



The Influence of Corporate Characteristics on Tax Avoidance and Corporate Tax Disclosure: evidence from manufacturing companies listed on the indonesia stock exchange (idx) from 2018 to 2022

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Abstract: *Objective – This study investigates the impact of company characteristics on tax avoidance and tax disclosure in manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the 2018–2022 period. This research is a type of quantitative research with a causal study design. Based on nonprobability sampling with a purposive sampling approach, a sample of 76 companies with a period of 5 years was obtained, so there were 380 observations. The data analysis method used in this study is panel data regression analysis with Microsoft Excel 2019 software and EViews 13.0 as the analysis tool. Based on the results of research and discussion, researchers can conclude that profitability has a positive and significant effect on tax avoidance, which indicates that the higher the company's profitability, the more likely the company is carry out strategies to reduce its tax liability. However, size and leverage have a positive but not significant effect. Thus, the size and level of corporate debt do not significant. Furthermore, profitability, size, and leverage have a positive and significant effect on tax disclosure both partially and simultaneously. That is, companies that are more profitable, larger, and have higher debt tend to be more transparent in disclosing their tax information. This suggests that these factors influencing the extent to which companies are willing to disclose their taxation information ($p < 0.05$ value). this study only conducted on manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the 2018-2022 period did not use control variables as other variables that can affect tax avoidance and tax disclosure. This study provides information that to minimize tax avoidance intentions on Corporate Taxpayers, the tax officer can analyze the company characteristics on ROA financial performance, size, and leverage. Conduct an internal analysis of the company's financial performance and capital structure. Review ROA rates, company size, and leverage ratios periodically to understand how these variables correlate with tax policy. Provide education and training to finance and management teams on the role of ROA, size, and leverage in tax policy. Ensure a better understanding of how these variables affect a company's tax outcome.*

Keywords: *leverage; manufacturing company; profitability; size; tax avoidance; tax disclosure.*

I. Introduction

Despite various government efforts to improve tax compliance, tax avoidance remains a complex issue in the business environment. One factor that is believed to influence corporate tax avoidance behavior is the firm's own characteristics. Corporate characteristics such as firm size, profitability, leverage, capital intensity, and firm age may affect managerial decisions regarding tax management strategies. Larger firms generally possess greater resources and

expertise to engage in more sophisticated tax planning activities compared to smaller firms. At the same time, companies face increasing demands for transparency from stakeholders, requiring them to disclose tax-related information adequately through annual reports and sustainability reports.

Corporate tax disclosure represents an important form of accountability and transparency that can reduce information asymmetry between firms and stakeholders. A higher level of tax disclosure enables investors, regulators, and the public to better assess a company's compliance with prevailing tax regulations. However, firms engaged in tax avoidance practices may have incentives to limit the extent of tax-related information disclosed in order to reduce scrutiny from tax authorities. This condition suggests an interesting relationship between corporate characteristics, tax avoidance practices, and the level of corporate tax disclosure.

Previous studies examining the influence of corporate characteristics on tax avoidance and tax disclosure have produced mixed and inconclusive findings. Several studies have reported that firm size and profitability significantly affect tax avoidance, whereas others have found no significant relationship. Similarly, research on corporate tax disclosure has revealed inconsistent results regarding the impact of corporate characteristics on tax transparency. These conflicting findings indicate the existence of a research gap that warrants further investigation, particularly within manufacturing firms, which contribute substantially to national tax revenues.

Considering the empirical evidence, the importance of tax revenues to the government, and the inconsistencies in prior research findings, this study aims to examine the influence of corporate characteristics on tax avoidance and corporate tax disclosure among manufacturing companies listed on the Indonesia Stock Exchange (IDX) during the period 2018–2022. The findings are expected to contribute to the development of taxation and corporate governance literature while providing insights for policymakers in designing more effective tax regulations and compliance strategies.

One of the factors contributing to low government revenue from taxation is the large number of companies engaging in tax planning strategies aimed at tax avoidance or failing to adequately disclose their tax-related information (Pohan, 2016). Therefore, it is important to pay attention to corporate characteristics reflected in financial statements, particularly those associated with tax avoidance and tax disclosure practices. Such attention is necessary to prevent taxpayers from repeatedly engaging in these practices and to ensure that annual tax revenue targets are achieved.

Profitability is one of the corporate characteristics that can be used to assess a company's tendency to reduce its tax obligations. Higher profitability generally creates stronger incentives for firms to engage in tax avoidance by utilizing legal loopholes and tax-planning strategies to minimize tax liabilities. Previous studies have found that profitability increases tax avoidance practices (Sa'ad et al., 2023; Melissa & Itan, 2022; Asih & Darmawati, 2021; Sunarto et al., 2021; Hamilah, 2020; Abdelfattah & Aboud, 2020). Another important characteristic is firm size. Larger firms tend to have greater resources and more sophisticated tax-planning capabilities, which may increase their involvement in tax avoidance activities (Abdelfattah & Aboud, 2020).

Furthermore, leverage indicates the extent to which a company utilizes debt financing to enhance profitability. Higher leverage is expected to encourage firms to disclose tax information appropriately without engaging in aggressive tax avoidance practices. However, empirical evidence remains inconclusive. Studies conducted by Supriyati and Anggraini (2020), Asih and Darmawati (2021), Anggraini (2020), Stefani and Paramitha (2022), Sriyono and Andesto (2022), and Hamilah (2020) found that leverage has a positive but insignificant effect on tax avoidance. In contrast, Hamilah (2020) and Abdelfattah and Aboud (2020) reported a positive and significant relationship between leverage and tax avoidance activities.

In addition to influencing tax avoidance, profitability, firm size, and leverage are also associated with corporate tax disclosure. Damayanty et al. (2022) found that profitability significantly affects corporate tax disclosure. Several studies suggest that higher profitability is associated with lower levels of tax disclosure, indicating that increases in profitability may reduce the extent of tax information disclosed (Mocanu et al., 2021; Paskalina & Murtianingsih, 2022; Weber & Müßig, 2022). Conversely, Abdelfattah and Aboud (2020), Tanjung (2021), Utami and Sariwulan (2022), and Melissa and Itan (2022) reported that profitability has a positive and significant effect on corporate tax disclosure. Other studies consistently found a significant relationship between profitability and tax disclosure (Weber & Müßig, 2022; Damayanty et al., 2022; Paskalina & Murtianingsih, 2022; Mocanu et al., 2021).

Firm size has also been identified as an important determinant of tax disclosure. Larger firms are generally subject to greater scrutiny from governments and regulators regarding their tax obligations. Consequently, large firms tend to disclose more tax-related information, resulting in a positive and significant relationship between firm size and tax disclosure (Mgammal, 2020; Weber & Müßig, 2022; Abdelfattah & Aboud, 2020). With respect to leverage, Abdelfattah and Aboud (2020) found a positive but insignificant effect on corporate tax disclosure. In contrast, Emeneka and Ezejiofor (2022) reported a positive and significant effect, while Mgammal (2020) found that leverage significantly influences corporate tax disclosure.

