

MANAGERIAL OWNERSHIP, COMPANY SIZE, AND PROFITABILITY AS DETERMINANT FACTORS OF TAX AVOIDANCE IN FOOD AND BEVERAGE COMPANIES LISTED ON THE IDX IN 2020-2023



Deni Rachmad Sulistiyanto¹

Universitas Airlangga, Surabaya, Indonesia

deni.rachmad.sulistiyanto-2022@feb.unair.ac.id

Heru Tjaraka²

Universitas Airlangga, Surabaya, Indonesia

heru_tjaraka@feb.unair.ac.id

Abstract

This study examines the effect of managerial ownership, company size, and profitability on tax avoidance in food and beverage companies listed on the Indonesia Stock Exchange for the period 2020-2023. The background of this study is based on the legal but controversial practice of tax avoidance, which has an impact on state revenues and company reputation. This study aims to analyze the relationship between these variables and the level of tax avoidance. The method used is multiple regression with panel data, involving 24 companies as samples selected through purposive sampling. Secondary data were obtained from the company's audited financial statements. The results of the study indicate that managerial ownership has a significant negative effect on tax avoidance, indicating that the greater the managerial ownership, the lower the level of tax avoidance. Conversely, company size does not show a significant effect on tax avoidance. Profitability significantly affects tax avoidance, where more profitable companies tend to implement more complex tax avoidance strategies. This study makes an important contribution to the tax avoidance literature, providing insight for policymakers to formulate more effective regulations and assisting companies in managing tax strategies efficiently.

Keywords: Managerial Ownership, Firm Size, Profitability, Tax Avoidance

INTRODUCTION

Tax avoidance refers to legitimate and legal efforts made by companies to reduce their tax obligations by exploiting loopholes or imperfections in the existing tax system (Sumunar et al., 2019). Although technically legal, this practice is often controversial because it has the potential to reduce state revenues that could otherwise be used to finance development (Krieg & Li, 2021; Rohyati & Suropto, 2021). The impact of tax avoidance on the economy can be seen in the reduction of funds available to the public sector, which in turn affects the quality of public services and social welfare. For companies, although it can increase net income, excessive tax avoidance can damage the company's reputation, especially if revealed to the public, as well as invite the attention of tax authorities, which can lead to stricter audits and detrimental sanctions (Shevlin et al., 2019).

The phenomenon of tax avoidance in the Indonesian Food and Beverage sector between 2021-2022 shows practices involving large companies. In 2021, PT Indofood Sukses Makmur Tbk (INDF) transferred the assets and operations of the Noodle Division to PT Indofood CBP Sukses Makmur Tbk (ICBP), which was considered a business expansion to avoid taxes. However, the DGT decided that the company was still required to pay taxes of IDR 1.3 billion. On the other hand, in 2022, PT Wilmar Internasional Limited Group was suspected of committing tax evasion worth IDR 500 billion through transfer pricing and fictitious transactions between companies in its group

The main problem in tax avoidance in the Food and Beverage sector lies in how managerial behavior and company size affect tax decisions (Setiadi, 2022; Novita & Herliansyah, 2019). Companies with strong managerial ownership may have more control over tax avoidance strategies, using tax planning to reduce their liabilities (Indriastuti et al., 2020). In addition, large companies tend to have more resources to exploit tax loopholes, conduct transfer pricing, or establish subsidiaries abroad, which can increase tax avoidance practices compared to small companies that have limited capacity to manage taxes (Yusri et al., 2022; Niandari et al., 2020).

Tax avoidance is influenced by several factors, namely managerial ownership, company size, and profitability. Managerial ownership explains how decisions made by company managers can be influenced by their share ownership in the company (Nengsih et al., 2021). When managers own more shares, they tend to pay more attention to the company's

long-term profits and are more careful in tax management, including tax avoidance (Kuo & Lee, 2019). Strategic decision making, such as tax planning, is often influenced by incentives given to managers, such as bonuses or company shares that can encourage them to minimize tax liabilities (Mardiana, 2024).

The company size factor is directly related to the company's ability to manage its tax obligations (Pratama & Pratiwi, 2022; Chytis et al., 2019). Large companies, with greater resources, usually have more access to complex tax avoidance strategies, such as the use of international structures or more sophisticated tax planning (Yusri et al., 2022; Novita & Herliansyah, 2019). In addition, large companies are often better able to manage financial disclosure and transparency, which reduces the risk of being audited or sanctioned by tax authorities, although they also face stricter scrutiny due to their size and profile in the market (Rakayana et al. 2021; Setiadi, 2022).

