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Examining the Influence of Capital Intensity, Profitability, Leverage, and Firm Size on Corporate Tax Avoidance

By :

Haikal Fanza[1]
Universitas Esa Unggul, Jakarta Barat, DKI Jakarta, Indonesia
haikallfanza@gmail.com

Daryanto Hesti Wibowo[2]
Universitas Esa Unggul, Jakarta Barat, DKI Jakarta, Indonesia
daryanto.hesti@esaunggul.ac.id

Co Author *haikallfanza@gmail.com

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ABSTRACT

This study aims to empirically examine the effects of capital intensity, profitability, leverage, and firm size on tax avoidance in food and beverage sub-sector companies listed on the Indonesia Stock Exchange during 2022–2025. Capital intensity is measured by the fixed assets-to-total assets ratio, profitability by Net Profit Margin (NPM), leverage by Debt to Equity Ratio (DER), firm size by Ln assets, and tax avoidance by Cash Effective Tax Rate (CETR). Using purposive sampling, 29 companies were selected based on predetermined criteria. Data were analyzed using panel data regression, including model selection, classical assumption tests, hypothesis testing, and the coefficient of determination. The results show that capital intensity and firm size have no significant effect on tax avoidance, while profitability and leverage have positive and significant effects. These findings highlight the importance of profitability and leverage in understanding tax avoidance practices.

Keywords: Capital Intensity, Profitability, Leverage, Firm Size, Tax Avoidance

INTRODUCTION

Taxes are a major source of government revenue and play a strategic role in financing public programs and national development (Rahman et al., 2024). Data from the Directorate General of Taxes (DGT) indicate that tax revenue realization declined from 115.61% of the target in 2022 to 87.61% in 2025. However, this decline alone does not establish the existence of corporate tax avoidance, as tax revenue realization may also be influenced by broader economic conditions, changes in tax policy, and variations in economic activity. Nevertheless, corporate tax avoidance remains an important issue because companies have financial incentives to manage their tax liabilities to maintain profitability and cash flow (Komalasari & Suharna, 2024). In this context, capital intensity, profitability, leverage, and firm size are relevant factors to examine because they reflect differences in companies' asset structures, financial performance, financing decisions, and operational scale, which may be associated with their tax planning practices. Previous studies have examined these factors in relation to tax avoidance, although their findings may vary across research settings (Anjelina, 2022) . Therefore, investigating these variables among food and beverage companies listed on the Indonesia Stock Exchange is important to provide industry-specific empirical evidence regarding the factors associated with corporate tax avoidance.

The food and beverage subsector was selected as the object of this study because it is characterized by relatively stable consumer demand, as it produces essential goods, and involves business activities that generate recurring revenues and tax obligations (Hidayah, 2023) . These characteristics make the subsector relevant for examining corporate tax avoidance, particularly in relation to how companies manage their tax burdens relative to their financial performance. Preliminary observations of the Cash Effective Tax Rate (CETR) of several issuers in this subsector reveal variations in their effective tax payments. PT Mayora Indah Tbk

*Corresponding Author's Email
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https://ojs.um-palembang.ac.id/index.php/balance , Email : balance.aktfeb@gmail.com
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recorded CETR values of 0.15 in 2022, 0.14 in 2023, and 0.21 in 2025. Meanwhile, PT Cisarua Mountain Dairy Tbk recorded a CETR of 0.17 in 2025, while PT Ultrajaya Milk Industry & Trading Company Tbk recorded values of 0.18 in 2023 and 0.19 in 2025. These figures indicate that the companies' cash tax payments were relatively low compared with their respective pre-tax earnings during the reported periods. However, low CETR values alone do not necessarily establish the existence of tax avoidance practices, as they may also be influenced by differences in tax incentives, temporary differences, and other factors affecting cash tax payments. Therefore, these figures should be interpreted as preliminary indicators of differences in corporate tax payment patterns rather than conclusive evidence of tax avoidance. This condition provides a basis for further investigation into corporate tax avoidance in the food and beverage subsector by examining CETR alongside other relevant financial and tax-related factors (Putri et al., 2024).

The large proportion of fixed assets held by a company directly reflects a high level of capital intensity (Gracella et al., 2025). This is because substantial fixed assets automatically generate considerable depreciation expenses, which may reduce the company's tax liabilities Mandila & Hendrani (2024). Sari & Ajimat (2023), along with Gracella et al. (2025) found that greater investment in tangible assets provides entities with broader opportunities to effectively reduce their tax burden, one of which is through depreciation expense recognition policies. However, contrasting results were reported by Hendayana (2024) and Safitri & Wahyudi (2022), who concluded that capital intensity does not have a significant effect on tax avoidance.

A company's ability to convert sales into net income is reflected in its profitability, which in this study is proxied by Net Profit Margin (NPM) (Hirmantono & Maharani, 2022). An increase in NPM is directly proportional to the amount of net income generated from sales activities, which in turn may increase the company's tax burden (Hendayana et al., 2024). Consistent findings were also reported by Randy & Wibowo (2022) and Hendayana et al. (2024), who confirmed that profitability has a significant effect on tax-minimization practices.

The funding composition of an entity, which compares the proportion of debt to equity, is reflected in leverage, which is proxied by the Debt to Equity Ratio (DER (Lubis & Nugroho, 2023) . Interest expenses arising from the use of borrowed funds may serve as a deduction from taxable income, meaning that a higher DER is generally associated with an increase in tax avoidance practices (Randy & Wibowo, 2022). This conclusion is further supported by the findings of Jayani & Wibowo (2021) and Hendayana et al. (2024), who confirmed the influence of leverage on tax avoidance.

In addition to the three variables above, firm size is also expected to influence tax avoidance, with total assets used as a measure of company size in this study. Greater resource availability in large-scale companies allows tax planning to be carried out more effectively, thereby providing greater opportunities to implement tax avoidance strategies while remaining within the boundaries of tax regulations (Wulandari et al., 2024). In contrast, Gumelar et al. (2024) and Shinta & Sihono (2023) obtained different results.

The inconsistency of findings in previous studies provides the research gap underlying this study. As an extension of the study conducted by Hendayana et al. (2024), this research adds firm size as a new independent variable, shifts the research object to issuers in the food and beverage subsector, and updates the observation period to 2022–2025. Through these modifications, this study is expected to contribute empirical and contextual evidence regarding the determinants of tax avoidance.