The findings of previous studies suggest that corporate characteristics, particularly profitability, firm size, and leverage, may positively influence both tax avoidance and corporate tax disclosure. These results highlight the complexity and diversity of corporate behavior regarding taxation-related decisions. Firms operating in different industries may face varying levels of pressure and stakeholder expectations concerning taxation. Some industries may adopt more aggressive tax-planning strategies, while others may pursue more conservative tax practices.

The first contribution of this study is to provide valuable insights for policymakers in formulating taxation regulations and developing strategies to minimize corporate tax avoidance. By reducing tax avoidance practices among corporate taxpayers, government tax revenues may increase, thereby contributing to the improvement of public welfare in Indonesia. Furthermore, the study offers practical implications for corporate management by emphasizing the importance of tax disclosure in financial reporting. Tax disclosure provides prospective investors with information regarding a company's financial condition and tax position, enabling them to make more informed investment decisions. Therefore, this study is expected to contribute to addressing the challenges faced by both the government and manufacturing companies listed on the Indonesia Stock Exchange (IDX).

II. Review of Literature

2.1 Theoretical Framework and Hypothesis Development

Currently, the level of scrutiny over corporate tax obligations has become increasingly stringent. This study is expected to provide insights that may contribute to improving Indonesia's tax-to-GDP ratio, which experienced a declining trend from 2007 to 2019 (OECD, 2023). Furthermore, many companies continue to engage in tax avoidance practices or fail to provide adequate tax disclosure. This study focuses on examining the direct and indirect effects of profitability, firm size, and leverage on tax avoidance and corporate tax disclosure.

When tax avoidance practices are not subject to sanctions, firms may be encouraged to manipulate financial reports and even refrain from adequately disclosing tax-related information. Under these circumstances, companies are obligated to present financial information, including profitability, firm size, and leverage, which can be analyzed by both internal and external stakeholders. Such information is expected to facilitate monitoring efforts related to tax avoidance and tax disclosure practices. Information contained in corporate financial statements serves as an important indicator of a firm's financial health and overall performance.

2.2 The Effect of Profitability on Tax Avoidance

A positive profitability ratio reported in a company's financial statements indicates its success in managing assets and generating profits. This condition suggests that the company effectively utilizes its resources and capital to achieve favorable financial outcomes (Fahmi, 2018). However, higher profitability also leads to greater tax obligations. Consequently, companies may seek opportunities to reduce their tax liabilities through tax planning strategies. While such efforts may be legally permissible, they also raise concerns regarding tax avoidance practices.

Therefore, it is important for both internal and external stakeholders to evaluate whether highly profitable companies engage in activities aimed at minimizing tax obligations. Firms with relatively high profitability possess greater opportunities to optimize tax-planning strategies in order to reduce their tax burden while maintaining compliance with applicable regulations.

More profitable firms generally have greater financial resources. With increased financial capacity, companies are more likely to seek ways to optimize their tax structures to minimize tax expenses and maximize net profits. In addition, firms may adopt tax avoidance strategies as a means of managing risk and improving tax efficiency. These strategies may include the utilization of legitimate tax incentives and deductions permitted under tax laws. Some companies may also face pressure from stakeholders, such as shareholders and financial analysts, to improve profitability and enhance firm value through effective tax management.

Empirical evidence indicates that higher profitability may increase tax avoidance, although the relationship is not always statistically significant (Okerekeoti & Chinedu U, 2022). In contrast, studies conducted by Melissa and Itan (2022), Asih and Darmawati (2021), Sunarto et al. (2021), Hamilah (2020), and Abdelfattah and Aboud (2020) found that profitability has a positive and significant effect on tax avoidance. Based on these findings, the first hypothesis is formulated as follows:

H1: Profitability has a positive effect on tax avoidance.

2.3 The Effect of Firm Size on Tax Avoidance

Companies with larger operational scales generally demonstrate greater capabilities in managing financial activities compared to smaller firms. As a company grows, the complexity of its transactions also increases. This complexity creates opportunities for firms to exploit gaps within regulatory frameworks and engage in tax avoidance practices (Jasmine & Paulus, 2017).

Several studies have reported that firm size has a positive and significant effect on tax avoidance (Abdelfattah & Aboud, 2020; Sari et al., 2021; Siregar, 2021; Dao et al., 2022; Ardiansyah et al., 2023). Larger firms typically possess more resources, sophisticated tax expertise, and greater flexibility in implementing tax-planning strategies, thereby increasing their ability to minimize tax liabilities.

However, other studies have reported contrasting findings. Sriyono and Andesto (2022), Melissa and Itan (2022), and Hamilah (2020) found that firm size does not have a positive effect on tax avoidance. These inconsistent findings indicate that the relationship between firm size and tax avoidance remains an empirical issue requiring further investigation.

Based on the theoretical arguments and prior empirical evidence, the second hypothesis is proposed as follows:

H2: Firm size has a positive effect on tax avoidance.

H2 : size berpengaruh positif terhadap tax avoidance

2.4 The Effect of Leverage on Tax Avoidance

Leverage indicates a company's efforts to increase profitability. Leverage indicates the extent to which a company uses borrowed funds (Hery, 2015, p. 195). Research shows that larger companies tend to have a global presence with operations in multiple jurisdictions. This provides an opportunity to exploit differences in tax rates between countries and optimize the company's tax position globally. Furthermore, larger companies tend to have greater financial resources and management expertise. With these resources, companies can design complex tax strategies to optimize their tax burden. Research findings by (Supriyati & Anggraini, 2020); (Asih & Darmawati, 2021); (Anggraini, 2020); (Stefani & Paramitha, 2022); (Sriyono & Andesto, 2022); (Hamilah, 2020) indicate that leverage has a positive but insignificant effect on tax avoidance. However, (Hamilah, 2020); (Sari et al., 2021); (Abdelfattah & Aboud, 2020) revealed that leverage has a positive and significant effect on tax avoidance. Therefore, the third hypothesis in this study is:

H3 : leverage berpengaruh positif terhadap tax avoidance

2.5 The Effect of Profitability on Corporate Tax Disclosure

Profitable companies tend to be more transparent and open in disclosing tax-related information. Strong financial performance can enhance stakeholder confidence, making companies more willing to provide detailed information regarding their tax obligations and tax strategies. Although firms may legally utilize tax-planning opportunities to minimize tax liabilities, they are still required to disclose tax information in accordance with applicable regulations. In addition, profitable firms are subject to greater scrutiny from stakeholders such as investors, customers, and tax authorities. These stakeholders often encourage companies to provide more comprehensive information regarding tax policies and tax payments. Previous studies by Abdelfattah and Aboud (2020), Tanjung (2021), Utami and Sariwulan (2022), and Melissa and Itan (2022) found that profitability has a positive and significant effect on

corporate tax disclosure. However, Hasan et al. (2022) and Bala and Babangida (2022) reported that profitability has no significant effect on tax disclosure. Furthermore, Sa'ad et al. (2023) found a positive and significant relationship between profitability and corporate tax disclosure. Based on these arguments and empirical findings, the following hypothesis is proposed:

H4: Profitability has a positive effect on corporate tax disclosure.

