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THE EFFECT OF CAPITAL STRUCTURE, FINANCIAL DISTRESS AND COMPANY SIZE ON TAX AVOIDANCE

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Abstract
This study aims to analyze the effect of capital structure, financial distress, and company size on tax avoidance in energy sector companies listed on the Indonesia Stock Exchange (IDX) from 2019 to 2023. The data used in this study are financial reports that include important information about the companies' financial performance. The sampling technique used is purposive sampling, where from 87 energy sector companies, 16 companies were obtained over 5 years, resulting in a total of 80 samples analyzed. The analysis used in this study is panel data regression analysis, which allows researchers to evaluate data with both time and individual dimensions simultaneously. The data was processed using Eviews 12 and Microsoft Excel 2019 software, which facilitated data processing and analysis. The results obtained indicate that capital structure, financial distress, and company size simultaneously have a significant effect on tax avoidance. However, the partial analysis results show that capital structure does not affect tax avoidance, financial distress does not affect tax avoidance, and company size does not affect tax avoidance. These findings indicate that the proportion of debt in the financing structure, financial distress, and company size do not directly influence companies' decisions to engage in tax avoidance. This study provides important insights for stakeholders and regulators to understand the factors influencing tax avoidance in the energy sector. Additionally, the results of this study can serve as a basis for developing more effective policies to enhance tax compliance in this industry, as well as promoting greater transparency and accountability.
Keywords: Capital Structure, Financial distress, Firm Size, Tax Avoidance.

INTRODUCTION

Indonesia is one of the countries that relies heavily on taxes as a potential main source of revenue. The position of tax revenues in the State Revenue and Expenditure Budget (APBN) is at the highest percentage, which is more than 80% compared to other revenues. The public is very familiar with taxes as a levy that must be paid for individuals and entities in the form of money with a coercive nature according to the law. Revenue from the tax sector comes from income tax (PPh), value-added tax (VAT), and various other types in accordance with their respective operational functions. The following are details of the realization, targets, and percentage of tax revenue from 2019 to 2023 (Hermawan & Arya, 2022).

Table 1 Tax Revenue Targets and Realization for 2019-2023

Tax Revenue Target and Realization Data 2019 - 2023 (in trillions of rupiah)					
	2019	2020	2021	2022	2023
Realization	1.332,10	1.070,00	1.231,87	1.716,80	1.869,23
Target	1.577,60	1.198,80	1.229,60	1.485,00	1.832,58
Percentage (%)	84%	89%	100%	116%	102%

Source: www.kemenkeu.go.id (processed)

As an illustration, the Ministry of Finance (MoF) has set a tax revenue target for 2020 of IDR 1,198.80 trillion. This means that the estimated tax avoidance is equivalent to 5.7% of the target at the end of 2020. The estimated value of tax avoidance is also equivalent to 5.16% of the realization of tax revenue in 2019 which reached Rp 1,332.10 trillion. In 2022, it contributed 23% and grew by 37%, which means that it exceeded 2021 and decreased by 14%.

Based on data from the Ministry of Finance, the contribution of the energy sector, including oil, gas, and mining, accounts for about 12-15% of the country's total tax revenue

every year. For example, in 2020 this sector contributed IDR 282.5 trillion of total tax revenue. However, the potential for state revenue from the energy sector is much greater if tax avoidance can be minimized. A report from Global Financial Integrity (GFI) in 2019 estimated that Indonesia loses around Rp 200 trillion annually due to tax avoidance practices carried out by large companies, especially in the energy sector. For companies, profit is the main goal. Therefore, in an effort to minimize the tax burden on taxable income without violating tax regulations, companies carry out tax avoidance. Although legally tax avoidance does not violate applicable tax regulations, this practice is ethically considered unacceptable. This is because tax avoidance results in a direct decline in state revenue from the tax sector. This practice, although legal, takes advantage of loopholes in the tax system that ultimately reduce the state revenue needed to fund various public programs and infrastructure development. Therefore, even though it is not against the law, tax avoidance is still seen as an act that is detrimental to the public interest and the economy of the country.

One of the cases of tax evasion that can reduce state tax revenue occurred in an energy sector company, namely PT. Adaro Energy Tbk. is suspected of carrying out tax evasion practices in 2019. The company is suspected of transfer pricing, which is transferring large amounts of profits from Indonesia to companies in countries that can be exempt from taxes or have low tax rates. This practice was carried out from 2009 to 2017. Research by Rodriguez & Santosa, 2019) reveals that the composition of capital has a substantial influence on a company's tax strategy. Throughout the 2018-2022 period, Adaro consistently maintained a high debt composition, ranging from 60-70% of its total capital. The company's total assets experienced significant growth, from IDR 62.3 trillion in 2018 to IDR 82.6 trillion in 2022, reflecting the continued expansion of the business. Although it is not suspected that this practice occurred because PT. Adaro Energy Tbk is experiencing financial distress. As a result, PT. Adaro Energy Tbk only pays taxes of IDR 1.75 trillion or US$ 125 million lower than the amount that should be paid in Indonesia. Due to this financial distress, companies can avoid taxes. Financial distress is a situation where a company experiences financial liquidity difficulties can be shown by the company's declining ability to fulfill its obligations to creditors According to financial distress, it has a positive effect on tax avoidance because companies that experience financial distress are caused by economic and financial declines in the company, thereby increasing the risk of bankruptcy (Indradi & Sumantri, 2020; Damayanti & Hari Stiawan, 2023).