The food and beverage subsector during the 2022–2025 period is relevant for investigation because it produces essential consumer goods and operates under recurring consumer demand, while differences in asset structure, profitability, financing decisions, and firm size may influence companies' tax burdens and tax planning decisions. Focusing on this subsector over the 2022–2025 period provides an opportunity to examine the determinants of tax avoidance within a specific industry context. Furthermore, compared with previous studies examining different research objects or industrial sectors, this study provides additional empirical evidence by simultaneously examining capital intensity, profitability, leverage, and firm size in food and beverage subsector companies listed on the Indonesia Stock Exchange (IDX). This industry-specific approach is expected to help clarify whether the relationships between these variables and tax avoidance reported in previous studies are also evident in this subsector.

Based on the urgency of the phenomenon and the inconsistencies in previous research findings, this study investigates whether capital intensity, profitability, leverage, and firm size affect tax avoidance among food and beverage subsector issuers listed on the IDX during the 2022–2025

period. The objective of this study is to examine the effects of these four variables on tax avoidance while providing additional empirical evidence to strengthen the existing literature. From a theoretical perspective, this study is expected to provide further evidence regarding the determinants of tax avoidance. From a practical perspective, the findings are expected to serve as a consideration for management in formulating tax policies and making decisions, while also providing useful information for investors, regulatory authorities, and other stakeholders.

LITERATURE REVIEW

Agency Theory

Agency theory, as proposed by Jensen & Meckling describes a contractual relationship between agents and principals who fundamentally share the same interest, namely maximizing company profits (Rahman et al., 2024). However, differences in interests between the two parties give rise to information asymmetry, as management, acting as the company's administrator, generally has broader access to information than the owners.

The tendency of each party to prioritize its own interests is the root of agency conflicts. In its efforts to increase company value, management often engages in tax avoidance as a strategy to increase profits, which indirectly improves management performance in the eyes of shareholders (Randa & Helmy, 2023; Caroline & Fajriana, 2025). Nevertheless, principals generally exercise caution toward excessive tax avoidance practices, considering the legal risks and non-compliance consequences involved, such as tax audits or the issuance of Tax Collection Notices (STP), which may ultimately damage the company's reputation and erode its value (Maulana & Jufri, 2025).

Tax Avoidance

Wijaya & Novianti (2024) conceptualizes tax avoidance as a taxpayer strategy that exploits loopholes or weaknesses in tax regulations to minimize tax liabilities. A similar definition is presented by Solaikhah & Kusumawati (2022), who describe tax avoidance as a model of reducing tax burdens through the utilization of regulatory loopholes. This practice is considered legal, although it aims to reduce or even eliminate tax obligations within the boundaries of applicable regulations (Ulinuha & Nurdin, 2024). Such flexibility is possible because taxpayers have the authority to calculate and remit their own tax obligations to the government (Ajron & Yohanes, 2023).

Cash Effective Tax Rate (CETR) is used in this study as a measure of tax avoidance, calculated by comparing the amount of taxes paid with pre-tax income (Putri et al., 2024).The preference for CETR over ETR is based on its ability to more accurately capture taxes actually paid through the company's actual cash flows, rather than merely accounting tax expenses that remain susceptible to estimation elements (Hendayana et al., 2024).

Capital Intensity

The ratio comparing total fixed assets to total assets to measure the proportion of asset investment is referred to as capital intensity (Rahman et al., 2025). The high proportion of fixed assets owned by a company serves as a primary indicator of its capital intensity (Gracella et al., 2025). The high proportion of fixed assets owned by a company serves as a primary indicator of its capital intensity (Mandila & Hendrani, 2024). Fixed asset ownership has two aspects: on the one hand, it supports productivity and revenue-generating capacity; on the other hand, depreciation expenses may reduce profits and tax liabilities (Rochmadi, 2022).

The size of the Capital Intensity Ratio (CIR) is directly proportional to the proportion of fixed assets controlled by the company (Efendi & Winingrum, 2025). Since no standard benchmark is available to establish a definite threshold for categorizing capital intensity as high or low, its determination in empirical research is generally conducted relatively based on the distribution of the sample data used (Azzahra et al., 2026).

Profitability

Various definitions of profitability have been proposed by experts. Sutrisno (2009) defines it as an organization's capacity to generate profits through various efforts, while Sartono (2010) emphasizes a corporation's ability to obtain profits from operational activities by utilizing sales, assets, or capital. Kasmir (2011) asserts that an entity's ability to record profits is reflected in its profitability level, whereas Sudana (2011) in views the profitability ratio as a representation of a company's effectiveness in converting assets, capital, and sales into profits, as well as an indicator for evaluating overall company performance.

The Net Profit Margin (NPM) value represents a company's success in converting sales into net income (Harjito & Martono, 2018). This ratio

is selected as a proxy for profitability because it illustrates the efficiency of managing sales revenue into net income after accounting for all operating expenses and taxes. NPM is considered more representative than Return on Assets (ROA) or Return on Equity (ROE) in reflecting net income, which is the company's primary focus in tax planning. Therefore, this ratio is considered more relevant for measuring the effect of profitability on tax avoidance.

Leverage

The extent to which debt is utilized as a source of financing, as well as an entity's ability to meet short-term and long-term financial obligations, can be assessed through leverage (Wiagustini, 2010:76). Kasmir (2012), defines leverage or solvency as a ratio measuring the proportion of a company's assets financed by debt, while Brigham and Houston define it as a ratio assessing the use of debt as a source of financing that reflects a company's ability to manage and optimize the utilization of debt (Lubis & Nugroho, 2023).

The Debt to Equity Ratio (DER) serves as a proxy for leverage and measures an entity's dependence on creditor financing compared with its own capital in financing assets (Kasmir, 2011). Through this ratio, the proportion of financing derived from debt relative to equity can be determined. Interest expenses resulting from debt utilization are treated as a reduction of taxable income (*tax-deductible expenses*). Therefore, DER is considered directly related to the company's strategy to reduce its tax burden and is regarded as a more appropriate representation of the relationship between leverage and tax avoidance than other leverage proxies.