2.6 The Effect of Firm Size on Corporate Tax Disclosure

As firm size increases, companies are generally subject to greater government oversight regarding compliance with tax obligations. Larger firms are also more concerned about maintaining their reputation and corporate image. Providing transparent and comprehensive tax information can strengthen stakeholder trust and support a positive corporate reputation. Empirical evidence suggests that firm size positively influences tax disclosure. Mgammal (2020), Weber and Müßig (2022), and Abdelfattah and Aboud (2020) found that firm size has a positive and significant effect on tax disclosure. Conversely, Damayanty et al. (2022) and Melissa and Itan (2022) reported no significant relationship between firm size and corporate tax disclosure. Other studies conducted by Utami and Sariwulan (2022), Bala and Babangida (2022), and Imron and Hamidah (2022) found a positive and significant relationship.

Based on these findings, the following hypothesis is formulated:

H5: Firm size has a positive effect on corporate tax disclosure.

2.7 The Effect of Leverage on Corporate Tax Disclosure

Leverage reflects a company's ability to meet both short-term and long-term financial obligations. A higher level of leverage indicates that a company relies more heavily on debt financing to enhance profitability. Companies with substantial debt obligations are often expected to disclose more tax-related information to satisfy the information needs of creditors and lenders. Creditors generally require comprehensive information regarding a company's financial position and tax obligations to assess credit risk. Therefore, highly leveraged firms may be encouraged to provide greater transparency in tax disclosure. Abdelfattah and Aboud (2020) found that leverage has a positive but insignificant effect on corporate tax disclosure. In contrast, Emeneka and Ezejiofor (2022) reported a positive and significant relationship. Meanwhile, Mgammal (2020) found that leverage has a significant negative effect on corporate tax disclosure. Based on these theoretical arguments and empirical findings, the following hypothesis is proposed:

H6: Leverage has a positive effect on corporate tax disclosure.

2.8 The Simultaneous Effect of Profitability, Firm Size, and Leverage on Tax Avoidance

Several studies have examined the combined effect of profitability, firm size, and leverage on tax avoidance. Dao et al. (2022), Supriyati and Anggraini (2020), and Anggraini (2020) found that profitability, firm size, and leverage significantly affect tax avoidance. Similarly, Purnomo and Widyawati (2022) reported that profitability influences tax avoidance, leverage does not significantly affect tax avoidance, and firm size positively affects tax avoidance. Furthermore, Stefani and Paramitha (2022) and Melissa and Itan (2022) found that profitability, firm size, and leverage jointly influence tax avoidance behavior. Accordingly, the following hypothesis is proposed:

H7: Profitability, firm size, and leverage simultaneously affect tax avoidance.

2.9 The Simultaneous Effect of Profitability, Firm Size, and Leverage on Corporate Tax Disclosure

Profitability reflects a company's ability to generate earnings, while firm size represents the scale and economic capacity of the organization. Larger firms generally possess greater visibility and accountability to stakeholders, governments, and society. In addition, leverage measures the extent of financial risk borne by creditors and shareholders. A higher leverage ratio indicates a greater ability to fulfill obligations to creditors (Hitchner, 2017). Previous studies have demonstrated the importance of these variables in explaining corporate tax disclosure practices. Liana (2019) found that profitability and leverage significantly affect tax disclosure, whereas firm size and independent commissioners do not significantly influence tax disclosure. Similarly, Izazi (2022) reported that profitability, firm size, and audit committees positively and significantly affect tax disclosure, while leverage and board of directors have no significant influence. Ariseno (2022) found that firm size positively affects tax disclosure, whereas leverage has no significant effect. Overall, these findings suggest that profitability and firm size are among the key determinants of corporate tax disclosure. Therefore, the following hypothesis is proposed:

H8: Profitability, firm size, and leverage simultaneously affect corporate tax disclosure.

III. Research Method

This study employs a quantitative research approach using a causal research design (Sekaran & Bougie, 2017). A causal study is conducted to examine the effects of profitability, firm size, and leverage on tax avoidance and corporate tax disclosure among manufacturing companies listed on the Indonesia Stock Exchange (IDX) during the period 2018–2022. The data analysis method utilized in this study is panel data regression analysis. Microsoft Excel 2019 is used for data processing, while EViews 13.0 is employed as the primary analytical software. The study relies on secondary data obtained from the financial statements of manufacturing companies listed on the Indonesia Stock Exchange (IDX) between 2018 and 2022. These data are publicly available through the official IDX website. The population of this study consists of all manufacturing companies listed on the Indonesia Stock Exchange during the 2018–2022 period.

Table 1. Population of the Study

Table 1. Research Population by Manufacturing Sub-Sector			
No.	Sub-Sector	Number of Companies	of
1	Manufacturing / Basic Industry and Chemicals / Cement	8	
2	Manufacturing / Basic Industry and Chemicals / Ceramics, Porcelain, and Glass	7	
3	Manufacturing / Basic Industry and Chemicals / Metals and Related Products	18	
4	Manufacturing / Basic Industry and Chemicals / Chemicals	20	
5	Manufacturing / Basic Industry and Chemicals / Plastics and Packaging	15	
6	Manufacturing / Basic Industry and Chemicals / Animal Feed	6	

No.	Sub-Sector	Number of Companies
7	Manufacturing / Basic Industry and Chemicals / Wood and Wood Processing	4
8	Manufacturing / Basic Industry and Chemicals / Pulp and Paper	13
9	Manufacturing / Miscellaneous Industry / Machinery and Heavy Equipment	7
10	Manufacturing / Miscellaneous Industry / Automotive and Components	15
11	Manufacturing / Miscellaneous Industry / Textiles and Garments	22
12	Manufacturing / Miscellaneous Industry / Footwear	2
13	Manufacturing / Miscellaneous Industry / Cables	7
14	Manufacturing / Miscellaneous Industry / Electronics	4
15	Manufacturing / Consumer Goods Industry / Food and Beverages	43
16	Manufacturing / Consumer Goods Industry / Tobacco	4
17	Manufacturing / Consumer Goods Industry / Pharmaceuticals	11
18	Manufacturing / Consumer Goods Industry / Cosmetics and Household Products	9
19	Manufacturing / Consumer Goods Industry / Household Appliances	8
20	Manufacturing / Consumer Goods Industry / Others	4
Total Population		227

Source: Indonesia Stock Exchange (IDX) (2022).

The sampling technique employed in this study is non-probability sampling using a purposive sampling approach. Purposive sampling enables researchers to select samples that are relevant to the research objectives and meet predetermined criteria (Sekaran & Bougie, 2017).