The capital structure is the long-term financing of a company, which is analyzed through a comparison between debt and equity. It reflects how the company finances its assets and operations, as well as determining the proportion between the source of funds derived from the loan and the capital it owns. According to (Fithria & Maya, 2023) the structure of capital has a positive effect. Mistakes in determining capital structure can have a wide impact, especially if the company is too dependent on debt, if the amount of debt to other parties or the issuance of loan interest from the bank will incur a tax burden so that the company is better at tax avoidance.

(Dewi & Noviari, 2021) identified that company size is positively correlated with tax avoidance capacity. Company size refers to a scale that can be measured through total assets and sales, which reflects the condition of the company. Larger companies usually have an advantage in the source of funds obtained to support investments and increase profits. The larger the size of the company, the higher the need for funds required compared to smaller companies. This makes large companies more likely to aim for high revenues while trying to suppress spending, which in turn can trigger tax avoidance practices. According to the size of the Company has a significant positive influence on tax avoidance. This means that the higher the size of the Company, the higher the level of tax avoidance carried out by the Company. Some studies indicate that large energy companies have the capacity to leverage jurisdictions with lower tax rates (tax havens) or transfer revenues between entities in different countries.

Therefore, it is important to examine how the size of companies in the energy sector affects their tax avoidance strategies compared to other sectors (Hermanto & Kurniasih, 2020; Sulaeman, 2021).

LITERATURE REVIEW

Tax Avoidance

According to Prof. Dr. Mardiasmo, (2003). Tax avoidance is an action taken by taxpayers to reduce the tax burden legally by taking advantage of legal loopholes or weaknesses in tax provisions. However, tax evasion activities can cause losses for the company such as sanctions given by the tax office in the form of fines, can cause a decrease in stock prices, and for the government with tax avoidance the income obtained from taxes will be reduced so that it can cause losses for the company and it can be said that state revenue also decreases. (Nurrohmat, 2021), explained that the variable of tax avoidance is calculated using the company's CETR (Cash Effective Tax Ratio), namely cash is spent on tax costs or expenses divided by pre-tax profits.

The company can be said to carry out tax avoidance practices with several factors, the first of which is financial distress where the company experiences a financial decline where the company's financial condition is unstable in its operational management. When the level of decline in the company's financial is high enough, it is possible that the company can carry out tax avoidance practices to improve financial conditions so that it returns to stability.

Capital Structure

Capital structure is a mixture or proportion between long-term debt and equity, in order to fund its investment (operating assest). The company's obligation to long-term debt is to pay interest on the loan and the principal of the loan that has matured periodically. The rights of the lender (creditors) must take precedence over the shareholders (Elvira, Siregar, and Dalimunthe, 2022).

The capital structure has an impact on the quality of profits, if the company's assets raise more funds through debt than capital, then the role of investors will be weakened. According to (Gitman, 2019), a company's capital structure describes the debt-to-equity ratio used by the company. The manager must be careful in making capital decisions for the company in relation to the determination of the capital structure, as such decisions will affect the company's performance and ultimately affect the goal of achieving maximum shareholder profits. When the capital structure can minimize the amount of capital expenditure so as to maximize the value of the company itself, then the capital structure will be considered good.

Financial distress

Financial distress or better known as financial distress is a condition where a company experiences financial difficulties. This condition is a characteristic experienced by the company as a result of several conditions that occur from within the company, such as management who is unable to manage the company properly and factors that come from outside the company that the company is unable to control. This financial distress condition can be seen from the inability or unavailability of funds to pay obligations at maturity (Kristanti, 2019).

This financial distress is caused by a decline in financial performance where the company is unable to fulfill its obligations with the total assets it has, so this makes the company to take quick steps in dealing with this condition so that it does not occur continuously and can eventually lead to bankruptcy. The higher the financial distress experienced by the company, the lower the management's intention to avoid tax evasion (Indradi & Sumantri, 2020). In this study, financial distress was proxied with an Altman Z-Score $Z = 1.2A + 1.4B + 3.3C + 0.6D + 1E$.

Company Size

Company size is a scale on which large and small companies can be classified. The larger the size of a company will affect the high rate of tax avoidance in order to achieve maximum tax burden savings. Companies can manage the company's total assets to reduce taxable income, namely by utilizing amortization and depreciation expenses arising from expenses to acquire these assets because amortization and tax depreciation expenses can be used as tax deductions (Moeljono, 2020).