The profitability factor of a company significantly influences the tax avoidance strategy implemented (Shubita, 2024). More profitable companies tend to have greater incentives to minimize their tax liabilities to maintain higher profit margins (Liyundira et al., 2023; Anggraeni & Oktaviani, 2021). High profitability provides companies with more flexibility in choosing appropriate tax avoidance methods, such as cost allocation or tax-favorable revenue structures (Shubita, 2024; Marfu'ah et al., 2021). The tax strategies companies use is usually adjusted to their profit levels, aiming to optimize after-tax profits (Indrati 2024; Asih & Darmawati, 2022; Mahdiana & Amin, 2020).

The novelty of this study lies in the integration of variables such as managerial ownership, firm size, and profitability in the context of tax avoidance, which have not been widely explored in the food and beverage sector in Indonesia. Theoretically, this study develops and tests new relationships between managerial factors and firm structure with tax avoidance practices, as well as its contribution to the broader tax avoidance literature. In terms of context, this study examines companies listed on the IDX in the period 2020-2023, providing empirical insight into recent trends. The method used is panel data analysis, which allows for in-depth analysis of the dynamics of the relationship between variables over time, offering new insights into tax research.

This research is very important for the government in formulating more effective tax policies and reducing tax avoidance practices, as well as strengthening corporate supervision

and monitoring. For the industry, this research provides insights on how to manage tax risks and improve their compliance with tax obligations. From an academic perspective, this research makes a significant contribution by introducing new theories and empirical analysis on the relationship between managerial ownership, firm size, profitability, and tax avoidance in Indonesia, which has not been widely discussed in the literature.

The urgency of this research is very important in reducing tax avoidance practices that can have a negative impact on the country's economy, especially with the increasing tax non-compliance that affects state revenues. This research is also relevant to the current economic conditions in Indonesia, where new tax policies can affect corporate tax strategies, so it is important to evaluate their impact. In addition, companies need to be more proactive in complying with tax regulations, and this research will provide insight into the factors that encourage or hinder tax compliance, helping companies formulate more efficient tax strategies.

REVIEW OF LITERATURE

Managerial Ownership

Managerial ownership (insider ownership) refers to the largest share ownership by company management, as measured by the percentage of shares owned by managers (Srimindarti et al., 2020; Serly & Zulvia, 2019). This reflects the level of share ownership by managers, which is expected to increase their loyalty, dedication, and productivity to the company (Koapaha, 2020; Bhatti et al., 2021). Managerial ownership can be calculated by dividing the number of shares owned by directors and managers by the total shares outstanding (Roslan et al., 2019). This program aims to reduce agency problems through remuneration policies (Effendi, 2023; Altania & Tanno, 2023).

$$Kep. Managerial = \frac{Number\ of\ Managerial\ Shares}{Total\ Shares\ Outstanding}$$

Company Size

Company size, which describes the scale or size of a company, can be measured through various indicators such as equity value, sales, assets, and financial structure (Purwohandoko & Iriani, 2021). Assessment of company size helps in understanding its financial capacity and stability, as well as its influence on strategic decisions and the company's financial structure (Ramdhani, 2023). This measure also plays an important role

in determining the company's ability to manage risks and take advantage of market opportunities (Wahyudi, 2023). In this study, company size is defined by taking the natural logarithm of the company's total assets, which is formulated as follows (Kasmir, 2021):

$$\text{Company Size} = \ln \text{Total Assets}$$

Profitability

Company profitability reflects the company's ability to generate revenue from its operations, which is important in assessing how effective the company is in achieving strategic goals and improving operational efficiency (Anggun, 2023). Profitability analysis also focuses on reducing waste and providing accurate data for continuous improvement (Kasmir, 2021). For investors with a long-term time horizon, understanding profitability is key to evaluating the growth potential and stability of a company (Larasati & Purwanto, 2022). Return on assets is used as an indicator of profitability.

$$\times 100\% \text{ Return on Assets} = \frac{\text{Net Profit After Tax}}{\text{Total Asset}}$$

Tax Avoidance

Tax avoidance is a legitimate activity to reduce the tax burden without violating tax provisions (Sugiat, 2023; Young & Park, 2021). According to Sugiat, (2023) and Cruz et al., (2022), tax avoidance is carried out by using legal tax strategies (Cheng, 2023; Nurdiana, 2021). In this study, tax avoidance is measured using CASH ETR (cash effective tax rate), which is the ratio between cash spent on tax costs and profit before tax (Young & Park, 2021; Wahyuni et al., 2019). The formula for calculating CASH ETR is:

$$\text{Cash ETR} = \frac{\text{Tax Payment}}{\text{Profit before tax}}$$

The higher the Cash ETR, the lower the level of corporate tax avoidance.

