance (Andriyani & Mu'arif, 2024).

Firm size

Firm size is generally assessed based on the size or number of assets owned. The higher the size of a company, the more assets it has. Large companies are usually more attractive to tax authorities because of their large potential profitability, so they become the main target in tax supervision. On the other hand, the large size of the business also increases the frequency and complexity of transactions, which can create opportunities for companies to take advantage of discrepancies in tax regulations in order to legally reduce tax liabilities (Syahputra, 2023). According to Wali et al (2023) in Gustari et al (2025) firm size is an indicator that reflects the



size of a business entity. Firm size can be measured through three main aspects, namely total assets, revenue, and market value. Compared to revenue, total assets are often used as a more stable measure, because revenue tends to experience higher fluctuations from period to period than total assets.

Effect of Profitability on Tax Avoidance

Agency theory encourages agents to maximize organizational profits, which indirectly causes an increase in income tax liabilities along with the increase in profits earned by the company (Hutapea & Herawaty, 2020). According to cashmere (2017) profitability is a measure to assess how far the company can generate profits or realize profits. The profitability ratio uses "return on assets" (ROA) (Rinaldi et al., 2022). Return on Assets (ROA) is a financial ratio that shows the company's capacity to create profits through effective and efficient asset management (Asprilla & Adi, 2023). The existence of high profitability can encourage management to take positive actions to practice tax avoidance (Dianawati & Aguastina, 2020). According to agency theory, management tends to reduce the company's tax burden when profitability is high to minimize personal gain (Hossain et al., 2024). Previous research conducted by Martinus et al (2021) and Yuniastuti & Nasyaroeka (2024) which also shows that profit has a favorable impact on tax evasion. Through that, the first hypothesis in this study can be stated as below:

H1: Profitability has a positive effect on tax avoidance.

Leverage Effect on Tax Avoidance

In agency theory, there is a relationship between leverage and tax avoidance involving principals and agents, where principals expect optimal company performance, while agents try to get higher compensation (Maharani & Baroroh, 2019). Leverage is a financial indicator that measures the extent to which a company utilizes debt in financing its operational activities, which is reflected through the company's leverage ratio or capital structure. Leverage measurement is done by comparing the amount of company debt with its total assets (Aulia & Mahpudin, 2024). The existence of debt in a company can affect the interest costs that need to be paid. The higher the interest rate, the higher the interest coverage that needs to be borne. As a consequence, it can minimize the income that is taxed by the company and, indirectly, shrink the total tax that must be paid (Faradilla & Bhilawa, 2022). Previous research conducted from Hossain et al (2024) which also shows that debt has a favorable impact on tax avoidance. Therefore, the second hypothesis in this study can be structured as below:

H2: Leverage has a positive effect on tax avoidance

Effect of Firm age on Tax Avoidance

In agency theory, agents must prepare financial reports when the company goes public, which allows previously private companies to become more transparent in the aspect of financial reporting. Companies that have been running for a long time usually have better experience in managing compliance with regulations, including the publication of their financial statements. This makes the company more compliant with government regulations, so it tends to be more difficult to engage in tax avoidance practices (Rahmawati et al., 2021). According to Indrawati et al (2024) "firm age is the period of time the company was founded and listed on the Indonesian stock exchange". The age of the company can trigger tax avoidance because the accumulated experience allows the company to be more skillful in managing its financial statements (Andriyani & Mu'arif, 2024). Previous research conducted by Putri & Setiawan (2022) which also shows that firm age has a positive influence on tax avoidance. Therefore, the third hypothesis in this study is proposed as follows:

H3: Firm age has a positive effect on tax avoidance

Moderation of Firm size to the Effect of Profitability on Tax Avoidance

Relationships between company owners and managers are often affected by conflicts of interest, which can affect managerial decisions, including tax avoidance. Managers who focus



on short-term profits sometimes choose to avoid taxes, even though it is not always in accordance with the interests of long-term shareholders. Agency theory explains how tax avoidance decisions arise to increase profits or firm value, especially in highly profitable firms.