Table 2. Sample Selection Using Purposive Sampling

No.	Criteria	Number of Companies
1	Manufacturing companies listed on the Indonesia Stock Exchange (IDX) during the 2018–2022 period	227
2	Manufacturing companies that did not consistently publish complete financial statements during the 2018–2022 period	(48)
3	Manufacturing companies that reported financial statements but incurred losses during the 2018–2022 period	(79)

No.	Criteria	Number of Companies
4	Manufacturing companies that presented their financial statements in U.S. dollars during the 2018–2022 period	(23)
5	Manufacturing companies with duplicate financial statement records during the 2018–2022 period	(1)
Final Sample		76

Source: Indonesia Stock Exchange (IDX) (2022).

The number of observations was calculated by multiplying the number of sample companies by the number of years included in the study period. Therefore, the total sample consisted of 380 firm-year observations (76 companies × 5 years).

The dependent variable in this study is Tax Avoidance (TA), which is measured using the Cash Effective Tax Rate (CETR) as follows:

$$CETR_{it} = \frac{\text{Tax payment}_{it}}{\text{Profit before tax}_{it}}$$

Corporate Tax Disclosure (TD) is measured using a tax disclosure index based on tax-related information disclosed in the company's financial statements. The disclosure items include: (1) prepaid tax, (2) deferred tax assets, (3) tax liabilities/payables, (4) deferred tax liabilities, (5) current tax expense, (6) deferred tax expense, (7) non-income tax and other tax expenses, (8) tax payments, (9) fiscal reconciliation, (10) positive and negative fiscal corrections, (11) temporary and permanent differences, (12) tax incentive-related information, (13) uncertainty of tax treatment-related information, and (14) income tax.

The disclosure index is measured using a dichotomous scoring method, where a score of 1 is assigned if the information is disclosed and a score of 0 is assigned if the information is not disclosed. The Corporate Tax Disclosure (TD) index is calculated using the following formula:

$$TD_{it} = \frac{\text{Total Score}_{it}}{14_{it}} \times 100$$

The independent variables used in this study are corporate characteristics, including Profitability (ROA), Firm Size (SIZE), and Leverage (LEV).

$$ROA_{it} = \frac{\text{profit before tax}_{it}}{\text{Total asset (TA)}_{it}} \quad \text{Size}_{it} = \ln \text{total asset}_{it} \quad \text{LEV}_{it} = \frac{\text{total liabilities}_{it}}{\text{Total ekuitas (TE)}_{it}}$$

The panel data regression models used in this study are specified as follows:

Model I:

$$CETR_{it} = \alpha_{0i} + \beta_{1it}ROA_{1it} + \beta_{2it}SIZE_{2it} + \beta_{3it}LEV_{3it} + \varepsilon_1$$

Model II:

$$TD_{it} = \alpha_{0i} + \beta_{1it}ROA_{1it} + \beta_{2it}SIZE_{2it} + \beta_{3it}LEV_{3it} + \varepsilon_2$$

Where:

α	= tax avoidance	= size
	= tax disclosure	= leverage
	= Constant	= Company
	$\beta_1, \beta_2, \beta_3$ = Regression Coefficients	= Time Period (Year)
	= profitability	= Error Term

Hypothesis testing in the multiple linear regression model with panel data includes the t-

test, F-test, and coefficient of determination (R^2). Prior to conducting panel data regression analysis, several classical assumption tests were performed, including the normality test using the Jarque–Bera test (Ghozali & Ratmono, 2016), the multicollinearity test using the Pairwise Correlation Matrix, the heteroscedasticity test using the Actual, Fitted, and Residual Graph method, and the autocorrelation test using the Durbin–Watson (DW) test (Ghozali & Ratmono, 2016).

IV. Result and Discussion

4.1 Estimation Results

By applying panel data modeling techniques, the Chow test results for both Model I and Model II suggested the use of the fixed effects approach (Tables 3 and 4). Subsequently, the Hausman test indicated that the best estimation model for Model I was the fixed effects model (Table 5), whereas the best estimation model for Model II was the random effects model (Table 6). Furthermore, the Lagrange Multiplier (LM) test for random effects recommended the random effects model for both equations (Tables 7 and 8).

Based on the results of these three model selection procedures, it can be concluded that Model I is best estimated using the fixed effects approach, as both the Chow test and Hausman test support this specification. Meanwhile, Model II is best estimated using the random effects approach, as both the Hausman test and the Lagrange Multiplier (LM) test support this model specification. Using EViews 13.0 software, the estimation results are presented as follows:

Table 3. Chow Test Results for Model I

Redundant Fixed Effects Tests

Equation: Untitled

Test cross-section and period fixed effects

Effects Test	Statistic	d.f.	Prob.
Cross-section F	4.414770	(75,297)	0.0000
Cross-section Chi-square	284.612230	75	0.0000
Period F	3.191550	(4,297)	0.0137
Period Chi-square	15.992559	4	0.0030
Cross-Section/Period F	4.353152	(79,297)	0.0000
Cross-Section/Period Chi-square	292.273110	79	0.0000

Source: EViews 13.0 Output Results (2024).

Tabel 2. Hasil Estimasi Uji Chow Persamaan II

Redundant Fixed Effects Tests
Equation: Untitled
Test cross-section and period fixed effects

Effects Test	Statistic	d.f.	Prob.
Cross-section F	5.405571	(75,297)	0.0000
Cross-section Chi-square	327.102584	75	0.0000
Period F	156.686005	(4,297)	0.0000
Period Chi-square	431.187086	4	0.0000
Cross-Section/Period F	23.087843	(79,297)	0.0000
Cross-Section/Period Chi-square	747.035289	79	0.0000

Source: EViews 13.0 Output Results (2024).

Tabel 3. Hasil Estimasi Uji Hausman Persamaan I

Correlated Random Effects - Hausman Test
Equation: Untitled
Test cross-section and period random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	12.423288	3	0.0061
Period random	0.000000	3	1.0000
Cross-section and period random	13.588665	3	0.0035

Source: EViews 13.0 Output Results (2024).

Table 6. Hausman Test Results for Model II

Correlated Random Effects - Hausman Test
Equation: Untitled
Test cross-section and period random effects

Test Summary	Chi-Sq. Statistic			Prob.
	Cross-section	Time	Both	
Cross-section random	102.2739 (0.0000)	0.630096 (0.4273)	102.9040 (0.000000)	1.0000
Lagrange Multiplier Tests for Random Effects				
Null hypotheses: No effects				
Alternative hypotheses: Two-sided (Breusch-Pagan) and one-sided (all others) alternatives				
Breusch-Pagan	102.2739 (0.0000)	0.630096 (0.4273)	102.9040 (0.000000)	1.0000
Honda	10.11305	0.793786	7.712301	3 0

King-Wu	(0.0000) 10.11305	(0.2137) 0.793786	(0.0000) 3.049044
Standardized Honda	(0.0000) 10.50002	(0.2137) 1.267144	(0.0000) 2.308679
Standardized King-Wu	(0.0000) 10.50002	(0.1026) 1.267144	(0.0000) 0.364300
Gourieroux, et al.	--	--	102.9040 (0.0000)
<hr/>			
Period random			0.0000 1.0000
Cross-section and period random			00 3 0

Source: EViews 13.0 Output Results (2024).