Framework of Thinking

Managerial ownership, firm size, and profitability have a direct relationship with tax avoidance practices. More dominant managerial ownership can have a major influence on tax avoidance decisions through greater control over tax strategies. Firm size, on the other hand, can affect a firm's ability to exploit tax loopholes through complex organizational structures and international transactions. Firm profitability plays an important role in encouraging firms to optimize tax avoidance to maximize the benefits that can be obtained from reducing tax liabilities. The following is the framework for this study:

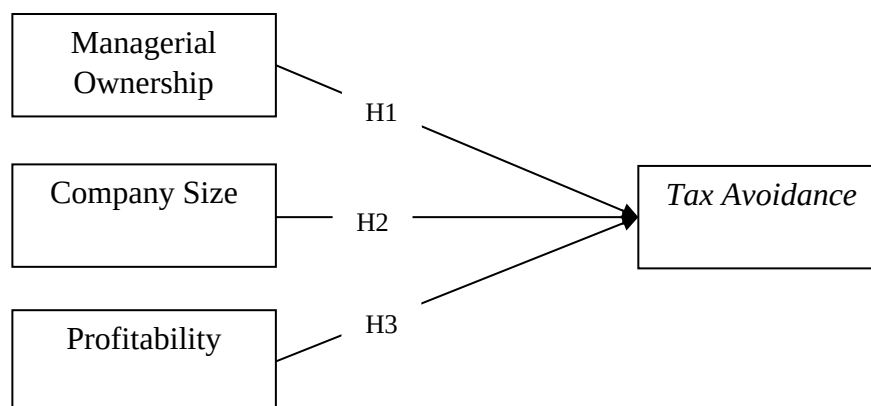


Figure 1.
Framework of Thinking

Hypothesis Development

The Influence of Managerial Ownership on Tax Avoidance

Managerial ownership can affect tax avoidance because by owning company shares, managers have an incentive to increase the value of the company, including in terms of managing the company's tax obligations (Koapaha, 2020; Bhatti et al., 2021). Share ownership gives managers greater control in strategic decision-making, including more efficient tax strategies, which often include legitimate tax avoidance to reduce the tax burden (Srimindarti et al., 2020; Serly & Zulvia, 2019). This happens because managers want to maximize the company's profits, potentially through aggressive tax management (Sugiat, 2023; Young & Park, 2021).

H1: There is managerial ownership that has a significant positive effect on *tax avoidance*

The Influence of Company Size on Tax Avoidance

Company size affects tax avoidance because larger companies usually have more resources, the ability to design complex tax strategies, and the opportunity to take advantage of tax policies (Purwohandoko & Iriani, 2021). Large companies can also manage tax obligations more efficiently, using methods such as transfer pricing or profit shifting between subsidiaries, which can legally reduce the tax burden (Wahyudi, 2023). In contrast, small companies may be more limited in terms of tax avoidance strategies (Cheng, 2023; Nurdiana, 2021).

H2: There is a significant positive influence of company size on tax avoidance

The Influence of Profitability on Tax Avoidance

Corporate profitability affects tax avoidance because more profitable companies tend to have more resources to plan and implement more aggressive tax strategies (Larasati & Purwanto, 2022). With high profits, companies have a greater incentive to exploit loopholes in tax laws and policies to minimize their tax liabilities, while remaining within legal limits (Kasmir, 2021). This makes tax avoidance a tool to increase corporate profits (Young & Park, 2021; Wahyuni et al., 2019).

H3: There is a significant positive effect of profitability on tax avoidance

RESEARCH METHOD

The research approach used in this study is quantitative. According to Sugiyono (2020) quantitative research methods can be interpreted as research methods based on the philosophy of positivism, used to research certain populations or samples, where data analysis is quantitative or numbers which there involving statistical calculations to test the established hypothesis. Furthermore, this type of research is explanatory research, namely explaining the relationship between independent variables and dependent variables through hypothesis testing.