Firm Size

Company scale or firm size, according to Widiyati (2020), can be represented by total assets, the logarithm of total assets, and stock market value. Juhandi et al. (2019) add that firm size describes the operational scale of a corporation based on total assets, the natural logarithm of total assets, or stock market value. The greater the value of these indicators, the larger the scale of the corresponding corporation.

Ln assets is selected as the proxy for firm size in this study because total assets represent the magnitude of resources controlled by the company (Octaviantary & Damayanti, 2023). Greater asset ownership enables companies to implement more structured tax strategies, as large-scale companies are generally supported by greater organizational capacity and abundant resources. Consequently, the tendency to engage in legal tax avoidance may also increase as company size grows (Wulandari et al., 2024) .

The Partial Effect of Capital Intensity on Tax Avoidance

Capital intensity reflects the proportion of a company's total assets invested in tangible fixed assets, such as buildings, machinery, production equipment, and other operational facilities. A higher capital intensity ratio indicates that a larger share of the company's resources is allocated to fixed assets. This asset structure may influence corporate tax planning because fixed assets are generally subject to depreciation over their useful lives. When depreciation expenses are deductible for tax purposes under applicable tax regulations, they reduce taxable income and, consequently, the company's corporate income tax liability. Therefore, companies with higher capital intensity may have greater opportunities to obtain tax benefits from depreciation deductions, potentially increasing their incentives to engage in tax avoidance.

The positive relationship between capital intensity and tax avoidance can be further explained through the tax-planning mechanism associated with asset ownership. Fixed assets generate depreciation deductions over time, allowing companies to recover the tax cost of qualifying assets through deductions against taxable income. The timing and amount of these deductions depend on the applicable tax depreciation rules, including the asset's classification and prescribed useful life. When tax depreciation reduces taxable income relative to the amount that would otherwise be reported, the resulting tax savings may provide an incentive for management to consider the tax implications of investment and asset-utilization decisions. Accordingly, capital intensity may create opportunities for companies to manage their tax liabilities through the utilization of legally available depreciation deductions.

Previous empirical evidence provides support for this expected relationship. Ilmi and Wafiroh (2025), who examined manufacturing companies in the food and beverage subsector listed on the Indonesia Stock Exchange during 2019–2023, found that capital intensity significantly affected tax avoidance. Their findings indicate that companies with substantial fixed assets may use depreciation deductions as part of their tax-planning activities. Similarly, Sari & Ajimat (2023) reported that capital intensity affected tax avoidance among companies

included in the LQ45 index. Komalasari & Suharna (2024) also identified a significant relationship between capital intensity and tax avoidance among companies in the consumer non-cyclicals sector listed on the Indonesia Stock Exchange. Although these studies examine different samples and periods, their findings provide empirical grounds for expecting capital intensity to be associated with corporate tax avoidance.

This relationship is particularly relevant to food and beverage companies because their operations may require substantial investments in production machinery, processing facilities, storage infrastructure, and other fixed assets. Such investments can generate recurring depreciation deductions that affect taxable income throughout the assets' useful lives. Consequently, companies with a higher proportion of fixed assets may have greater opportunities to benefit from tax depreciation, which can strengthen management's incentives to incorporate tax considerations into investment and financial decisions. Nevertheless, the existence of depreciation deductions does not automatically indicate tax avoidance, as their tax effects depend on applicable regulations and the company's actual tax-planning decisions. Based on the theoretical mechanism and empirical evidence discussed above, this study proposes the following hypothesis:
H_1: Capital intensity has a positive and significant effect on tax avoidance.

The Partial Effect of Profitability on Tax Avoidance

A corporation's ability to generate profits from its operations is reflected in profitability, which is measured using Net Profit Margin (NPM) because it represents the amount of net income generated from each sales transaction. An increase in NPM is directly proportional to the amount of net income earned, indicating a healthier financial condition while also increasing the tax burden that must be paid. Higher profitability generally indicates greater taxable income and, consequently, a higher potential tax burden. This condition may encourage management to implement tax planning strategies to minimize tax expenses and maintain the company's after-tax performance. This argument is supported by Gumelar et al. (2024) who found that profitability has an effect on tax avoidance among banking companies listed on the Indonesia Stock Exchange.

Safitri & Wahyudi (2022) found that profitability has a significant relationship with tax avoidance practices, consistent with the studies by Gumelar et al. (2024) and Purwaningsih & Mardiana (2023) which also confirmed the relationship between the two variables. In line with this relationship, companies with higher profitability may face greater tax obligations, thereby creating stronger incentives for management to reduce tax expenses through tax planning activities.Caroline & Fajriana (2025) also found that profitability is associated with tax avoidance among Indonesian companies, supporting the argument that profitability is an important company characteristic in explaining tax avoidance behavior. Based on these findings, the second hypothesis is formulated as follows:
H_2: Profitability has a positive and significant effect on tax avoidance.

The Partial Effect of Leverage on Tax Avoidance

Leverage reflects the extent to which a company relies on debt financing relative to equity, as measured by the Debt to Equity Ratio (DER). The relationship between leverage and tax avoidance can be explained through the tax deductibility of interest expenses. Under applicable tax regulations, deductible interest expenses reduce taxable income and, consequently, corporate income tax liabilities. Therefore, companies with higher leverage may have greater opportunities to reduce their tax burden through interest deductions, provided that the expenses satisfy the applicable tax requirements. This mechanism provides a potential incentive for companies to incorporate debt financing into their tax planning strategies.

From the perspective of agency theory, managers are expected to make financing and operational decisions that support corporate financial objectives and shareholder interests. Companies with substantial debt obligations must allocate sufficient cash flow to meet interest and principal repayments. These obligations may encourage management to improve cash flow efficiency, including through the management of tax expenses. When reducing tax liabilities becomes part of the company's financial strategy, management may have stronger incentives to utilize available tax planning opportunities. Accordingly, higher leverage may be positively associated with tax avoidance when the tax benefits of debt financing influence managerial decisions.

Previous empirical studies provide support for the expected positive relationship between leverage and tax avoidance. Joachim (2024), examining Indonesian publicly listed companies, reported a positive relationship between leverage

and tax avoidance. Similarly, Hajar & Hapsari (2025), who investigated food and beverage subsector companies listed on the Indonesia Stock Exchange, found that leverage had a significant positive effect on tax avoidance. These findings suggest that debt financing may be an important factor in corporate tax planning, particularly when interest expenses provide opportunities to reduce taxable income. Although the strength of this relationship may vary depending on financing decisions and applicable tax regulations, the findings provide an empirical basis for expecting a positive relationship between leverage and tax avoidance.