The size of the company is a factor that is considered to cause tax avoidance and can affect the way a company fulfills its tax obligations. The larger the size of the company, it will become the center of attention from the government and will cause a tendency for company managers to be compliant in taxation. The larger the size of the company, the greater the level of tax burden paid, so the company will try to reduce the tax burden. This is because the larger the assets owned by a company can increase the likelihood of the company committing tax evasion. On the other hand, with a small company size, the likelihood of a company doing tax evasion will be minimal because the assets it owns are small. The size of the company as seen from the value of the company's assets indicates that the company will be more capable and more stylish to generate profits. In a company's assets, they will always depreciate every year, which can reduce the company's profits so that it can reduce the tax burden paid by the company (Mayndarto, 2022). The size of the company in this study was proxied using the natural logarithm of the company's total assets (Ln Total Assets) to reduce the heterogeneity of scale.

METHODS

Types of Research

The type of data used in this study is quantitative data and the data source in this study is secondary data obtained based on financial statements and annual publications of energy sector companies listed on the Indonesia Stock Exchange in 2019 – 2023.

Place and Time of Research

To obtain data in relation to the issues to be studied in this study, the author took data from the financial statements of Energy Sector companies listed on the Indonesia Stock Exchange (IDX). The reason for choosing the Indonesia Stock Exchange is to obtain complete company financial data related to this research, because most of the data needed in this study is on the Indonesia Stock Exchange. Data is obtained by accessing www.idx.co.id website. The time for this research was carried out from November 2024 to June 2025.

RESULTS AND DISCUSSION

Descriptive Statistical Analysis

Descriptive statistics provide an overview of the sample data used in this study, so that it can show the minimum value, maximum value, mean value and standard deviation of each variable. The following are the results of the descriptive statistical analysis in this study:

Table 2 Descriptive Statistical Results

	And	X1	X2	X3
Mean	0.274688	0.854735	5.626986	20.03514
Median	0.225273	0.698257	6.277438	20.16689
Maximum	1.931773	5.402988	62.55933	23.10117
Minimum	0.006843	0.096539	-30.72654	17.38056
Std. Dev.	0.242841	0.796012	8.863164	1.305183
Skewness	4.372563	3.150661	2.386257	0.152225
Kurtosis	28.68293	16.62215	25.90142	2.914469
Jarque-Bera	2453.633	750.8987	1824.173	0.333351

Probability	0.000000	0.000000	0.000000	0.846474
Sum	21.97505	68.37881	450.1589	1602.811
Sum Sq. Dev.	4.658749	50.05719	6205.898	134.5768
Observations	80	80	80	80

Source: Data processed by researchers with EViews version 12, 2025

Referring to the information contained in Table 2, the average value for variable Y was recorded as 0.274688. PT. Indo Straits Tbk (PTIS) recorded the highest score of 1.931773, while the lowest score was obtained by PT. Golden Energy Mines Tbk (GEMS) with a number of 0.006843. The standard deviation figure recorded was 0.242841. Furthermore, on the variable X1, the average value is 0.854735. The highest value reached 5.402988 owned by PT Energi Mega Persada Tbk (ENRG), while the lowest value was 0.096539 owned by PT Harum Energy Tbk (HRUM), with a standard deviation of 0.796012. Furthermore, in the X2 variable, the average value is 5.626986. The highest score reached 62.55933 owned by PT. Golden Energy Mines Tbk (GEMS), while the lowest value was -30.72654 owned by PT. Indo Straits Tbk (PTIS), with a standard deviation of 8.863164. Finally, on the X3 variable, the average recorded was 20.03514. The highest value recorded was 23.10117 owned by PT Adaro Energy Indonesia Tbk (ADRO), while the lowest value was 17.38056 owned by PT. Indo Straits Tbk (PTIS). The standard deviation value for this variable is 1.305183.

Model Regresi Data Panel

The steps in determining the best model between the three equation models, namely the Common Effect Model (CEM), Fixed Effect Model (FEM) and Random Effect Model (REM), need to be tested using the following tests:

Common effect Model (CEM)

This technique is the simplest to estimate the panel data model, simply by combining Cross section and Time Series data as a single unit without any time and individual differences. This model uses the Ordinary Least Square (OLS) method approach. Here are the results of the CEM model.

Table 3 Common Effect Model (CEM) Test Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.688991	0.405136	1.700640	0.0931
X1	0.099836	0.033403	2.988815	0.0038
X2	-0.000867	0.002990	-0.289895	0.7727
X3	-0.024695	0.020431	-1.208651	0.2305
Root MSE	0.226855	R-squared		0.116278
Mean dependent var	0.274688	Adjusted R-squared		0.081395
S.D. dependent var	0.242841	S.E. of regression		0.232748
Akaike info criterion	-0.029016	Sum squared resid		4.117037
Schwarz criterion	0.090086	Log likelihood		5.160630
Hannan-Quinn criter.	0.018735	F-statistic		3.333312
Durbin-Watson stat	2.026376	Prob(F-statistic)		0.023810

Source: Data processed by researchers with EViews version 12, 2025

Table 3 shows that the Common Effect Model has a constant coefficient value of 0.688991, in the variable X1 (Capital Structure) the coefficient value is 0.099836, in the variable X2 (Financial distress) the coefficient value is -0.000867, and in the variable X3 (Company Size) the coefficient value is -0.024695.