Firm size aims to be the main moderating factor in the relationship between profitability and tax avoidance. Large organizations with more assets have a greater ability to structure and implement complex non-taxes. Through more assets, companies can utilize methods such as depreciation and amortization to minimize their tax liabilities, which in turn can reduce income subject to tax (Sulistiono, 2018). The study conducted by Suyanto & Kurniawati (2022) shows that firm size can weaken the relationship between profits through tax avoidance by strengthening the relationship. Thus, the fourth hypothesis of this study is formulated as below: H4: Firm size moderates by strengthening the effect of profitability on tax avoidance.

Moderation of Firm size on the Effect of Leverage on Tax Avoidance

Leverage is the origin of funding related to fixed obligations, through the expectation of generating higher profits compared to these fixed expenses, so as to increase company profits. Therefore, companies tend to choose to utilize internal capital rather than external capital or debt, with the company acting as a significant moderating element in the relationship between tax avoidance and profits. Large companies with more assets have a higher ability to design and implement complex tax strategies. With more assets, companies can take advantage of means such as depreciation and amortization to reduce their tax liabilities, which in turn can reduce income subject to tax (Hutapea & Herawaty, 2020). Large companies generally need more resources to support their operations and grow their production. Many companies utilize debt as a source of financing to fund their corporate assets. Large companies usually have easier opportunities to external funds in the form of debt (Dewi & Noviari, 2017). The bigger a company, the higher its leverage value. Research conducted by Hutapea & Herawaty (2020) and Saputra et al (2020) indicates that firm size can reduce the influence between debt and tax avoidance by strengthening the relationship. Thus, hypothesis number five of this study is organized as below:

H5: Firm size moderates by strengthening the effect of leverage on tax avoidance.

Moderation of Firm size on the Effect of Firm age on Tax Avoidance

In relation to firm size, a longer firm age indicates maturity in managing the business so that it can increase firm size. Companies that have a high amount of assets reflect their level of maturity and stability. Many assets indicate that the company is quite strong and reliable (Rahmawati et al., 2021). In addition to this, as companies grow in size, their ability to manage resources to minimize tax burdens through legal tax avoidance strategies also increases (Amiah, 2022). With more resources, firms have the flexibility and capacity to devise more efficient strategies to reduce their tax liabilities, thereby improving overall operational efficiency (Septian et al., 2024). Therefore, firm size can reduce the impact of firm age on tax avoidance by strengthening or limiting the relationship depending on firm characteristics. The study conducted by Amiah (2022) shows that firm size can lead the relationship by strengthening in the middle of firm age on tax avoidance Therefore, the sixth hypothesis of this study is proposed as follows:

H6: Firm size moderates by strengthening the effect of firm age on tax avoidance.