In the food and beverage subsector, companies require financing to support production facilities, inventory procurement, distribution networks, and business expansion. When these activities are financed through debt, the resulting interest expenses may provide tax benefits that influence corporate tax planning decisions. Based on the tax deductibility of interest expenses, the incentives associated with debt obligations, and the supporting empirical evidence, this study proposes the following hypothesis:

H_3: Leverage has a positive and significant effect on tax avoidance.

The Partial Effect of Firm Size on Tax Avoidance

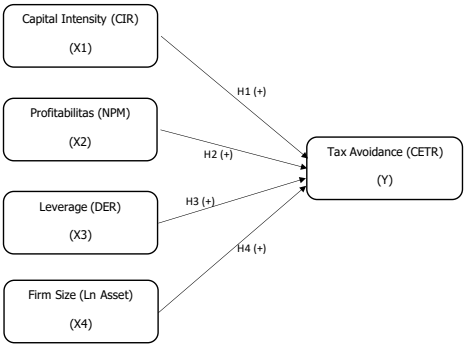
Firm size represents the scale of a company's operations and is measured in this study using the natural logarithm of total assets. Larger companies generally possess greater financial resources, more extensive organizational structures, and more complex business operations than smaller companies. These characteristics may enable them to employ specialized personnel, obtain professional tax advice, and evaluate alternative tax treatments more systematically. Consequently, larger companies may have greater organizational capacity to identify and implement tax planning opportunities permitted under applicable tax regulations. This provides a theoretical basis for expecting a positive relationship between firm size and tax avoidance.

Agency theory offers an additional perspective on this relationship. Management is expected to make decisions that support corporate performance and shareholder interests, including the efficient management of tax expenses. For larger companies, the greater scale and complexity of business operations may increase the need for sophisticated financial planning and tax management. Their greater organizational resources may allow management to coordinate tax-related decisions across different business activities and evaluate the tax implications of operational and investment decisions. Furthermore, when taxable income increases with business scale, management may have stronger incentives to evaluate opportunities to manage corporate tax liabilities. These conditions may increase the capacity and incentives of larger companies to engage in tax planning, although the extent of tax avoidance ultimately depends on managerial decisions and compliance with applicable regulations.

Previous empirical findings provide support for the proposed relationship. Joachim (2024), in a study of Indonesian publicly listed companies, reported a positive relationship between firm size and tax avoidance. This finding suggests that larger companies may possess characteristics that facilitate tax planning. Similarly, studies cited by Wulandari et al. (2024) and Aini and Ikram (2025) reported that firm size was associated with tax avoidance. However, the relationship is not necessarily uniform across companies. Larger firms may also face greater scrutiny from tax authorities, investors, auditors, and the public, which can discourage aggressive tax practices. These competing considerations suggest that the relationship between firm size and tax avoidance should be examined empirically rather than assumed to be universally positive.

In the food and beverage subsector, companies differ in their asset ownership, production capacity, distribution networks, and operational scale. Larger companies may have greater access to specialized tax expertise and more sophisticated financial management systems, potentially enabling them to implement tax planning more effectively. Based on these theoretical considerations and the empirical evidence suggesting a positive relationship between firm size and tax avoidance, this study proposes the following hypothesis:

H_4: Firm size has a positive and significant effect on tax avoidance.



Source : Processed data (2026)

Figure 1. Conceptual Framework

Explanation :
Y : Tax avoidance (CETR)
X1 : Capital Intensity (CIR)
X2 : Profitability (NPM)
X3 : Leverage (DER)
X4 : Firm size (Ln Aset)

RESEARCH METHODOLOGY

This study is based on a quantitative research approach, considering that the data are processed in numerical form and analyzed using statistical methods. The study adopts a causal approach involving the independent variables of capital intensity, profitability, leverage, and firm size, with tax avoidance as the dependent variable. The data sources are the financial statements of listed companies.

According to Sugiyono (2019:126), a population refers to every object or subject that possesses specific characteristics determined by the researcher for investigation, where all members serve as the basis of observation and the results of the analysis are used to draw research conclusions. In this study, the population consists of 82 companies.

According to Sugiyono (2019:127), a sample is a portion of the population selected from a dataset to represent the characteristics of the entire dataset, so that the results of the analysis conducted on the sample can be used to describe the condition of the dataset being studied. The sample was determined using the purposive sampling method, which involves selecting data based on specific criteria to obtain relevant data related to the focus of the study. The criteria include the food and beverage subsector was selected to provide an industry-specific context for examining the relationship between capital intensity, profitability, leverage, firm size, and tax avoidance. The observation period covers four consecutive years, from 2022 to 2025, to examine these relationships across multiple annual observations. The sample was determined using purposive sampling based on predetermined criteria relevant to the research objectives.

Table 1. Sample Selection Criteria

No	Sample Selection Criteria	Number of Companies
1	Food and beverage subsector companies listed on IDX during 2022-2025	82
2	Companies not listed on the IDX main board	-49
3	Companies that didn't consistently report profits throughout 2022-2025	-4
Final Sample		29
Observation Period		4 years
Total Observation		116

Source: Processed Data (2026)

The ratio used is a ratio that compares total fixed assets to total assets to measure the proportion of assets referred to as capital intensity or capital intensity Kasmir (2011). A company's ability to convert sales revenue into net income after accounting for all expenses, including taxes, is reflected by the Net Profit Margin (NPM) Harjito & Martono (2018:60). Sulistyanto further stated that an NPM above 5% indicates a healthy company condition, while also indicating that its sales activities

are capable of generating an adequate amount of net income (Daeli et al., 2022).

The Debt to Equity Ratio (DER) is used as a proxy for leverage, namely a ratio that describes the proportion of debt and equity Kasmir (2011). Kasmir stated established an industry standard for DER at 90% or 0.9. Values below this threshold are categorized as good because they reflect relatively low use of debt compared to equity, whereas values above the threshold indicate a higher level of dependence on debt (Maryati et al., 2024).

Ln Assets is used as a proxy for firm size in this study and is calculated based on the measurement of corporate assets (Octaviantary & Damayanti, 2023). Firm size is directly proportional to the amount of total assets controlled by the company; companies with large total assets tend to generate relatively higher profits, which consequently increases their tax burden (Octaviantary & Damayanti, 2023).