Fixed effect Model (FEM)

It is a technique that estimates panel data using the Dummy variable to capture the difference between intercepts between companies and the same interception between times. This model also assumes that the slope remains between companies and between times. This

model uses the Least Square Dummy Variable (LSDV) approach. The following are the results of the FEM model:

Table 4 Fixed effect Model (FEM) test results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.209381	2.076949	0.100812	0.9200
X1	0.060482	0.045041	1.342810	0.1843
X2	0.005238	0.003388	1.546082	0.1273
X3	-0.000792	0.103235	-0.007670	0.9939
	Effects Specification			
Cross-section fixed (dummy variables)				
Root MSE	0.188590	R-squared		0.389255
Mean dependent var	0.274688	Adjusted R-squared		0.209036
S.D. dependent var	0.242841	S.E. of regression		0.215973
Akaike info criterion	-0.023479	Sum squared resid		2.845306
Schwarz criterion	0.542252	Log likelihood		19.93916
Hannan-Quinn criter.	0.203339	F-statistic		2.159894
Durbin-Watson stat	2.876266	Prob(F-statistic)		0.013464

Source: Data processed by researchers with EViews version 12, 2025

Table 4 shows that the Fixed Effect Model has a constant coefficient value of 0.209381, in the X1 variable (Capital Structure) the coefficient value is 0.060482, in the X2 variable (Financial distress) the coefficient value is 0.005238, and in the X3 variable (Company Size) the coefficient value is -0.000792.

Random Effect Model (REM)

This technique estimates panel data in which the interference variables are interrelated between time and between individuals. The difference is connected through error. Due to the correlation between the interference variables, the OLS method cannot be used, so the Random Effect Model (REM) uses the Generalized Least Square (GLS) Method. The following are the results of the Random Effec Model (REM):

Table 5 Random Effect Model (REM) Test Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.682121	0.439049	1.553635	0.1244
X1	0.094369	0.033291	2.834664	0.0059
X2	0.000333	0.002907	0.114674	0.9090
X3	-0.024456	0.022073	-1.107947	0.2714
	Effects Specification			
			S.D.	Rho
Cross-section random			0.060105	0.0719
Idiosyncratic random			0.215973	0.9281
	Weighted Statistics			
Root MSE	0.218146	R-squared		0.095840
Mean dependent var	0.233218	Adjusted R-squared		0.060150
S.D. dependent var	0.230864	S.E. of regression		0.223813
Sum squared resid	3.807016	F-statistic		2.685315
Durbin-Watson stat	2.167400	Prob(F-statistic)		0.052481
	Unweighted Statistics			
R-squared	0.113896	Mean dependent var		0.274688
Sum squared resid	4.128136	Durbin-Watson stat		1.998802

Source: Data processed by researchers with EViews version 12, 2025

Table 5 shows that the Random Effect Model has a constant coefficient value of 0.682121, in the X1 variable (Capital Structure) the coefficient value is 0.094369, in the X2 variable (Financial distress) the coefficient value is 0.000333, and in the X3 variable (Company Size) the coefficient value is -0.024456.

Panel Data Regression Model Selection Test

The step in determining the best model between the three equation models, namely the Common Effect Model (CEM), the Fixed Effect Model (FEM) and the Random Effect Model (REM), needs to be tested using 3 approaches. These approaches include chow, hausman, and lagrange multiplier tests.

Chow Test

Chow's testing is used to determine whether an estimate should use a common effect model or a fixed effect model. The guidelines that will be used in concluding the chow test are as follows:

a. H0 is accepted if the probability value of the chi-square cross section is > α (0.05), then the common effect model is chosen.
b. H1 is accepted if the probability value of the chi-square cross section is < α (0.05), then the fixed effect model is chosen.

Table 6 Chow Test Results

Redundant Fixed effects Tests			
Equation: Untitled			
Test cross-section fixed effects			
Effects Test	Statistic	d.f.	Prob.
Cross-section F	1.817628	(15,61)	0.0525
Cross-section Chi-square	29.557062	15	0.0136

Source: Data processed by researchers with EViews version 12, 2025

Decision-making criteria:

a. If the value of Prob. Cross-section F < 0.05 then FEM was selected
b. If the value of Prob. Cross-section F > 0.05 then CEM is selected

Based on table 6 of the Prob. The cross-section of Chi-Square was 0.0136 < 0.05. then in the Chow Test the selected model is the Fixed effect Model.

Hausman Test

The Hausman test is used to determine which estimate is better, whether using a random effect model or a fixed effect model. The guidelines that will be used in concluding the chow test are as follows:

a. H0 is accepted if the probability value of cross section is random > α (0.05), then the random effect model is selected.
b. H1 is accepted if the probability value of cross section is random < α (0.05), then the fixed effect model is selected

Table 7 Hausman Test Results

Correlated Random Effects - Hausman Test			
Equation: Untitled			
Test cross-section random effects			
Test Summary	Chi-Sq. Statistic	Chi-Sq. D.F.	Prob.
Cross-section random	8.617933	3	0.0348

Source: Data processed by researchers with EViews version 12, 2025

Decision-making criteria:

a. If the value of Prob. Cross-section random < 0.05 then FEM was selected
b. If the value of Prob. Cross-section random > 0.05 then REM was selected.