The population in this study was 26 BEI Food and Beverage companies for the 2020-2023 period. The sample in this study was 24 Food and Beverage companies. The sample selection was done using the purposive sampling method. The purposive sampling criteria used in this study are as follows:

1. Food and Beverage sector companies listed on the Indonesia Stock Exchange in 2020 – 2023.
2. Have audited financial reports presented in rupiah currency.
3. Number of Financial companies that went IPO between 2020-2023.
4. The number of companies that have complete data according to the research variables.

The type of data in this study is secondary data. Data in the form of financial reports and annual reports of companies is obtained from the annual reports. The data used in the study are time series and cross-sectional data. The data collection technique in this study is documentation.

The analysis method used in this study is regression, which aims to test the relationship of influence between one variable and another variable. The variable that is influenced is called the dependent variable, while the variable that influences is called the free variable or independent variable. Regression that has one dependent variable and more than one independent variable is called multiple regression. The equation of multiple regression in this study is as follows:

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + e$$

Where:

Y : Tax Avoidance

α : Constant

$\beta_{1,2,3}$: Regression coefficient

X1: Managerial Ownership

X2: Company Size

X3: Profitability

e : Error

According to Ghozali (2021), the accuracy of the regression function in estimating the actual value can be measured from its goodness of fit, which can be statistically measured from the coefficient of determination and the t-statistic value.

The t-test is used to test the significance of each regression coefficient. The level of significance or error rate (α) used in this study is 5% (0.05). Conclusions in the t-test are drawn by comparing the results of the significance value and the error rate. The requirements in decision making are:

1. If the significance value $< \alpha$, then the independent variable has a partial significant effect on the dependent variable.
2. If the significance value $> \alpha$, then the independent variable has a partial significant effect on the dependent variable.

The F-statistical test is used to test whether the regression model can be used to predict the dependent variable. The hypothesis will be tested using a significance level of α of 5 percent or 0.05. The criteria for accepting or rejecting the hypothesis will be based on the significance probability value. If the significance probability value is < 0.05 , then the hypothesis is accepted. This means that the regression model can be used to predict the independent variable. If the significance probability value is > 0.05 , then the hypothesis is

rejected. This means that the regression model cannot be used to predict the dependent variable.

The coefficient of determination (R^2) test essentially measures how far the model's ability to explain the variation of the dependent variable. The coefficient of determination value has a value between zero and one. A small (R^2) value means that the ability of the independent variables to explain the dependent variable is very limited. A value close to one means that the independent variables provide almost all the information needed to predict the independent variables.

RESULTS AND DISCUSSION

Descriptive Statistical Analysis Results

Descriptive statistical analysis is a statistical method used in analyzing data by describing or depicting the data that has been collected. According to Ghozali (2015), this analysis aims to provide an overview or describe data in variables seen from the average value (mean), minimum, maximum, and standard deviation. Descriptive statistics are statistics used in describing data into clearer and easier-to-understand information that provides an overview of the research in the form of the relationship of independent variables, proxied by the board of directors and company size. The results of the descriptive statistical analysis research can be seen in Table 1 below:

Table 1.
Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
X1_KM	96	.00	.18	.0527	.04669
X2_LNTa	96	12.70	22.52	18.9838	2.81420
X3_ROA	96	.00	.43	.0864	.10925
Y_CETR	96	.00	2.35	.3633	.39049
Valid N (listwise)	96				

Source: Processed data, (2024)

Based on table 1, it shows that N or the number of valid data for each variable is 96, Managerial Ownership data (X1), the minimum value is 0.00, the maximum value is 0.18, the mean value is 0.0527, and the standard deviation value is 0.04669, which means that the mean value is greater than the standard value so that the data deviation that occurs is low, so the distribution of the values is even.

Shows that N or the number of valid data for each variable is 96, Company Size data (X2), the minimum value is 12.70, the maximum value is 22.52, the mean value is 18.9838, and the standard deviation value is 2.81420, which means that the mean value is greater than the standard value so that the data deviation that occurs is low, so the distribution of the values is even.

Shows that N or the number of valid data for each variable is 96, Profitability data (X3), minimum value is 0.00, maximum value is 0.43, mean value is 0.0864, and standard deviation value is 0.10925, which means the mean value is greater than the standard value so that the data deviation that occurs is low, so the distribution of the values is even.