The Cash Effective Tax Rate (CETR) is used as a proxy for tax avoidance by comparing the amount of tax paid to profit before tax (Andriyani & Carolina, 2023). A high CETR value approaching the corporate income tax rate of 22% indicates a low level of tax avoidance, whereas a decrease in CETR indicates a higher tendency toward tax avoidance (Putri et al., 2024). CETR is calculated for each company-year observation by dividing cash taxes paid by income before tax. The figures used in the calculation are obtained from the annual reports and financial statements of the sampled companies for each year from 2022 to 2025. The CETR dataset should be checked to ensure that the underlying figures are available for each company-year observation and that the ratios are calculated consistently. Any missing or invalid data should be identified and transparently reported before the statistical analysis is conducted.

EViews 14 software is used for the entire data processing and analysis process. The initial stage involves descriptive statistical analysis to map the distribution, tendencies, and characteristics of the data before proceeding to subsequent tests. Panel data estimation is then conducted by evaluating alternative models through the Chow test, Hausman test, and Lagrange Multiplier test to determine the best model among the Common Effect Model, Fixed Effect Model, and Random Effect Model. The selected panel data regression model is subsequently subjected to feasibility testing through a series of classical assumption tests, namely normality, multicollinearity, heteroscedasticity, and autocorrelation tests, to fulfill the statistical prerequisites before hypothesis testing.

Furthermore, panel data regression analysis is conducted to analyze the relationships among the variables. The coefficient of determination (R^2) is also used as an indicator of the model's ability to explain the variation in the dependent variable. Based on these stages, the panel data regression equation can be formulated as follows:

$$Y = \alpha + \beta1X1 + \beta2X2 + \beta3X3 + \beta4X4 + e$$

Explanation:

Y = Tax Avoidance
α = Constant
X1 = Capital Intensity
X2 = Profitability
X3 = Leverage
X4 = Firm Size
β = Regression coefficient of each independent variable
e = Error Term

RESULTS AND DISCUSSION

Result

Descriptive Test

The average value of the tax avoidance variable, proxied by CETR, was 0.257003, with a minimum value of 0.073030 and a maximum value of 0.829117, and a standard deviation of 0.123096. The average value was relatively close to the current corporate income tax rate of 22%. The lowest CETR value was recorded by Triputra Agro Persada Tbk in 2024 at 0.073030, while the highest value was recorded by Bisi International Tbk in 2023 at 0.829117.

Capital intensity recorded an average value of 0.337037, a minimum value of 0.063919, a maximum value of 0.782747, and a standard deviation of 0.136713, indicating that, on average, approximately one-third of the companies' total assets consisted of fixed assets. The lowest value was recorded by Delta Djakarta Tbk in 2022 at 0.063919, while the highest value was recorded by Sariguna Primatirta Tbk in 2025 at 0.782747.

Profitability, measured by Net Profit Margin (NPM), recorded a mean value of 0.126957, a minimum value of 0.002362, a maximum value of 0.342245, and a standard deviation of 0.088922. The average NPM of 0.126957 (approximately 12.70%) indicates that, on average, the companies generated net profit equivalent to approximately 12.70% of their sales during the observation period. Although this

average exceeds the 5% benchmark, it does not necessarily indicate that all companies had healthy profitability, as substantial differences existed among the observed companies. This variation is reflected in the minimum NPM of 0.002362 (approximately 0.24%) recorded by Malindo Feedmill Tbk in 2022 and the maximum NPM of 0.342245 (approximately 34.22%) recorded by PP London Sumatra Indonesia Tbk. The minimum value indicates a considerably lower profit margin than the average, whereas the maximum value reflects a substantially higher margin. Therefore, profitability among the sampled companies varied considerably, and the overall assessment should consider the distribution of NPM values rather than relying solely on the average. Furthermore, the 5% benchmark should be interpreted cautiously unless supported by an appropriate industry-specific reference or established financial standard.

Table 2. Descriptive Statistics

Variable	Y	X1	X2	X3	X4
Mean	0,257003	0,337037	0,126957	0,869923	29,91167
Maximum	0,829117	0,782747	0,342245	4,935010	33,01543
Minimum	0,073030	0,063919	0,002362	0,069744	27,44274
Std. Dev	0,123096	0,136713	0,088922	0,740951	1,329844
Observations	116	116	116	116	116

Source : Processed data (2026)

Leverage, proxied by DER, recorded an average value of 0.869923, a minimum value of 0.069744, a maximum value of 4.935010, and a standard deviation of 0.740951. The average value was slightly below the threshold of 0.9 as stated by Kasmir (2015) in (Maryati et al., 2024). BISI International Tbk recorded the lowest DER value in 2025 at 0.069744, while the highest value was recorded by Sawit Sumbermas Sarana Tbk in 2023.

Firm size had an average value of 29.91167, a minimum value of 27.44274, a maximum value of 33.01543, and a standard deviation of 1.329844. Mulia Boga Raya Tbk in 2023 recorded the smallest company size, with total assets of Rp828,378,354,007, below the subsector average of approximately Rp23,887,656,017,050. Meanwhile, Indofood Sukses Makmur Tbk in 2025 was recorded as the largest company, with total assets of Rp217,981,765,000,000.

Model Selection Tests

The model selection process began with the Chow test as the basis for determining the Common Effect Model and Fixed Effect Model. The test produced a Cross-section Chi-square probability of 0.0003 (<0.05), indicating that the Fixed Effect Model was the appropriate choice. The Hausman test produced a Cross-section random probability of 0.4166 (>0.05), directing the selection toward the Random Effect Model. Subsequently, the Lagrange Multiplier test produced a Breusch-Pagan probability of 0.0204 (<0.05), again indicating the Random Effect Model. The overall series of tests led to the conclusion that the most appropriate model was the Random Effect Model.