Table 7. Lagrange Multiplier (LM) Test Results for Model I
Lagrange Multiplier Tests for Random Effects
Null hypotheses: No effects
Alternative hypotheses: Two-sided (Breusch-Pagan) and one-sided
(all others) alternatives

	Test Hypothesis		
	Cross-section	Time	Both
Breusch-Pagan	102.2739 (0.0000)	0.630096 (0.4273)	102.9040 (0.0000)
Honda	10.11305 (0.0000)	0.793786 (0.2137)	7.712301 (0.0000)
King-Wu	10.11305 (0.0000)	0.793786 (0.2137)	3.049044 (0.0011)
Standardized Honda	10.50002 (0.0000)	1.267144 (0.1026)	2.308679 (0.0105)
Standardized King-Wu	10.50002 (0.0000)	1.267144 (0.1026)	0.364300 (0.3578)
Gourieroux, et al.	--	--	102.9040 (0.0000)

Source: EViews 13.0 Output Results (2024).

Table 8. Lagrange Multiplier (LM) Test Results for Model II
Lagrange Multiplier Tests for Random Effects
Null hypotheses: No effects
Alternative hypotheses: Two-sided (Breusch-Pagan) and one-sided
(all others) alternatives

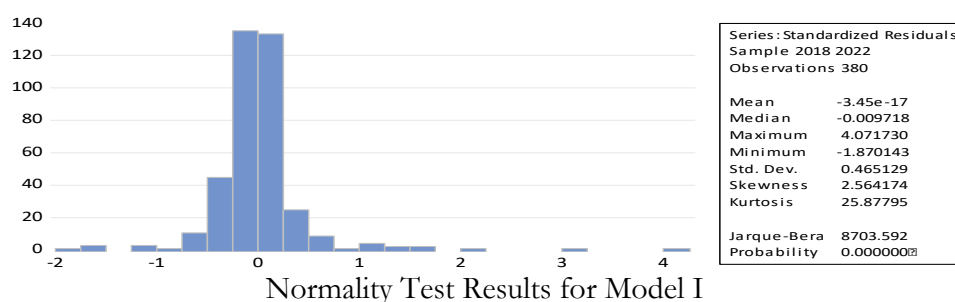
	Test Hypothesis		
	Cross-section	Time	Both
Breusch-Pagan	96.06701 (0.0000)	189.7726 (0.0000)	285.8397 (0.0000)

Honda	9.801378	13.77580	16.67158
	(0.0000)	(0.0000)	(0.0000)
King-Wu	9.801378	13.77580	15.62800
	(0.0000)	(0.0000)	(0.0000)
Standardized Honda	9.935793	18.45125	12.72142
	(0.0000)	(0.0000)	(0.0000)
Standardized King-Wu	9.935793	18.45125	16.76551
	(0.0000)	(0.0000)	(0.0000)
Gourieroux, et al.	--	--	285.8397
			(0.0000)

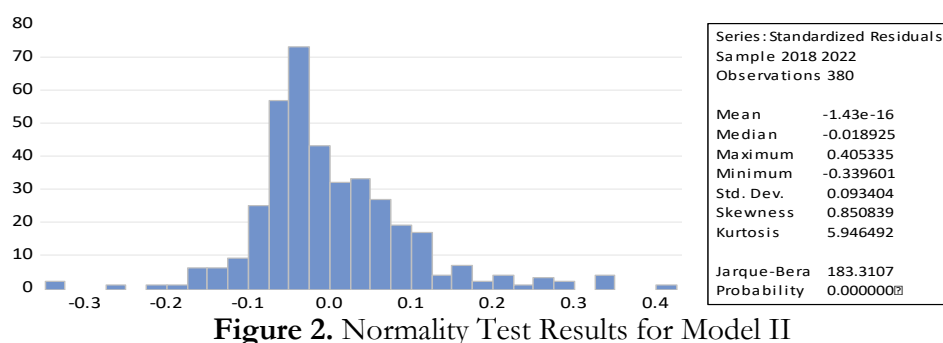
Source: EViews 13.0 Output Results (2024).

4.2 Results of Classical Assumption Tests

Prior to conducting the panel data regression analysis, a series of classical assumption tests were performed, including the normality test, multicollinearity test, heteroscedasticity test, and autocorrelation test. The results of these tests are presented as follows.



Source: EViews 13.0 Output **Figure 1.** Results (2024).



Based on the normality test results, the Jarque–Bera normality test statistic for Model I was 8,703.592 with a probability value of 0.0000, while for Model II the Jarque–Bera statistic was 183.3107 with a probability value of 0.0000. When compared with the chi-square critical value at a 5% significance level and 3 degrees of freedom ($\chi^2 = 7.815$), the Jarque–Bera test statistics for both models exceed the critical value, and the probability values are lower than the significance level of 0.05. These results indicate that the regression models are not normally distributed.

However, according to Ghozali and Ratmono (2016), the normality assumption in panel data regression may be disregarded when a large sample size is used, as the estimators remain reliable due to the Central Limit Theorem.

In this study, multicollinearity was examined using the Pairwise Correlation Matrix method. The results are presented as follows.

Table 9. Multicollinearity Test Results for Model I

	<i>ROA</i>	<i>SIZE</i>	<i>LEV</i>
<i>ROA</i>	1.000000	0.195268	0.147191
<i>SIZE</i>	0.195268	1.000000	-0.116116
<i>LEV</i>	0.147191	-0.116116	1.000000

Source: EViews 13.0 Output Results (2024).

Table 10. Multicollinearity Test Results for Model II

	<i>ROA</i>	<i>SIZE</i>	<i>LEV</i>
<i>ROA</i>	1.000000	0.282241	0.012555
<i>SIZE</i>	0.282241	1.000000	0.252303
<i>LEV</i>	0.012555	0.252303	1.000000

Source: EViews 13.0 Output Results (2024).

Based on Table 4.12, the correlation coefficients among all independent variables are below 0.80. Therefore, it can be concluded that the regression model does not suffer from multicollinearity problems.

The results of the heteroscedasticity test, conducted using EViews 13.0 software, are presented below.