Shows that N or the number of valid data for each variable is 96, Tax Avoidance (Y) data, the minimum value is 0.00, the maximum value is 2.35, the mean value is 0.3633, and the standard deviation value is 0.39049, which means that the mean value is greater than the standard value so that the data deviation that occurs is low, so the distribution of the values is even.

Results of Classical Assumption Test Analysis

Normality Test

The normality test aims to test whether the variables in the research model are normally distributed. The Normality Test is carried out to see whether the residual values obtained from the model follow a normal distribution or not. The test results show that the residuals are normally distributed if the points seen in the SPSS test result image are around the diagonal line. The results of the normality test can be seen in the following image:

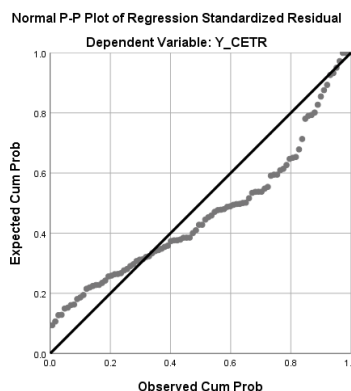


Figure 2
Heteroscedasticity Test Results
Source: Processed data, (2024)

Figure 2 shows that the dots are around the diagonal line. The dots that spread around the diagonal line indicate that the residuals are normally distributed, so that it can be concluded that the residuals between the variables of Managerial Ownership, Company Size, and Profitability towards Tax Avoidance are normally distributed.

Heteroscedasticity Test

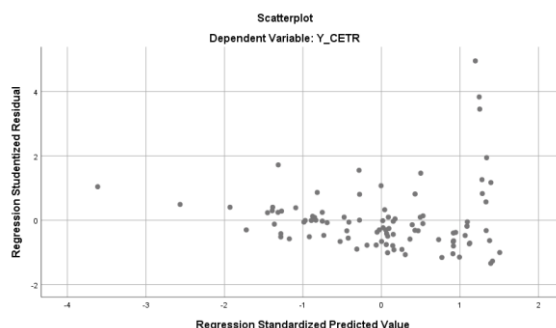


Figure 3
Scatterplot Graph

Source: Processed data, (2024)

Based on Figure 3 above, it can be seen that there is no clear pattern and the points are spread above and below the number 0 on the Y axis. This shows that the data in this study does not experience heteroscedasticity.

Autocorrelation Test

Table 2
Autocorrelation Test

Model Summaryb					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.564a	.318	.071	.37629	1,830
a. Predictors: (Constant), X3_ROA, X2_LNTa, X1_KM					
b. Dependent Variable: Y_CETR					

Source: Processed data, (2024)

Based on the output above, the DW (Durbin-Watson) value is 1.830. Next, we will compare this value with the DW table value with a significance of 5%, it is known that the number of data $N = 96$ and the number of independent variables $K = 3$, then the du value (upper limit) is 1.7652. The DW value of 1.830 is greater than the upper limit (du) of 1.6589, and the DW value of 1.830 is less than $(3 - du) 3 - 1.7652 = 1.2348$. So, it can be concluded that there is no autocorrelation.

Multiple Regression Test Analysis Results

Multiple Linear Regression Analysis is intended to determine the influence or relationship between independent variables and dependent variables, so to obtain more accurate results, the author uses the help of the SPSS 25.00 software program from the coefficient table, the output produced is in Table 3.

Table 3.
Multiple Regression Testing

		Coefficients ^a			
		Unstandardized Coefficients		Standardized Coefficients	
Model		B	Std. Error	Beta	t
1	(Constant)	.149	.269		.555
	X1_KM	-1.620	.829	-.194	-2.154
	X2_LNTa	.019	.014	.137	1,382
	X3_ROA	.698	.354	-.195	2.270

a. Dependent Variable: Y_CETR

Source: Processed data, (2024)

Based on this equation it can be described as follows:

The regression equation

$$Y = b_0 + b_1X_1 + b_2X_2 + b_3X_3 + e$$

$$Y' = 0.149 + (-1.620X_1) + 0.019X_2 + 0.698X_3 + 0.269$$

Information:

Y = Tax Avoidance
 b_0 = Constant/reciprocal value
 X_1 = Managerial Ownership
 X_2 = Company Size
 X_3 = Profitability
 b = Regression coefficient,
 e = Standard error

The regression equation above can be explained as follows:

1. The constant of 0.149 means that if Managerial Ownership, Company Size and Profitability (X) are 0, then the Tax Avoidance (Y) value is 0.149.
2. The regression coefficient of the Managerial Ownership variable (X_1) is -1.620, meaning that if the value of the other independent variables continues to decrease by one unit, then Tax Avoidance (Y) will decrease by -1.620. A negative coefficient means that there is a positive influence on Tax Avoidance.