Table 3. Table Model Selection Test

Test	Probability	Decision
Chow Test	0,0003	Fixed Effect Model
Hausman Test	0,4166	Random Effect Model
Lagrange Multiplier	0,0204	Random Effect Model
Selected Model	**-**	**Random Effect Model**

Source : Processed data (2026)

Classical Assumption Tests

Normality Test

The Jarque–Bera test was used to assess the normality of the residuals at a 5% significance level. The initial test yielded a Jarque–Bera statistic of 129.1431 with a probability value of 0.000000 (<0.05), indicating that the residuals were not normally distributed. To address this issue, a natural logarithmic transformation was applied specifically to the dependent variable, the Cash Effective Tax Rate (CETR), resulting in Ln(CETR). Following this transformation, the regression model was re-

estimated, and normality was reassessed using the residuals of the final model. The Jarque–Bera test for these residuals produced a statistic of 0.161470 with a probability value of 0.922438 (>0.05). Therefore, the null hypothesis of normally distributed residuals could not be rejected, indicating that the residuals of the final model satisfied the normality assumption at the 5% significance level.

Table 4. Normality Test

Variable	X1	X2	X3	X4
X1	1.000000	-0.223307	0.042841	-0.161281
X2	-0.223307	1.000000	-0.337644	-0.249264
X3	0.042841	-0.337644	1.000000	0.077411
X4	-0.161281	-0.249264	0.077411	1.000000

Source : Processed data (2026)

Heteroscedasticity Test

The Glejser test was used to detect heteroscedasticity by regressing the absolute residual values against the independent variables, with a significance threshold of 0.05. The test results produced probability values of X1 (0.4150), X2 (0.0740), X3 (0.2055), and X4 (0.0701), all of which were above the threshold. Therefore, the model was considered to have no symptoms of heteroscedasticity.

Table 5. Heteroscedasticity Test

Variable	X1	X2	X3	X4
C	0.338761	0.143971	2.352979	0.0204
X1	-0.035934	0.043915	-0.818252	0.4150
X2	-0.129997	0.072063	-1.803946	0.0740
X3	-0.010297	0.008084	-1.273639	0.2055
X4	-0.008331	0.004555	-1.828992	0.0701

Source : Processed data (2026)

Multicollinearity Test

The presence or absence of multicollinearity in the model was determined based on the absolute correlation values among the independent variables, with a threshold below 0.80. The highest absolute correlation in this study was 0.3376, occurring between profitability (X2) and leverage (X3). Therefore, the model was considered free from multicollinearity.

Table 6. Multicollinearity Test

Variable	X1	X2	X3	X4
X1	1.000000	-0.223307	0.042841	-0.161281
X2	-0.223307	1.000000	-0.337644	-0.249264
X3	0.042841	-0.337644	1.000000	0.077411
X4	-0.161281	-0.249264	0.077411	1.000000

Source : Processed data (2026)

Autocorrelation Test

The Durbin-Watson value was used as the basis for testing autocorrelation. The test results showed a value of 2.014701, which was close to 2. Thus, it can be interpreted that the model residuals did not indicate any significant autocorrelation.

Table 7. Autocorrelation Test

Variable	X1	X2	X3	X4
C	-0.191143	1.249906	-0.152926	0.8787
X1	-0.066001	0.377344	-0.174910	0.8615
X2	-2.272543	0.595904	-3.813605	0.0002
X3	-0.181784	0.066735	-2.723975	0.0075
X4	-0.026584	0.039685	-0.669869	0.5043
		Weighted Statistics		
R-squared	0.136383	Mean dependent var		-0.978374
Adjusted R-squared	0.105261	S.D. dependent var		0.383599
S.E. of regression	0.362848	Sum squared resid		14.61414
F-statistic	4.382284	Durbin-Watson stat		2.014701
Prob(F-statistic)	0.002505			

Source : Processed data (2026)

Panel Data Regression Test

The panel data regression equation using the Random Effect Model can be written as follows:

Ln(CETR) = -0.191143 - 0.066001X1 - 2.272543X2 - 0.181784X3 - 0.026584X4 + e

Ln(CETR) had a value of -0.191143 when all independent variables, namely capital intensity, profitability, leverage, and firm size, were assumed to be zero, as indicated by the constant value. A negative relationship with Ln(CETR) was indicated by the capital intensity coefficient (-0.066001), profitability coefficient (-2.272543), and leverage coefficient (-0.181784). The firm size coefficient (-0.026584) also indicated a negative relationship, although the magnitude was relatively small.

Hypothesis Testing

Coefficient of Determination (R^2)

The R-squared value of 0.136383 and Adjusted R-squared value of 0.105261 were obtained from the coefficient of determination test. The Adjusted R-squared value indicates that 10.52% of the variation in tax avoidance (Ln(CETR)) could be explained by capital intensity, profitability, leverage, and firm size, while the remaining 89.48% was influenced by factors outside the scope of this study.

F-test

The F-statistic value of 4.382284 with a Prob(F-statistic) of 0.002505 (<0.05) was obtained from the F-test. Therefore, H_0 was rejected and H_a was accepted. It can be concluded that capital intensity, profitability, leverage, and firm size simultaneously had a significant effect on tax avoidance, reflecting that the regression model adequately represented the relationship among the variables.

Table 8. f-Test Hypothesis

Variable	Coefficient
R-Squared	0.136383
Adjusted R-Squared	0,105261
F-statistics	4,382284
Prob (F-statistic)	0,002505

Source : Processed data (2026)

t-Test

The t-test results show that capital intensity has a coefficient of -0.066001 with a probability value of 0.8615 (> 0.05). Therefore, its effect is not statistically significant and H1 is not supported. Profitability has a coefficient of -2.272543 with a probability value of 0.0002 (< 0.05), indicating a statistically significant relationship with Ln(CETR). Because CETR is interpreted as an inverse proxy for tax avoidance in this study, the negative coefficient is consistent with a positive association between profitability and tax avoidance. Thus, H2 is supported.

Leverage has a coefficient of -0.181784 with a probability value of 0.0075 (< 0.05). The negative coefficient indicates a decrease in Ln(CETR), which, under the study's inverse-proxy interpretation, corresponds to greater tax avoidance.

Therefore, leverage is positively associated with tax avoidance and H3 is supported. In contrast, firm size has a coefficient of -0.026584 with a probability value of 0.5043 (> 0.05). Its effect is not statistically significant; accordingly, H4 is not supported.