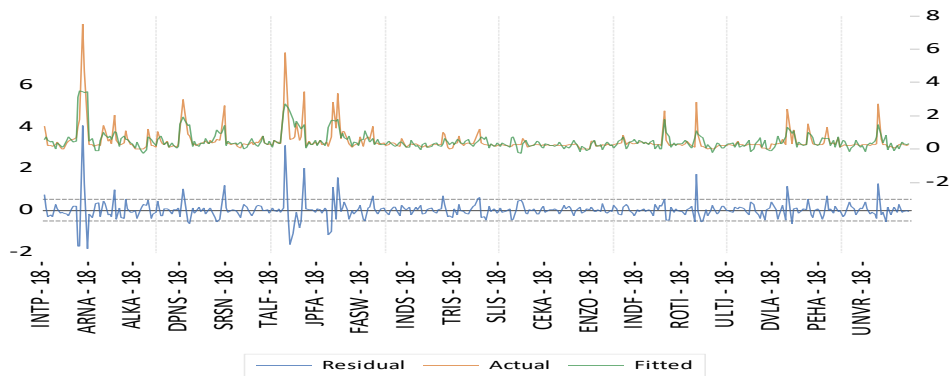


Figure 3. Heteroscedasticity Test Results for Model I

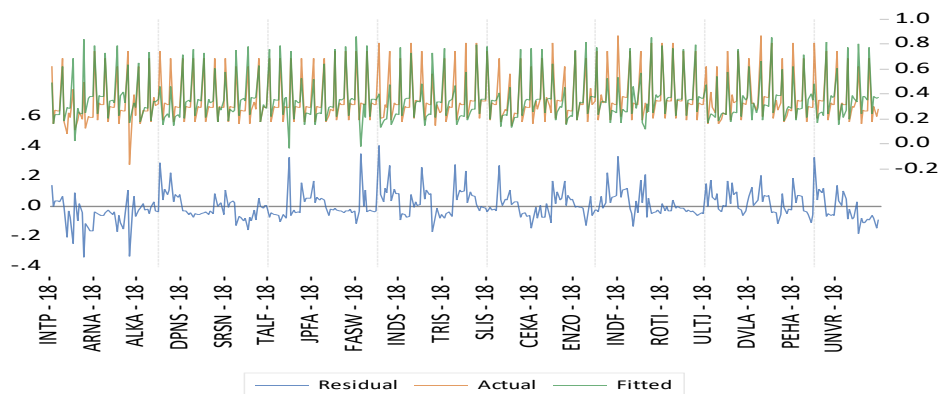


Figure 4. Heteroscedasticity Test Results for Model II

Based on the figures above, the variability patterns of the actual values (observed values), fitted values (predicted values from the regression model), and residuals (the differences between actual and fitted values) can be observed. Since no specific pattern or systematic change in variability is detected across the range of fitted values, it can be concluded that both Model I and Model II do not exhibit heteroscedasticity problems.

The results of the autocorrelation test conducted using EViews 13.0 software are presented as follows.

Table 11. Autocorrelation Test Results for Model I

Dependent Variable: CETR
Method: Panel Least Squares
Date: 01/09/24 Time: 00:33
Sample: 2018 2022
Periods included: 5
Cross-sections included: 76
Total panel (balanced) observations: 380

Cross-section fixed (dummy variables)
Period fixed (dummy variables)

R-squared	0.574488	Mean dependent var	0.480573
Adjusted R-squared	0.457007	S.D. dependent var	0.713046
S.E. of regression	0.525430	Akaike info criterion	1.741204
Sum squared resid	81.99481	Schwarz criterion	2.601820
Log likelihood	-247.8287	Hannan-Quinn criter.	2.082700
F-statistic	4.890033	Durbin-Watson stat	2.125298
Prob(F-statistic)	0.000000		

Source: EViews 13.0 Output Results (2024).

Table 12. Autocorrelation Test Results for Model II

Dependent Variable: TD
Method: Panel EGLS (Two-way random effects)
Date: 01/09/24 Time: 01:09
Sample: 2018 2022
Periods included: 5
Cross-sections included: 76
Total panel (balanced) observations: 380
Swamy and Arora estimator of component variances

Weighted Statistics			
R-squared	0.865167	Mean dependent var	0.154106
Adjusted R-squared	0.864091	S.D. dependent var	0.183845
S.E. of regression	0.067776	Sum squared resid	1.727182
F-statistic	804.2090	Durbin-Watson stat	1.926167
Prob(F-statistic)	0.000000		

Source: EViews 13.0 Output Results (2024).

Based on the tables and figures above, the Durbin–Watson (DW) statistics obtained for Model I and Model II are 2.125298 and 1.926167, respectively. These values were then compared with the lower bound (dL) and upper bound (dU) values from the Durbin–Watson table. At a significance level of $\alpha = 0.05$, with three independent variables ($k = 3$) and 380 observations ($n = 380$), the critical values are $dL = 1.74$ and $dU = 1.80$. Since the DW statistics are greater than dU and less than $(4 - dU) = 2.20$, it can be concluded that the residuals of both Model I and Model II do not exhibit autocorrelation problems.

4.3 Panel Data Regression Results

Panel data regression is a statistical method used to analyze data that combine both cross-sectional and time-series dimensions, allowing observations of individual entities over multiple periods. This approach enables researchers to capture both individual-specific and time-varying effects within the dataset.

The panel data regression results obtained using EViews 13.0 software are presented as follows.

Table 13. Regression Estimation Results for Model I Using the Fixed Effects Approach

Dependent Variable: CETR

Method: Panel Least Squares

Date: 01/09/24 Time: 00:33

Sample: 2018 2022

Periods included: 5

Cross-sections included: 76

Total panel (balanced) observations: 380

Variable	Coefficient	Std. Error	t-Statistic	Prob.
<i>C</i>	-0.314187	0.618143	-0.508276	0.6116
<i>ROA</i>	1.026551	0.178332	5.756396	0.0000
<i>SIZE</i>	1.332420	0.713517	1.867397	0.0628
<i>LEV</i>	1.293338	0.957581	1.350631	0.1778
Effects Specification				
Cross-section fixed (dummy variables)				
Period fixed (dummy variables)				
R-squared	0.574488	Mean dependent var	0.480573	
Adjusted R-squared	0.457007	S.D. dependent var	0.713046	
S.E. of regression	0.525430	Akaike info criterion	1.741204	
Sum squared resid	81.99481	Schwarz criterion	2.601820	
Log likelihood	-247.8287	Hannan-Quinn criter.	2.082700	
F-statistic	4.890033	Durbin-Watson stat	2.125298	
Prob(F-statistic)	0.000000			

Source: EViews 13.0 Output Results (2024).

Table 14. Regression Estimation Results for Model II Using the Random Effects Approach

Dependent Variable: TD

Method: Panel EGLS (Two-way random effects)

Date: 01/09/24 Time: 01:09

Sample: 2018 2022

Periods included: 5

Cross-sections included: 76

Total panel (balanced) observations: 380

Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.039030	0.010385	3.758247	0.0002
ROA	1.051580	0.244843	4.294915	0.0000
SIZE	1.012351	0.025108	40.31968	0.0000
LEV	1.050965	0.328472	3.199563	0.0015
Effects Specification				
			S.D.	Rho
Cross-section random			0.035842	0.4675
Period random			0.000000	0.0000
Idiosyncratic random			0.038255	0.5325
Weighted Statistics				
R-squared	0.865167	Mean dependent var		0.154106
Adjusted R-squared	0.864091	S.D. dependent var		0.183845
S.E. of regression	0.067776	Sum squared resid		1.727182
F-statistic	804.2090	Durbin-Watson stat		1.926167
Prob(F-statistic)	0.000000			
Unweighted Statistics				
R-squared	0.751334	Mean dependent var		0.357750
Sum squared resid	3.306534	Durbin-Watson stat		1.006141

Source: EViews 13.0 Output Results (2024).