Conceptual Framework

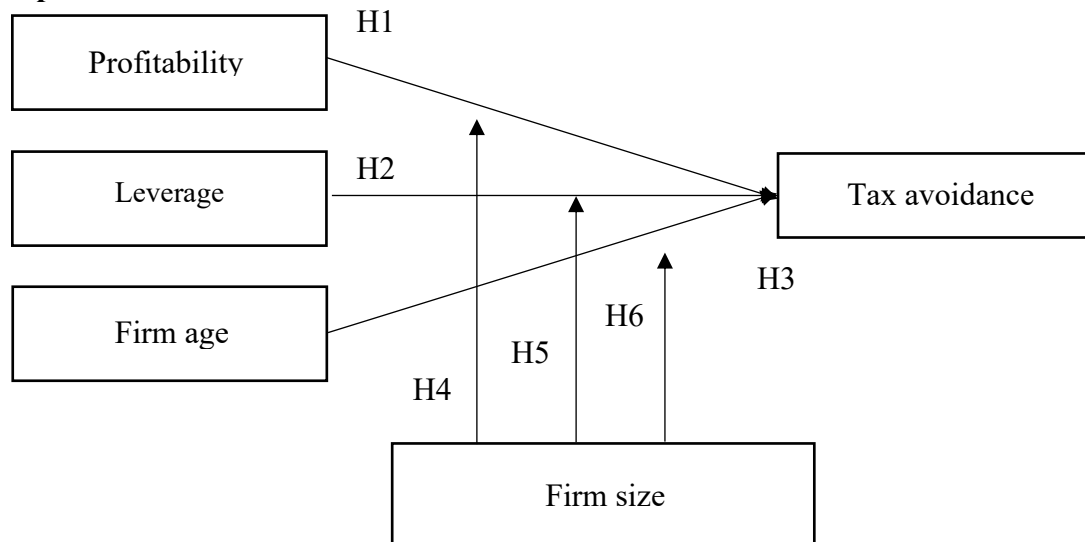


Figure 1 Conceptual Framework

METHODS

This study is a quantitative descriptive study that aims to analyze the impact of leverage, profitability, and firm age on tax avoidance practices, through firm size as a moderating variable. The population in the study consisted of 51 companies listed on the IDX in the consumer goods industry sector in the period 2020 to 2023. This study uses a purposive sampling approach to determine the sample, utilizing secondary data. The secondary data is obtained through the company's audited financial statements published by the IDX from 2020 to 2023. There are the following sample selection criteria:

Table 1. Data sample selection criteria

No	Criteria	Number
1	Companies in the consumer products sector that are listed on the IDX and publish on the IDX official website and company website in the period 2020 - 2023.	51
2	Companies in the consumer sector that do not publish financial reports on the IDX in the period 2020-2023	(2)
3	Companies in the consumer sector that do not document consecutive profits in 2020 - 2023	(23)
Total		26
Final sample size 26 × 4 (years)		104
Total Final Research Sample		104

Source: Processed by researchers, 2025

According to Table 1, the total sample that meets the research requirements is 104. Hypothesis testing for a number of variables analyzed in this study was carried out using Eviews 12 software.



Table 2. Variable Definitions

No	Variable	Definition	Indicator	Scale
1.	Independent Variable Profitability (X1)	In this study, profit is measured through "Return On Asset (ROA)". Namely a statistical instrument that illustrates how much assets contribute to the achievement of net income (Puspitasari et al., 2022).	$ROA = \frac{\text{Total Laba Bersih}}{\text{Total Aset}}$ According to (Illahi, 2024).	Ratio
2.	Leverage (X2)	Leverage is a measure that shows how much debt a company utilizes to fund its assets (Hermanto & Puspita, 2022).	$DER = \frac{\text{Total Utang}}{\text{Total Ekuitas}}$ According to (Illahi, 2024).	Ratio
3.	Firm age (X3)	This ratio describes the existence of the company, which shows the company's ability to compete in the business world and maintain business continuity (Fasiska et al., 2023).	AGE = Research Year - Year Listed on the Indonesia Stock Exchange According to (Fathoni, 2021).	Ratio
4.	Dependent Variable Tax avoidance (Y)	A legal strategy to reduce the tax burden through organized tax planning (Mahdiana & Amin, 2020).	$\text{Cash ETR} = \frac{\text{Kas Pajak yang Dibayar}}{\text{Laba sebelum Pajak}}$ According to (Yuniastuti, 2024).	Ratio
5.	Moderating Variable Firm size (Z)	This ratio describes the size of the company which is divided according to the small or large performance and is able to reflect operational activities and the gains obtained (Mahdiana & Amin, 2020).	SIZE = Ln (Total Assets) According to (Aulia & Mahpudin, 2024).	Ratio

Source: Processed by researchers, 2025

Then the regression analysis model is:

1. Independent variable on Dependent

$$CETR_{it} = \alpha + \beta_1 \cdot ROA_{it} + \beta_2 \cdot DER_{it} + \beta_3 \cdot AGE_{it} + \epsilon_{it}$$

2. Independent Variable with Firm size as Moderating Variable on *Tax Avoidance*

$$CETR_{it} = \alpha + \beta_1 \cdot SIZE_{it} + \beta_2 \cdot ROA_{it} + \beta_3 \cdot DER_{it} + \beta_4 \cdot AGE_{it} + \beta_5 \cdot (SIZE_{it} \times ROA_{it}) + \beta_6 \cdot (SIZE_{it} \times DER_{it}) + \beta_7 \cdot (SIZE_{it} \times AGE_{it}) + \epsilon_{it}$$

RESULTS AND DISCUSSION

Descriptive Statistics

Table 3. Descriptive Statistics

	Mean	Median	Maximun	Minimum	Std.Dev	Obsrv
CETR	0.882524	0.235327	41.66998	0.048218	4.364348	104
ROA	0.144752	0.112227	0.709762	0.003405	0.126348	104
DER	0.686927	0.449530	3.928398	0.000852	0.704080	104
AGE	46.03846	45.50000	94.00000	11.00000	20.66183	104



	Mean	Median	Maximum	Minimum	Std.Dev	Obsrv
SIZE	29.36404	29.01567	32.85992	27.23769	1.571711	104

Source: Processed by researchers, 2025

This study uses data from 104 observations from consumer goods industry sector companies listed on the IDX. The variable related to tax avoidance (CETR) has a mean value of 0.8825, which indicates that the companies in this sample have a good level of compliance with tax obligations. However, the very high maximum value indicates the possibility of outliers or unusual factors that may affect the data distribution. The profitability variable, as measured by Return on Assets (ROA), has a mean value of 0.1447 or 14.47%, which indicates that in general companies in the consumer goods industry sector are able to generate good net profit from their assets.

Furthermore, the leverage variable (DER) has a mean value of 0.6869, indicating that the company is not too dependent on external financing in the form of debt. This condition reflects that the company's leverage is stable and under control. The firm age variable (AGE) has an average of 46 years, indicating that the majority of companies in the sample are entities that have been established for quite a long time, with experience and reputation that support long-term business sustainability. Meanwhile, firm size (SIZE) has a mean value of 29.36, which indicates that companies in this sector are classified as large companies, both in terms of assets, revenue, and operational scale.

Overall, the financial performance of companies in the consumer goods industry sector represented by the independent variables can be categorized as good. This shows that these companies have met the standards expected in the capital market, both in terms of profitability, leverage, firm age, and firm size. With these characteristics, consumer goods sector companies are considered capable of carrying out their tax obligations reasonably, and have a financial foundation that supports sustainability and competitiveness in the market.

Table 4. Chow Test and LM Test Results

Test of Type	F-Value	P-Value	The Right Model
Chow Test (cross-section F-test)	1.571315	0.0971	Common Effect Model
Chow Test (cross-section Chi-square)	34.184631	0.0175	
Lagrange Multiplier Test (Breusch-Pagan cross-section one-sided)		0.2619	Common Effect Model

Source: Processed by researchers, 2025

The selection of the CEM, FEM, or REM model is tested to determine the model that best suits this study. The first test was conducted with the Chow test to compare the fit between CEM and FEM. Table 4 shows that the cross-sectional probability value of 0.0971 is greater than the significance value of 0.05, which indicates that the CEM is the more appropriate model. Furthermore, since the model tested by the Chow test is the CEM, the Hausman test is not necessary. Therefore, the LM test is continued to ensure the selection of the most appropriate model between REM and CEM. The Breusch-Pagan probability value of 0.2619 which is greater than 0.05 indicates that the most appropriate model is the CEM (Common Effect Model).