Based on table 7 the value of Prob. Cross-section random is 0.0348 < 0.05, then in the Hausman Test the selected model is the Fixed effect Model. The following are the results of the model test conclusions from the three tests that have been processed in the table below:

Table 8 Conclusion of the model selection

Yes	Model Selection Test	Probability Value	Model Results
1	Chow Test (CEM vs FEM)	0.0136 < 0.05	Fixed effect Model (FEM)
2	Hausman Test (REM vs FEM)	0.0348 < 0.05	Fixed effect Model (FEM)

Source: Data processed by researchers with EViews version 12, 2025

Based on the selection test of the panel data regression model, it can be concluded that the Fixed Effect Model in the panel data regression is further used in estimating the influence of capital structure, financial distress, and company size on tax avoidance in energy sector companies listed on the IDX (Indonesia Stock Exchange) in 2019-2023.

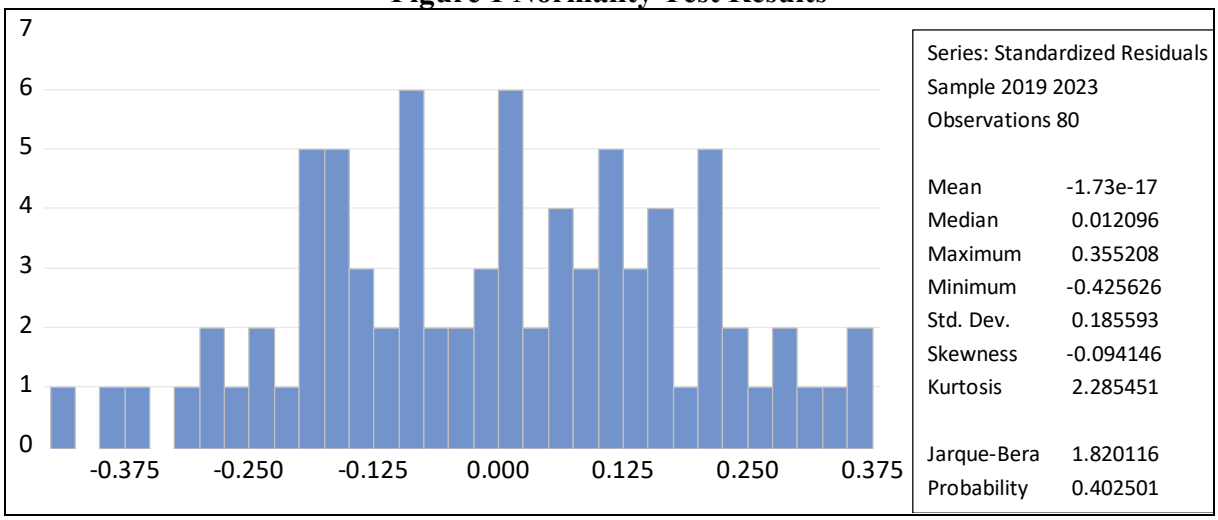
Classic Assumption Test

The classical assumption test in this study aims to evaluate and ensure the fit of the applied regression model. The following is a series of classic assumption tests applied in this study:

Normality Test

The Normality Test is a test that is carried out with the aim of assessing the distribution of data on a data group or variable, whether the distribution of data is normally distributed or not. The normality test in this study uses the Jarque-Bera test. The data is normally distributed if it has a probability of a jarque-bera greater than > 0.05 or 5%. The normality test is presented as follows:

Figure 1 Normality Test Results



Source: Data processed by researchers with EViews version 12, 2025

Based on the results of the Normality Test in figure 1 above, it can be seen that the Probability value of 0.402501 which is greater than the significance level of 0.05 means that it is residual and distributed normally.

Multicollinearity Test

The multicollinearity test aims to evaluate whether there is a strong relationship between independent variables in the regression model. This testing process can be done by checking the value of the Variance Inflation Factor (VIF) on the model. According to (Ghozali, 2018) the decision-making criteria related to the multicollinearity test are as follows:

a. If the VIF value is < 10 or the Tolerance value is > 0.01, then it is stated that multicollinearity does not occur.

b. If the VIF value is > 10 or the Tolerance value is < 0.01, then multicollinearity is declared.

Table 9 Multicollinearity Test Results

	Coefficient	Uncentered	Centered
Variable	Variance	BRIGHT	BRIGHT
C	4.313719	7398.483	ON
X1	0.002029	3.607892	1.065919
X2	1.15E-05	1.630030	1.006670
X3	0.010658	7338.309	1.069786

Source: Data processed by researchers with EViews version 12, 2025

Based on table 9 shows that the correlation coefficients of X1 and X2 are 1.065919 < 10, X1 and X3 are 1.006670 < 10, and X2 and X3 are 1.069786 < 10, then it can be concluded that it is free of multiconolinearity or passes the multiconolinearity test.

Heteroscedasticity Test

According to Ghozali (2018), the Heteroscedasticity Test has the purpose of testing whether there is an inequality of variance from one residual observation to another in a regression model. If the variant from one residual observation to another is fixed, then it is called Homokedasticity, on the other hand, if the variants are different, it is called heteroscedasticity.