The panel data regression model used in this study is specified as follows:

Model I:

$$CETR_{it} = \alpha_{0i} + \beta_{1it}ROA_{1it} + \beta_{2it}SIZE_{2it} + \beta_{3it}LEV_{3it} + \varepsilon_1$$

Model II:

$$TD_{it} = \alpha_{0i} + \beta_{1it}ROA_{1it} + \beta_{2it}SIZE_{2it} + \beta_{3it}LEV_{3it} + \varepsilon_2$$

Therefore:

Model I:

$$CETR_{it} = -0.314187_{0i} + 1.026551_{1it}ROA_{1it} + 1.332420_{2it}SIZE_{2it} + 1.293338_{3it}LEV_{3it}$$

Based on the regression equation, the results can be interpreted as follows:

1. The constant (α) is -0.314187, indicating that when profitability, firm size, and leverage are equal to zero, tax avoidance is expected to have a value of -0.314187.
2. The regression coefficient of profitability is 1.026551, indicating that a one-unit increase in

profitability is associated with an increase of 1.026551 in tax avoidance. This suggests that higher profitability leads to higher levels of tax avoidance.

3. The regression coefficient of firm size is 1.332420, indicating that a one-unit increase in firm size is associated with an increase of 1.332420 in tax avoidance. This implies that larger firms tend to engage in higher levels of tax avoidance.
4. The regression coefficient of leverage is 1.293338, indicating that a one-unit increase in leverage is associated with an increase of 1.293338 in tax avoidance. This suggests that higher leverage leads to higher levels of tax avoidance.

Model II:

$$TD_{it} = 0.039030_{\alpha_i} + 1.051580_{1it}ROA_{1it} + 1.012351_{2it}SIZE_{2it} + 1.050965_{3it}LEV_{3it}$$

Based on the regression equation, the results can be interpreted as follows:

1. The constant (α) is 0.039030, indicating that when profitability, firm size, and leverage are equal to zero, tax disclosure is expected to have a value of 0.039030.
2. The regression coefficient of profitability is 1.051580, indicating that a one-unit increase in profitability is associated with an increase of 1.051580 in tax disclosure. This suggests that higher profitability leads to a higher level of tax disclosure.
3. The regression coefficient of firm size is 1.012351, indicating that a one-unit increase in firm size is associated with an increase of 1.012351 in tax disclosure. This implies that larger firms tend to disclose more tax-related information.
4. The regression coefficient of leverage is 1.050965, indicating that a one-unit increase in leverage is associated with an increase of 1.050965 in tax disclosure. This suggests that higher leverage leads to a higher level of tax disclosure.

4.4 The Effect of Profitability on Tax Avoidance

Based on the results of the regression coefficients test (t-statistics and p-values), the regression coefficient of profitability on tax avoidance is 1.026551, with a t-statistic value of 5.756396. The positive coefficient indicates that higher profitability increases tax avoidance. Since the t-statistic value of 5.756396 exceeds the critical value of 1.966 at the 5% significance level, H1 is accepted. Therefore, profitability has a positive and statistically significant effect on tax avoidance. This finding suggests that more profitable firms tend to engage in higher levels of tax avoidance. Companies with greater profitability generally have stronger incentives to implement tax-planning strategies aimed at reducing their tax liabilities. Furthermore, profitable firms often possess greater financial resources and access to professional tax advisors, enabling them to utilize legal tax-saving opportunities and complex tax-planning mechanisms to minimize tax obligations. The result is consistent with the findings of Melissa and Itan (2022), Asih and Darmawati (2021), Sunarto et al. (2021), Hamilah (2020), and Abdelfattah and Aboud (2020), who reported that profitability has a positive and significant effect on tax avoidance. In addition, highly profitable firms have greater financial flexibility to implement sophisticated tax strategies, such as corporate restructuring and profit shifting to lower-tax jurisdictions. Firms operating across multiple jurisdictions or with complex organizational structures may find it easier to optimize their global tax positions and reduce overall tax burdens.

4.5 The Effect of Firm Size on Tax Avoidance

Based on the regression results, the coefficient of firm size on tax avoidance is 1.332420, with a t-statistic value of 1.867397. The positive coefficient indicates that larger firms tend to engage in higher levels of tax avoidance. However, because the t-statistic value is lower than the critical value of 1.966 at the 5% significance level, H2 is rejected. Therefore,

firm size has a positive but statistically insignificant effect on tax avoidance. This finding is consistent with the studies of Abdelfattah and Aboud (2020), Sari et al. (2021), Siregar (2021), Dao et al. (2022), and Ardiansyah et al. (2023). However, other studies conducted by Sa'ad et al. (2023), Wirawan and Yuniarwati (2022), Supriyati and Anggraini (2020), and Anggraini (2020) reported a positive and significant relationship between firm size and tax avoidance. Larger firms generally possess greater resources and face more complex business operations, creating opportunities to adopt sophisticated tax-planning strategies and optimize their tax structures. Moreover, multinational corporations often have greater opportunities to utilize international tax planning practices, such as transfer pricing, to optimize their tax positions across different jurisdictions. Large firms may also benefit from differences in tax regulations among countries by utilizing tax incentives, regulatory gaps, and organizational structures designed to minimize global tax liabilities.

4.6 The Effect of Leverage on Tax Avoidance

The regression results indicate that the coefficient of leverage on tax avoidance is 1.293338, with a t-statistic value of 1.350631. The positive coefficient suggests that higher leverage is associated with higher levels of tax avoidance. However, since the t-statistic value is below the critical value of 1.966 at the 5% significance level, H3 is rejected. Therefore, leverage has a positive but statistically insignificant effect on tax avoidance.

Companies that rely on debt financing can generally deduct interest expenses from taxable income, thereby reducing their tax liabilities. This tax-deductibility of interest payments creates incentives for firms to utilize debt financing as a tax management strategy. The present finding is consistent with the studies of Hamilah (2020), Sari et al. (2021), and Abdelfattah and Aboud (2020), which reported a positive relationship between leverage and tax avoidance.

Firms with more complex capital structures, including interest-bearing debt instruments, may have greater opportunities to optimize their tax positions. In addition, highly leveraged firms may be more effective in utilizing tax-loss carryforwards and managing fiscal losses, thereby reducing future taxable income and tax obligations. Nevertheless, although leverage may provide tax benefits, excessive debt usage can increase financial risk, particularly when interest rates rise or firms encounter financial difficulties. Therefore, leverage policies should be carefully managed as part of a firm's strategic financial decision-making process, taking into account both potential benefits and associated risks.