Classical Assumption Test

Table 5. Multicollinearity Test Results

	ROA	DER	AGE	SIZE
ROA	1.000000	-0.023111	0.071336	0.059116
DER	-0.023111	1.000000	0.234138	0.140868
AGE	0.071336	0.234138	1.000000	-0.266005



SIZE	0.059116	0.140868	-0.266005	1.000000
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Source: Processed by researchers, 2025

The multicollinearity test results, which aim to identify whether the independent variables in the regression model are linearly related, can be seen in Table 5. The table shows the correlation value between variables, where the correlation value between ROA, DER, AGE, and SIZE variables is below 0.85. This indicates that there is no significant linear relationship between variables, which means that the regression model is free from multicollinearity problems.

Table 6. Heteroscedasticity Test Results

	Coefficient	Std.Error	t-Statistic	Prob.
C	0.227089	0.014276	15.90755	0.0000
ROA	-0.049232	0.039958	-1.232091	0.2208
DER	0.004432	0.006022	0.735893	0.4635
AGE	9.97E-05	0.000348	0.286665	0.7750
SIZE	0.039990	6.58E-07	0.314967	0.7536

a. Dependent Variable: Abs RES

Source: Processed by researchers, 2025

The purpose of the heteroscedasticity test is to determine whether the residuals of an observation are different from other observations in the regression model. Based on the results of the heteroscedasticity test. in Table 6, it can be seen that the significance value of the independent variables, namely ROA, DER, AGE, and SIZE, is greater than $\alpha = 0.05$ each. It shows that the regression model is free from symptoms of heteroscedasticity.

Regression Analysis Results

Table 7. Hypothesis Test Results

Description		Model 1			Model 2		
H	Variable	Coefficient	t-Statistic	Prob	Coefficient	t-Statistic	Prob
	C	-0.055874	-0.359708	0.7201	3.674165	0.155420	0.8768
H1	ROA	-0.600748	-1.080797	0.2832	-23.25859	-0.475381	0.6356
H2	DER	-0.154197	-1.262996	0.2105	22.45888	1.126517	0.2628
H3	AGE	0.011775	4.209965	0.0001	-0.851234	-2.126517	0.0364
-	SIZE				-0.138973	-0.173160	0.8629
H4	ROAxSIZE				0.806397	0.499772	0.6184
H5	DERxSIZE				-0.807820	-1.220278	0.2253
H6	AGExSIZE				0.030732	2.235452	0.0277
	R-Square	0.194642					
	Adjusted R-Squared	0.151689			0.312483		
	Sig F	0.002475			0.000012		

Source: Processed by researchers, 2025

Table 7 shows the results of the panel data test, the significant value of the model feasibility test (F test) is 0.002475 which is smaller than 0.05, so it can be concluded that the regression model in this study is feasible to use. The Adjusted R-Squared coefficient shows a value of 0.1516, which means that the tax avoidance variable in this study is 15% influenced by the independent variables, namely profitability, leverage, and firm age. While 85% is explained by variables outside this study.



Effect of Profitability on Tax Avoidance

The test findings show that the profitability variable calculated through "return on assets (ROA)" has a coefficient of -0.600748 along with a probability of 0.2832, which is above the 0.05 significance level. This indicates that, statistically, profitability has no effect on tax avoidance, hence hypothesis H1 is rejected. Or in other words, companies that have a high return on assets (ROA) are not always more exposed to tax avoidance practices than companies that have a lower level of profitability. Other aspects such as the use of tax credits, the existence of deferred tax assets, long-term tax planning strategies, and recognition of expenses in future periods could be the cause.

This finding is in line with the study conducted by Indrawati et al (2024), which also found that profit has no influence on tax avoidance. Furthermore, the study Leonardo & Wahyudi (2023) also shows that in difficult economic conditions, such as during a pandemic, companies are more likely to take advantage of tax incentives offered by the government rather than actively avoid taxes. However, this finding is different from the studies conducted by Leonardo & Wahyudi (2023) and Martinus et al (2021) which state that "The higher the profit realized by the company, the more likely the company is to do tax avoidance to reduce its tax burden".