Table 9. t-test Hypothesis

Variable	Coefficient	Prob	Decission
Capital Intensity	-0,066001	0,8615	No Effect
Profitability	-2,272543	0,0002	Has a Positive Effect
Leverage	-0,181784	0,0075	Has a Positive Effect
Firm Size	-0,026584	0,5043	No Effect

Source : Processed data (2026)

The hypothesis decisions are based on both statistical significance and the operational definition of the dependent variable. The positive hypotheses are retained as theory-based propositions; they are not changed to match the empirical results. H2 and H3 are supported, whereas H1 and H4 are not supported. The negative coefficients for profitability and leverage refer to Ln(CETR), not directly to the tax-avoidance construct; their interpretation as positive associations with tax avoidance depends on treating lower CETR as indicating greater tax avoidance.

Discussion

The Effect of Capital Intensity on Tax Avoidance

Capital intensity has no statistically significant effect on tax avoidance (β = −0.066001; p = 0.8615); therefore, H1 is not supported. Although the coefficient is negative, its high p-value means that the model does not provide sufficient evidence that a higher fixed-asset ratio is associated with a change in tax avoidance. This result is relevant to the introductory argument that investment in tangible assets may create opportunities to reduce taxable income, but it shows that such opportunities do not necessarily translate into a measurable difference in CETR among the sampled firms during 2022–2025.

In the food and beverage subsector, machinery, processing lines, storage facilities, and other fixed assets are central to producing and distributing essential consumer goods. Their acquisition may primarily reflect capacity, quality, or efficiency requirements rather than a tax-driven decision. Moreover, capital intensity is a broad balance-sheet ratio: it does not identify the amount of depreciation deducted for fiscal purposes in a particular year. The tax effect depends on the asset category, acquisition timing, useful life, and depreciation method permitted under the applicable tax rules. Consequently, firms with similar capital-intensity ratios may have different fiscal depreciation deductions.

Tax depreciation is therefore a plausible explanation for why the present result differs from studies that find a significant relationship. A higher fixed-asset ratio can reduce taxable income only when the assets generate deductible fiscal depreciation in the relevant period. Differences between accounting depreciation and fiscal depreciation, as well as the timing of asset purchases and the applicable depreciation method, may weaken the relationship between the total fixed-asset ratio and CETR. Because this study does not separately measure fiscal depreciation or reconcile accounting and tax depreciation, this mechanism should be treated as a possible explanation rather than a tested cause.

The result is consistent with Hendayana et al. (2024) and Safitri & Wahyudi (2022), who reported no significant effect of capital intensity on tax avoidance. In contrast, Sari and Ajimat (2023) and (Gracella et al., 2025) reported that investment in tangible assets can provide opportunities to reduce the tax burden through depreciation-related policies. Other studies cited in the revised discussion, including Ilmi & Wafiroh (2025) and Laila & Rosyati (2025), also reported significant relationships. The contrast suggests that results may depend on the sample, period, model specification, and tax-avoidance proxy, as well as whether the analysis captures actual fiscal depreciation rather than fixed assets alone. In the context of the revenue-realization decline described in the introduction, the finding cautions against assuming that capital investment automatically explains differences in corporate tax payments. The evidence in this study does not establish capital intensity as an independent determinant of tax avoidance in the sample.

The finding is consistent with Hendayana et al. (2024), who reported that capital intensity did not

significantly affect tax avoidance among LQ45 firms. In contrast, Ilmi & Wafiroh (2025) reported a significant effect of capital intensity in food and beverage manufacturing firms, while Laila and Rosyati (2025) also reported a significant partial effect in IDX food and beverage firms. These contrasting findings suggest that the relationship may depend on the sample period, model specification, and tax-avoidance proxy. Tax depreciation is one plausible explanation: the fixed-asset ratio measures the relative stock of assets, but does not reveal the fiscal depreciation deduction claimed in a particular year. Under agency theory, managers may make capital-investment decisions mainly to meet production and efficiency needs, while the tax consequences depend on the assets purchased and the applicable fiscal rules. Because this study did not separately test fiscal depreciation, the mechanism remains a possible explanation rather than a demonstrated cause. Overall, the current evidence does not support treating capital intensity alone as a reliable determinant of tax avoidance in this sample.

The Effect of Profitability on Tax Avoidance

Profitability measured by Net Profit Margin (NPM), has a statistically significant negative coefficient in the Ln(CETR) model ($\beta = -2.272543$; $p = 0.0002$). Because a lower CETR is interpreted in this study as indicating greater tax avoidance, the result supports H2: higher profitability is associated with higher tax avoidance. This association is relevant to the introductory observation that the food and beverage firms examined display different CETR patterns. However, CETR differences can also reflect tax incentives, temporary differences, and other determinants of cash tax payments; thus, the result should not be interpreted as proof that every high-margin company deliberately avoids tax.

The industry context provides a more specific interpretation than the general expectation that higher profits increase tax obligations. Food and beverage companies face recurring costs for raw materials, packaging, labour, energy, logistics, storage, and production equipment, while margins can differ because of product mix, pricing power, scale, distribution efficiency, and cost control. NPM captures the net income generated from sales after expenses, but it does not directly measure taxable income. A company with a high NPM may therefore have both a stronger capacity to manage tax compliance and a stronger incentive to preserve after-tax returns, while differences between accounting profit and taxable profit may also affect its CETR. The significant result indicates an association between profitability and the tax-payment proxy, not the precise channel through which that association occurs.

Agency theory helps explain the result, but it should not be treated as a deterministic prediction. Managers may face pressure to maintain reported performance and shareholder returns, which can make the management of tax expenses salient when profits rise. At the same time, management decisions are constrained by tax rules, internal controls, audit quality, reputational risk, and the potential costs of disputes with tax authorities. The declining tax-revenue realization reported in the introduction underscores the policy relevance of understanding corporate tax payments, but it does not establish that profitable firms caused the decline. This study does not directly measure managerial incentives, governance quality, or tax-planning decisions, so these explanations remain theoretical interpretations of the observed association.

The result broadly agrees with Randy & Wibowo (2022) and Hendayana et al. (2024), which reported a significant relationship between profitability and tax-minimization or tax-avoidance practices. Hendayana et al. (2024) also provides a point of comparison because it is the study extended by the present research. However, comparisons should account for differences in operationalization: this study measures profitability using NPM and tax avoidance using the inverse proxy Ln(CETR), whereas other studies may use different profitability or tax-avoidance measures. Where a study reports a negative coefficient for a tax-avoidance proxy, its substantive meaning may differ depending on whether a higher proxy value means more or less avoidance. Such measurement differences, together with sample composition and period, may help explain why prior findings are not fully uniform.