Heteroscedasticity problems generally occur in cross-section data rather than in time series data. In cross-section data, it is usually related to members of the population at a certain time such as individuals, companies, industries, or a subdivision such as countries, cities, and others. Members of the population have differences in size, such as small, medium or large companies, low, medium, and high income.

Meanwhile in Time-Series data, variables tend to be of the same order of magnitude because the data is collected on the same entity over a given period of time. The Heteroscedasticity Test aims to detect the presence or absence of Heteroscedasticity. The Heteroscedasticity Test in this study uses the Breusch-Pagan-Godfey Test.

Table 10 Heteroscedasticity Test Results

Heteroskedasticity Test: Breusch-Pagan-Godfrey			
Null hypothesis: Homoskedasticity			
F-statistic	1.991457	Prob. F(3,76)	0.1224
Obs*R-squared	5.830478	Prob. Chi-Square(3)	0.1202
Scaled explained SS	72.39352	Prob. Chi-Square(3)	0.0533

Source: Data processed by researchers with EViews version 12, 2025

Based on table 10 above, the probability value of Chi-Square or Obs*R-Squard = 0.1202 > 0.05 which means that it is free from the problem of Heteroscedasticity which means that there are no symptoms of Heteroscedasticity.

Autocorrelation Test

The autocorrelation test aims to test whether there is a correlation between observations both before and after in the regression model because the observations that are sequential over time are related to each other. In this study, the Lagrange Multipler method was used to see whether residual data is free from autocorrelation or not. The condition of this test is that if the Chi-Square Prob value is > 0.05 then there are no symptoms of autocorrelation and vice versa. The following are the results of the autocorrelation test in this study:

Table 11 Autocorrelation Test Results

Breusch-Godfrey Serial Correlation LM Test:			
Null hypothesis: No serial correlation at up to 2 lags			
F-statistic	0.748345	Prob. F(2.74)	0.4767
Obs*R-squared	1.585966	Prob. Chi-Square(2)	0.4525

Source: Data processed by researchers with EViews version 12, 2025

Based on table 11 of the autocorrelation test results above, the Prob value was obtained. Chi-square is 0.4525 > 0.05, so it can be said that the data in this study do not show any symptoms of autocorrelation.

Analysis of the Regresi Linier Berganda

Multiple regression analysis aims to find out how much of a relationship between independent variables, namely capital structure, financial distress, and company size to tax avoidance. The results of the multiple linear regression test can be seen in the following table 12:

Table 12 Results of the Multiple Linear Regression Analysis Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.209381	2.076949	0.100812	0.9200
X1	0.060482	0.045041	1.342810	0.1843
X2	0.005238	0.003388	1.546082	0.1273
X3	-0.000792	0.103235	-0.007670	0.9939

Sumber: Data processed by researchers with EViews version 12, 2025

From the results of multiple linear regression data processing in table 12, the following regression equations were obtained:

$$Y = 0.209381 + 0.060482\ X1 + 0.005238\ X2 - 0.000792\ X3$$

From the above equation, it can be seen that the relationship between each of them will be explained as follows:

1) The constant obtained from the above test is 0.209381. This means that if the independent variable of capital structure, financial distress, company size is 0, then the amount of tax avoidance practice is 0.209381.
2) The regression coefficient of the capital structure is 0.060482. This means that if the capital structure increases by 1 unit, then the capital structure will increase by 0.060482, assuming the other variables remain at the constant value.
3) The regression coefficient of financial distress is 0.005238. This means that every 1 unit increase in financial distress will cause an increase in y by 0.005238.
4) The regression coefficient of the company size is -0.000792. This states that every decrease of 1 unit of company size will cause a decrease in tax avoidance of -0.000792.

Uji Hypothesis

Hypothesis tests are carried out to determine whether there is an influence of bound variables either simultaneously or partially. The degree of significance used is 0.05. Hypothesis testing in this study uses the Determination Coefficient Test, Simultaneous Test (Statistical Test F) and Partial Test (Statistical Test t).

Simultaneous Significance Test (F Test)

According to (Ghozali & Ratmono, 2020), this test is used to find out whether the independent variables included in the model have a simultaneous influence on the dependent variables. The basis for decision-making for the F test is that if the probability value is less than or equal to the probability value of 0.05, then the regression model means that all independent variables together have an effect on the dependent variables or in other words the hypothesis is accepted. The simultaneous significance test (F test) is presented as follows:

Table 13 Results of the Simultaneous Significance Test (F Test)

R-squared	0.389255	Mean dependent var	0.274688
Adjusted R-squared	0.209036	S.D. dependent var	0.242941
S.E. of regression	0.215973	Akaike info criterion	-0.023479
Sum squared resid	2.845306	Schwarz criterion	0.542252
Log likelihood	19.93916	Hannan-Quinn criter.	0.203339

F-statistic	2.159894	Durbin-Watson stat	2.876266
Prob(F-statistic)	0.013464		

Source: Data processed by researchers with EViews version 12, 2025

Based on the results of the simultaneous significance test (Statistical Test F) in table 13, it is known that the value of Prob. (F-Statistics) is 0.013464 < 0.05, so it can be concluded that Capital Structure, Financial distress and Company Size together (simultaneously) affect tax avoidance. Thus the first hypothesis of H_1 which suspects that Capital Structure, Financial distress and Company Size have a simultaneous effect on Tax Avoidance is accepted.