Leverage Effect on Tax Avoidance

Based on the test findings, the leverage variable calculated using the debt to equity ratio (DER) shows a coefficient value of -0.154197 along with a probability level of 0.2105. Because the probability value is higher than the significance level of 0.05, it can be concluded that leverage has no effect on tax avoidance. Thus, hypothesis H2 is rejected. This finding shows that the level of corporate debt does not always act as a dominant factor in decisions regarding tax avoidance. Companies with high debt do not always show a greater tendency to avoid tax obligations. This may be due to the company's focus more on operational stability and efficiency in the use of debt to support growth and profitability, rather than only focusing on reducing the tax burden. Although debt interest can reduce taxable income, there are several reasons why companies with high leverage cannot optimally utilize debt interest to reduce net income. One of them is the need to maintain profits to keep them looking good. In addition, the company's other financial structures may also make leverage less important in tax planning.

This finding is in line with previous studies from Dianawati & Agustina (2020) and Helmi & Kurniadi (2024) which also found that leverage has no significant relationship to tax avoidance practices. According to them, companies tend to use debt wisely as a funding strategy, not as the main tool in fiscal manoeuvres. However, the findings differ from research by Hossain et al (2024) which shows that leverage actually has an impact on tax avoidance. They argue that highly leveraged firms often have large amounts of cash and deposits as financial buffers, which can be utilized to defer or reduce tax payments through liquid asset hoarding strategies. This difference in findings suggests that the impact of leverage on tax avoidance may vary depending on the market context, the firm's financial strategy, and the prevailing tax regulations in a region.

Effect of Firm age on Tax Avoidance

Based on the test results, the firm age variable shows a coefficient score of 0.011775 with a probability level of 0.0001 which is lower at the 0.05 significance line. This shows that the age of the company has a positive effect on tax avoidance, so hypothesis H3 is accepted. Or also, the longer a company operates, the stronger the tendency to avoid taxes. Companies that have been operating longer usually have experience and better knowledge of tax regulations, and can design more complicated strategies to minimize the tax burden. In addition, the image that has been created for years can be utilized to create a good image and cover tax avoidance practices in a more subtle way.



The results are in line with Putri & Setiawan (2022) which states that more mature companies tend to have a greater tendency to avoid taxes because they already have a strong reputation strategy. Research by Andriyani & Mu'arif (2024) also supports this finding by explaining that the management of companies that have been operating for a long time tend to be more skilled in preparing financial statements in such a way as to make them look less fiscally favorable, which ultimately has an impact on reducing tax liabilities. This approach is in line with the agency theory perspective, which states that managers as agents tend to maximize their own interests, including in terms of tax burden efficiency.

In contrast to the results of research Fasiska et al (2023) show that the age of the company is not always the main determining aspect when taking tax avoidance actions. According to them, what is more decisive is the extent to which the company has awareness and compliance with tax obligations set by the applicable system and regulations.

The Role of Firm size Moderating the Relationship of Profitability to Tax Avoidance

According to the test findings, the profitability variable (ROA) has an impact on tax avoidance (CETR) by involving the firm size variable (SIZE) as a moderator, where the probability value of the ROAxSIZE interaction is 0.6184, which is higher than the 0.05 significance level. These results indicate that hypothesis H4 is rejected, which means that firm size cannot moderate the relationship between profitability and tax avoidance. Or in other words, whether a company has high or low profits assessed through ROA has no effect on whether the company is involved in tax avoidance. Companies that have high profits may later avoid taxes if they prioritize increasing profits rather than facing greater tax liabilities. Conversely, companies that have minimal profits can also engage in tax avoidance due to difficulties in meeting existing tax obligations.