4.7 The Effect of Profitability on Corporate Tax Disclosure

Based on the regression coefficients test (t-statistics and p-values), the regression coefficient of profitability on corporate tax disclosure is 1.051580, with a t-statistic value of 4.294915. The positive coefficient indicates that higher profitability increases corporate tax disclosure. Since the t-statistic value of 4.294915 exceeds the critical value of 1.96 at the 5% significance level, H4 is accepted. Therefore, profitability has a positive and statistically significant effect on corporate tax disclosure.

This finding is consistent with the studies of Abdelfattah and Aboud (2020), Tanjung (2021), Utami and Sariwulan (2022), and Melissa and Itan (2022), which found that profitability has a positive and significant effect on corporate tax disclosure. High profitability creates incentives for greater tax transparency. Companies that value reputation and corporate social responsibility are more likely to provide detailed tax-related disclosures. Furthermore, strong profitability enhances shareholders' confidence, making them more comfortable with the company's risk profile, including tax-related risks. This result is also supported by Sa'ad et

al. (2023), who found a positive and significant relationship between profitability and corporate tax disclosure.

4.8 The Effect of Firm Size on Corporate Tax Disclosure

Based on the regression results, the coefficient of firm size on corporate tax disclosure is 1.012351, with a t-statistic value of 40.31968. The positive coefficient indicates that larger firms tend to disclose more tax-related information. Since the t-statistic value exceeds the critical value of 1.966 at the 5% significance level, H5 is accepted. Therefore, firm size has a positive and statistically significant effect on corporate tax disclosure.

This finding is consistent with the studies of Utami and Sariwulan (2022), Bala and Babangida (2022), and Imron and Hamidah (2022), which reported a positive and significant relationship between firm size and corporate tax disclosure. Larger firms generally face greater public visibility and stakeholder scrutiny. Because they tend to have more shareholders, creditors, and other stakeholders, they experience stronger pressure to provide comprehensive information, including tax-related disclosures. In general, larger firms tend to adopt higher levels of transparency in their reporting practices.

4.9 The Effect of Leverage on Corporate Tax Disclosure

Based on the regression coefficients test, the regression coefficient of leverage on corporate tax disclosure is 1.050965, with a t-statistic value of 3.199563. The positive coefficient indicates that higher leverage increases corporate tax disclosure. Since the t-statistic value of 3.199563 exceeds the critical value of 1.96 at the 5% significance level, H6 is accepted. Therefore, leverage has a positive and statistically significant effect on corporate tax disclosure.

This finding suggests that firms with higher debt levels tend to provide more extensive tax-related disclosures. Tax disclosure refers to information disclosed by companies regarding tax strategies, deferred tax positions, and other tax-related matters. Companies with higher leverage may face stricter regulatory requirements and greater scrutiny from creditors and investors, encouraging them to disclose more information about their tax positions. This result is supported by Emeneka and Ezejiofor (2022), who also found a positive and significant effect of leverage on corporate tax disclosure.

Firms with substantial debt obligations often seek to manage risk more effectively and provide greater transparency to shareholders and creditors. Detailed tax disclosures offer stakeholders a clearer understanding of the firm's risk exposure and financial performance. Moreover, creditors, investors, and regulators may influence disclosure policies, particularly for highly leveraged firms, as tax information is relevant for assessing financial risk and debt repayment capacity.

4.10 The Simultaneous Effect of Profitability, Firm Size, and Leverage on Tax Avoidance

Based on the statistical results obtained from EViews 13.0 for Model I, the F-statistic is 4.890033 with a probability value of 0.000000. This value is compared with the critical F-value at a 5% significance level, where $df_1 = 3$ and $df_2 = 376$, resulting in an F-table value of 2.629. Since the F-statistic exceeds the critical value ($4.890033 > 2.629$) and the probability value is lower than 0.05, the null hypothesis is rejected and H7 is accepted. Therefore, profitability, firm size, and leverage jointly have a significant effect on tax avoidance.

This finding is consistent with Dao et al. (2022), Supriyati and Anggraini (2020), and Anggraini (2020), who found that profitability, firm size, and leverage significantly influence tax avoidance. Similarly, Purnomo and Widyawati (2022) reported that profitability significantly affects tax avoidance, leverage has no significant effect, and firm size positively influences tax avoidance. Stefani and Paramitha (2022) and Melissa and Itan (2022) also concluded that profitability, firm size, and leverage jointly affect corporate tax avoidance behavior.

4.11 The Simultaneous Effect of Profitability, Firm Size, and Leverage on Corporate Tax Disclosure

For Model II, the F-statistic is 804.2090 with a probability value of 0.000000. Compared with the critical F-value of 2.629 at a 5% significance level, the F-statistic is substantially higher, and the probability value is well below 0.05. Therefore, the null hypothesis is rejected and H8 is accepted. This indicates that profitability, firm size, and leverage jointly have a significant effect on corporate tax disclosure.

These findings support previous studies suggesting that profitability, leverage, firm size, and corporate governance mechanisms play important roles in determining the level of tax disclosure. Hitchner (2017) argued that profitability, leverage, firm size, and independent commissioners collectively influence corporate tax disclosure. Likewise, Liana (2019) found that profitability and leverage significantly affect tax disclosure, whereas firm size and independent commissioners do not. Izazi (2022) further reported that profitability and firm size positively and significantly influence tax disclosure practices. Overall, the findings indicate that corporate characteristics play an important role in shaping tax transparency and disclosure behavior.

V. Conclusion

Based on the findings and discussion, this study concludes that profitability has a positive and significant effect on tax avoidance, indicating that more profitable companies are more likely to engage in strategies aimed at reducing their tax obligations. In contrast, firm size and leverage have positive but statistically insignificant effects on tax avoidance, suggesting that these factors do not significantly influence tax avoidance practices.

Furthermore, profitability, firm size, and leverage have positive and significant effects on corporate tax disclosure, both individually and jointly. These findings imply that firms with higher profitability, larger asset bases, and greater leverage tend to be more transparent in disclosing tax-related information. Overall, these corporate characteristics work together to influence the extent to which companies are willing to disclose tax information.

Implications

This study provides valuable insights for tax authorities seeking to minimize tax avoidance behavior among corporate taxpayers. Tax officials may evaluate corporate characteristics, including profitability (ROA), firm size, and leverage, as indicators for assessing tax compliance risk. Companies are also encouraged to conduct regular internal assessments of their financial performance and capital structure to better understand how these variables relate to tax policies and disclosure practices.

In addition, organizations should provide education and training programs for finance and management personnel regarding the role of profitability, firm size, and leverage in

corporate tax strategies. A better understanding of these factors can help improve tax compliance, enhance transparency, and support more effective tax governance within organizations.

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