Partial Significance Test (t-test)

This test was used to prove its significance to the influence of individual independent variables in explaining dependent variables (Ghozali & Ratmono, 2020). The basis for decision-making for the t-test is that if the significance value of t < 0.05, it means that there is a significant influence between the independent variable on the dependent variable and vice versa. The partial significance test (t-test) is presented in the following table:

Table 14 Partial Significance Test Results (t-test)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.209381	2.076949	0.100812	0.9200
X1	0.060482	0.045041	1.342810	0.1843
X2	0.005238	0.003388	1.546082	0.1273
X3	-0.000792	0.103235	-0.007670	0.9939

Source: Data processed by researchers with EViews version 12, 2025

Based on the results of the partial significance test (t-test) in table 14, the following results were obtained:

a. The results of the statistical test showed that the value of the capital structure variable was greater than the level of significance (0.1843 > 0.05). Based on the results of the t-test, it can be interpreted that H_1 is rejected. So, it can be concluded that the capital structure does not have an influence on tax avoidance.
b. The results of the statistical test showed that the value of the financial distress variable was greater than the significance level (0.1273 > 0.05). Based on the results of this test, it can be interpreted that H_2 was rejected. So, it can be concluded that financial distress does not have an effect on tax avoidance.
c. The results of the statistical test showed that the value of the company size variable was greater than the significance level (0.9939 > 0.05). Based on the results of this test, it can be interpreted that H_3 is rejected. So, it can be concluded that the size of the company does not have an effect on tax avoidance.

Coefficient of Determination Test (R-Square)

According to Ghozali & Ratmono (2020, p. 55) the determination coefficient (R^2) is used to measure the model's ability to explain variations in dependent variables. The values of the coefficient of determination are 0 and 1. The small value of R^2 indicates that the ability of independent variables to explain dependent variables is very limited. And if the value of R^2 is close to 1, it means that the independent variables have almost all the information needed to predict the dependent variables. The adjusted R-square value serves to solve the problem that is often encountered in the R square value, namely the continuous increase in value if there is an addition of independent variables to the model, while the adjusted R-squared can measure the level of confidence of adding independent variables appropriately in increasing the predictive power of the model. In this study, the adjusted R-squared value was used because the independent variable used was more than 2, so the adjusted R-squared value was considered more appropriate than R^2. The following are the results of the determination coefficient test:

Table 15 Determination Coefficient Test Results (R-Square)

R-squared	0.389255	Mean dependent var	0.274688
Adjusted R-squared	0.209036	S.D. dependent var	0.242941
S.E. of regression	0.215973	Akaike info criterion	-0.023479
Sum squared resid	2.845306	Schwarz criterion	0.542252
Log likelihood	19.93916	Hannan-Quinn criter.	0.203339
F-statistic	2.159894	Durbin-Watson stat	2.876266
Prob(F-statistic)	0.013464		

Source: Data processed by researchers with EViews version 12, 2025

Based on the results of the determination coefficient test (R^2) in table 15 above, the results of the determination coefficient test obtained an Adjusted R-Square value of 0.209036 or equal to 20.90%. So, it can be interpreted that independent variables are able to affect dependent variables by 20.90%. Therefore, the variables of capital structure, financial distress and company size simultaneously or jointly affect tax avoidance by 20.90% and 79.10% tax avoidance are influenced by other variables, such as ownership structure, audit quality, and capital intensity (Sari & Martini, 2020; Putri & Wardhani, 2019).

The Effect of Capital Structure, Financial Distress and Company Size on Tax Avoidance

The first hypothesis (H1) suspects that the influence of capital structure, financial distress, and company size have a simultaneous effect on tax avoidance. This can be seen from the value of Prob. (F-Statistics) in the simultaneous significance test (F-test) is 0.013464 < 0.05, so it can be concluded that capital structure, financial distress, and company size together (simultaneously) affect tax avoidance. Thus, the first hypothesis (H1) that contends that capital structure, financial distress, and company size have a simultaneous effect on tax avoidance is acceptable. The results of the first hypothesis test showed that capital structure, financial distress, and company size simultaneously affected tax avoidance. These findings reflect the potential for a difference in interests between the management and the owner of the company, where managers have room to formulate financial policies that can benefit their positions, one of which is through tax avoidance strategies. When managers have flexibility in decision-making regarding capital structure or response to financial pressures, as well as when the company has a large resource capacity, the opportunity to strategically minimize tax burdens becomes more open. Therefore, the simultaneous influence of these three variables can be interpreted as a form of managerial response in managing the company that is not always in line with the interests of the owner in the long term.

The results of this study are in line with research conducted by (Bahiira & Hwihanus, 2024), which states that capital structure affects tax avoidance, in line with research (Aditya, Mulyanto & Zaenal, 2022) which states that financial distress affects tax avoidance, in line with research conducted (Aristha, Wira & Firda, 2022), which states that company size affects tax avoidance.