This finding is also supported by a study conducted by Pusposari & Dewi (2024) which came to the conclusion that firm size has no influence on the amount of profit realized. Therefore, firm size cannot increase or decrease the impact of profits on tax avoidance. According to the findings of the study, profits still have an effect on tax avoidance practices regardless of firm size. However, the findings of this study contradict the study of Amiah (2022) argues that firm size affects tax avoidance. They argue that large companies generally generate higher and more stable profits, so they are more likely to be encouraged to avoid taxes to maintain net profits and reduce tax burdens.

The Role of Firm size Moderates the Relationship between Leverage and Tax Avoidance

Based on the test results, it is found that the Debt to Equity Ratio (DER) variable on tax avoidance practices (CETR), which is moderated by the firm size variable (SIZE), produces a probability value of 0.2253. This figure exceeds the significance limit of 0.05, so the fifth hypothesis H5 is rejected. Thus, firm size does not play a role in moderating the relationship between debt level and tax avoidance. This means that the size of the company has no influence on the company's tendency to avoid tax obligations, even though the company has a certain level of debt.

This finding contradicts the agency theory which states that management, as an agent, tends to reduce taxes to increase profits, while the government, as the principal, tries to maximize tax revenue. However, in practice, companies that have high debt levels are usually more vigilant and tend to avoid additional risks, including risks associated with tax avoidance strategies. Large debt encourages companies to prioritize financial stability and compliance with tax regulations.

Firm size cannot reduce the impact of leverage on tax avoidance, suggesting that the leverage factor may have a more significant direct impact on tax avoidance decisions. This finding is consistent with the study of Prabowo & Sahlan (2022), which indicates that "Firm size does not act as a moderator in this relationship". Conversely, this finding contradicts the



results of Suyanto & Kurniawati, (2022), which states that firm size is able to strengthen the effect of leverage on tax avoidance.

The Role of Firm size Moderates the Relationship of Firm age to Tax Avoidance

The test findings show that the variable firm age (AGE) to tax avoidance (CETR) moderated by firm size (SIZE) has an interaction probability value of 0.0277, which is below the 0.05 significance level. Thus, hypothesis H6 is accepted, which states that firm size can strengthen the relationship between firm age and tax avoidance.

This finding is in line with Suyanto & Kurniawati (2022), which shows that "Firm size can actually strengthen the impact of firm age on tax avoidance". Larger and more experienced companies tend to be better able to avoid taxes with a more focused strategy. However, the findings contradict the research study of Fajriah & Nursita (2024), that "Firm age and size affect tax avoidance through different paths". Firm age tends to be influential due to the accumulation of experience and tax efficiency efforts over time, while firm size provides more strategic space for increasingly complex tax avoidance strategies. These two variables act independently in influencing tax avoidance practices.

CONCLUSION

Conclusion

According to the analysis conducted using the agency theory approach, this study shows that firm age has a positive influence on tax avoidance practices. Companies that operate longer tend to have a stronger inclination to avoid taxes. The results are in line with the basic principles of agency theory which state that the company, as an agent, seeks to increase profits and reduce tax liabilities as it gains experience in running operations. On the other hand, profitability and leverage variables do not show a significant impact on tax avoidance. This shows that even though a company has high profitability or leverage, other factors such as internal policies, company management, and existing tax regulations are more influential in the decision-making process related to tax avoidance.

Studies show that firm size can strengthen the relationship between tax avoidance and firm age. However, firm size does not serve as a moderator in the relationship between profitability and leverage on tax avoidance. This shows that firm size only strengthens the relationship between firm age and tax avoidance, while the impact of profitability and leverage continues to run separately.

Recommendation

The results of the coefficient of determination (R^2) show that a number of independent variables in this study can only explain 15% of the variation in tax avoidance. Therefore, it is recommended that future studies pay attention to other variables that may play a more significant role in tax avoidance, such as ownership structure, managerial effectiveness, or applicable tax policies. Researchers are expected to expand the scope of research to different industry sectors in order to gain a deeper understanding of the tax avoidance phenomenon.

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