Overall, profitability is a significant correlate of Ln(CETR) in the sampled food and beverage companies during 2022–2025. The result adds industry-specific evidence to the research gap identified in the introduction, but it should not be generalized to mean that higher profitability automatically leads to tax avoidance. Further analysis could distinguish accounting profit from taxable income and incorporate tax adjustments, governance characteristics, and alternative tax-avoidance proxies to assess the mechanism more directly.

Taken together, the results suggest that profitability is relevant to explaining variation in

Ln(CETR) in this sample, but the finding should not be generalized into a claim that higher profits automatically cause tax avoidance. Future research could test the proposed explanation more directly by distinguishing operating profitability from tax-planning choices and by incorporating governance variables, fiscal tax adjustments, and alternative tax-avoidance proxies.

The Effect of Leverage on Tax Avoidance

Leverage has a significant negative coefficient in the Ln(CETR) model (β = −0.181784; p = 0.0075). Since lower CETR is interpreted as greater tax avoidance, the result supports H3 and indicates a positive association between leverage and tax avoidance. This finding is consistent with Aini and Ikram (2025), Rahman et al. (2024), and Hendayana (2024), as cited in the original manuscript. It also supports examining financing structure as one possible contributor to the variation in company-level CETR noted in the introduction, while recognizing that CETR is affected by factors beyond leverage.

For food and beverage companies, debt may finance working capital, inventory, distribution, production equipment, or expansion. Interest costs may reduce taxable income when they qualify as deductible expenses and comply with applicable tax limitations. Nevertheless, the regression does not test interest deductibility as a separate mechanism, so the result should not be interpreted as proof that interest deductions explain the observed association.

From an agency perspective, debt creates repayment obligations and may encourage managers to protect cash flow and monitor financing costs. However, leverage can also increase financial risk and constrain investment. The significant coefficient therefore indicates an average association in this sample rather than evidence that firms borrow primarily to avoid tax.

From an agency perspective, debt creates repayment obligations and may encourage managers to protect cash flow and monitor financing costs. Nevertheless, leverage can also increase financial risk and constrain a firm's capacity to invest. The coefficient should therefore be read as an average association in this sample rather than proof that debt is adopted primarily to avoid tax.

The Effect of Firm Size on Tax Avoidance

Firm size has no statistically significant effect on tax avoidance (β = −0.026584; p = 0.5043), so H4 is not supported. Although the coefficient is negative, its statistical insignificance means that the study does not establish an association between firm size and tax avoidance. Because the dependent variable is Ln(CETR), the coefficient's sign alone should not be interpreted as evidence of a change in tax avoidance.

Size may create competing influences. Larger firms may have more specialist staff and resources for tax planning, but they may also face greater scrutiny from auditors, investors, regulators, and the public. Smaller firms may have fewer resources for complex planning while differing in ownership structures, transactions, and business models. These countervailing factors may weaken the average relationship between total assets and CETR.

This interpretation is relevant to the food and beverage subsector, where companies differ in production scale, product portfolio, distribution networks, and asset intensity. Total assets alone may not capture these operational differences or the quality of tax governance. The result is consistent withA. Gumelar et al. (2024) and (Shinta & Sihono, 2023), as cited in the original manuscript, but it does not mean that size is irrelevant in every setting. Differences in tax-avoidance proxies, observation periods, and sample composition may contribute to inconsistent findings across studies.

Agency theory suggests that monitoring and accountability may constrain managerial discretion, particularly in firms with greater public visibility. However, firm size is only an indirect indicator of these mechanisms; this study does not directly measure monitoring quality or governance. In relation to the introduction's concern about tax-revenue realization, the result indicates that company scale alone does not explain the variation in CETR within this sample. Other financial, tax-related, and institutional factors may also be relevant.

Agency theory further explains this phenomenon. The larger the company, the stronger the monitoring mechanisms over management, thereby limiting opportunistic behavior in implementing tax avoidance strategies. Large companies generally receive greater attention from regulators, investors, auditors, and the public, which can discourage aggressive tax practices. Therefore, although large companies have greater financial and managerial resources, their greater level of external oversight may reduce the extent to which firm size translates into tax avoidance behavior.

CONCLUSION

This study aims to empirically analyze the effect of capital intensity, profitability, leverage, and firm size on tax avoidance in food and beverage subsector companies listed on the Indonesia Stock Exchange (IDX) during the 2022–2025 period. The results of the panel data regression analysis based on a sample of 29 companies indicate that capital intensity and firm size do not have a significant effect on tax avoidance, while profitability and leverage are proven to have a positive and significant effect on tax avoidance.

Recommendations

Several limitations are inherent in this study. First, there are still companies that recorded consecutive losses. Second, some companies have not consistently published their financial statements. Third, the low Adjusted R-squared value indicates that the research model is only able to explain a small portion of the variation in tax avoidance, while the majority is influenced by factors outside the model.

For future research, it is recommended to incorporate additional variables that may explain tax avoidance, particularly sales growth. Sales growth is considered relevant because an increase in sales may lead to higher company revenues and profitability, which can subsequently increase tax liabilities and create incentives for management to implement tax avoidance strategies. Previous studies have found a positive relationship between sales growth and tax avoidance (Wongsosudono et al., 2023).

The findings emphasize the importance of encouraging company management to prioritize compliance with tax regulations and to implement reasonable and sustainable tax planning. Decision-making related to capital intensity, profitability, leverage, and firm size should be more oriented toward operational needs and improving company performance, rather than solely toward efforts to minimize the tax burden. In addition, management needs to consider legal, reputational, and corporate sustainability risks when determining tax policies in order to maintain a balance between tax efficiency and compliance.

DECLARATIONS

Use of AI

During the preparation of this article, The author used ChatGPT and Gemini only to find references and ideas for writing sentences so that they could be connected coherently. After that, the author revised the sentences into simpler language that is easier to understand. The authors also reviewed and edited the article as necessary and take full responsibility for the content of the publication.

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All authors contributed to the development of the research title, data processing, and the preparation of narrative sentences in the research article, revision, and approval of the final version of the article.

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Conflict of Interest

The authors declare that there is no conflict of interest that could have influenced the conduct of the research or the publication of this article.

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