The effect of capital structure on tax avoidance

The second hypothesis (H2) suspects that capital structure has an effect on tax avoidance. This can be seen from the value of Prob. (F-Statistics) in the partial significance test (t-test) of the modal structure variable greater than the significance level (0.1834 > 0.05). Based on the results of this test, it can be interpreted that the second H2 hypothesis is rejected. So, it can be concluded that the capital structure has no effect on tax avoidance.

Based on the agency's theory, it shows that the composition of debt and equity in companies is not directly used as a strategy in reducing tax burden through tax avoidance mechanisms. In the perspective of agency theory, the relationship between the manager (agent) and the owner of the company (principal) often gives rise to conflicts of interest, especially in financial decision-making. This suggests that management does not use the capital structure as

an instrument to reduce the company's tax burden, although theoretically the use of debt can provide tax advantages through tax deductions on interest expenses. Thus, decisions in determining capital structure are more likely to be based on the company's operational needs rather than as a tax strategy.

The results of this study are in line with research conducted by (Oktaviyani & Sabam Simbolon, 2024) which states that capital structure has no effect on tax avoidance. And contrary to research by (Septianto & Muid, 2020) which states that capital structure has an effect on tax avoidance.

The effect of financial distress on tax avoidance

The third hypothesis (H3) suspects that financial distress affects tax avoidance. This can be seen from the value of Prob. (F-Statistics) in the partial significance test (t-test) of the financial distress variable greater than the significance level (0.1273 > 0.05). Based on the results of this test, it can be interpreted that H3 or the third hypothesis is rejected. So, it can be concluded that financial distress has no effect on tax avoidance.

Based on agency theory, companies that experience financial distress are under high financial pressure, so it has the potential to increase agency conflicts between management (agents) and shareholders (principals). In these conditions, management has a tendency to make opportunistic decisions, including tax avoidance as an effort to maintain short-term financial performance.

The results of this study show that financial distress does not have a significant effect on tax avoidance. These findings indicate that despite the company's financial pressure, management does not directly leverage tax avoidance strategies in an effort to ease the company's financial burden. This can be due to the existence of good corporate governance mechanisms, strict supervision from owners, or a high level of tax compliance, so that managerial actions remain within the corridor in accordance with regulations. Thus, in the context of this study, financial distress is not the main driving factor in decision-making related to tax policy.

The results of this study are in line with research conducted by (Feni & Richard, 2023) which stated that financial distress has no effect on tax avoidance. And contrary to research by (Melony & Deasy, 2023) which states that financial distress affects tax avoidance.

The effect of company size on tax avoidance

The fourth hypothesis (H4) suspects that the size of the company has an effect on tax avoidance. This can be seen from the value of Prob. (F-Statistics) in the partial significance test (t-test) of the company size variable greater than the significance level (0.9939 > 0.05). Based on the results of this test, it can be interpreted that H4 or the fourth hypothesis is rejected. So, it can be concluded that the size of the company has no effect on tax avoidance.

Based on agency theory, companies that have a larger size tend to have greater resources and profits compared to companies that have a smaller scale. With a large number of shareholders and a large level of management, it does not always provide the potential for agency conflicts because the principal can set the organizational structure so that he can directly monitor and control the actions of the agents.

The results obtained in this study are that the size of the company is not able to influence the company to do tax avoidance, because some companies prefer to obey government regulations. And the company does not want to take the risk of being examined and subject to sanctions that can cause a loss of the company's credibility. Both large and small companies can attract the attention of the government to follow the applicable tax provisions and can be taxed in accordance with applicable tax regulations.

The results of this study are in line with the research conducted by Vicka Stawati (2020) who stated that company size has no effect on tax avoidance. And contrary to research by

(Damayanti & Hari Stiawan, 2023) which states that the size of the company has an effect on tax avoidance.

CONCLUSION

Capital structure, financial distress and company size simultaneously affect tax avoidance. This shows that these three variables together have a contribution in explaining the tax avoidance carried out by the company. Therefore, decisions related to funding, financial condition, and the scale of the company can affect the tax strategy implemented by the company.

Capital structure has no effect on tax avoidance. This means that the large proportion of debt in the company's funding structure does not directly affect the company's decision to avoid taxes.

Financial distress has no effect on tax avoidance. This shows that the financial condition of the company, whether it is under pressure or not, is not directly related to tax avoidance.

The size of the company has no effect on tax avoidance. This shows that the size of the company does not significantly affect tax avoidance practices.

Suggestion

For the government, it is better to review tax policies to reduce the gap for corporate taxpayers in efforts to practice tax avoidance, as well as carry out more effective supervision of corporate taxpayers.

For the companies studied, it is expected not to carry out tax avoidance practices and carry out tax obligations in accordance with applicable tax rules, in order to avoid tax problems related to administrative sanctions in the form of fines, interest, or criminal sanctions.

For researchers, it is expected to conduct research by expanding the research population by using other sectors such as financial companies, manufacturing, and others. It is hoped that the researcher can then add other variables that can affect tax avoidance practices. Researchers can also extend the research period.

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