3. The regression coefficient of the Company Size variable (X2) is 0.019; this means that if the value of the other independent variables continues to increase by one unit, then Tax Avoidance (Y) will increase by 0.019. The coefficient is positive, meaning that there is a positive influence on Tax Avoidance.
4. The regression coefficient of the Profitability variable (X3) is 0.698; this means that if the value of other independent variables remains the same, then Tax Avoidance (Y) will increase by 0.698. A positive coefficient means that there is a positive influence on Tax Avoidance.
5. The standard error value is used to minimize the errors that occur, so that the e value here is 0.269.

Hypothesis Test Analysis Results

T-Test

The t-test is a test used to determine whether the independent variables partially have a real effect or not on the dependent variable, the degree of significance used is 0.05. If the significance value is smaller than the degree of confidence, then we accept the alternative hypothesis, which states that an independent variable partially affects the dependent variable.

According to the testing criteria:

H0 is rejected if t count > t table, if t count < t table, then H0 is accepted

Ha is accepted if t count > table, if t count < t table, then Ha is rejected

Table 4.
T-Test

		Coefficients ^a			
		Unstandardized Coefficients		Standardized Coefficients	
Model		B	Std. Error	Beta	t
1	(Constant)	.149	.269		.555
	X1_KM	-1.620	.829	-.194	-2.154
	X2_LNTa	.019	.014	.137	1.382
	X3_ROA	.698	.354	-.195	2.270

a. Dependent Variable: Y_CETR

Source: Processed data, (2024)

Based on the SPSS test results; the results of the t-test are in Table 3 as follows:

Based on the results of the t-test (partial) statistical test, it shows the following:

1. The Managerial Ownership variable (X1) has a significance value (Sig.) of 0.037 in the Coefficients table with an α value (degree of significance) of 0.05, meaning $0.037 < 0.05$ and the t-count value is greater than the t table, which is $-2.154 < 1.66088$. This means that Managerial Ownership (X1) has a significant negative effect on Tax Avoidance.
2. The Company Size variable (X2) has a significance value (Sig.) of 0.170 in the Coefficients table with an α value (degree of significance) of 0.05, meaning $0.170 > 0.05$ and the t-count value is greater than the t table, namely $1.382 < 1.66088$. This means that Company Size (X2) does not affect Tax Avoidance.
3. The Profitability variable (X3) has a significance value (Sig.) of 0.025 in the Coefficients table with an α value (degree of significance) of 0.05, meaning $0.025 < 0.05$ and the t-count value is greater than the t table, namely $2.270 > 1.66088$. This means that Profitability (X3) has a significant effect on Tax Avoidance.

F Test

With the help of the Anova table, the results of data processing with the SPSS program obtained the following:

Table 5.
F Test
ANOVA

	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1,459	3	.486	3.435	.020b
	Residual	13,027	92	.142		
	Total	14,486	95			

a. Dependent Variable: Y_CETR
b. Predictors: (Constant), X3_ROA, X2_LNTa, X1_KM

Source: Processed data, (2024)

Based on the table data above, the F-count is 3.435 and sig 0.020. This means that F-count $>$ F-table ($3.435 > 2.47$) and sig 0.05 ($0.020 < 0.05$), so the hypothesis can be accepted. In this case, it can be said that the variables of Managerial Ownership, Company Size, and Profitability together (simultaneously) affect Tax Avoidance, so that the three independent variables can be used to estimate or predict the Tax Avoidance variable.

Coefficient of Determination Test (R²)

The coefficient of determination in linear regression is often interpreted as how much the extent to which all independent variables to explain the variance and the dependent

variable. Simply put, the coefficient of determination is calculated by squaring the correlation coefficient (R) which reflects how much variation of the dependent variable Y can be explained by the independent variable X. If the coefficient of determination is equal to 0 ($R^2 = 0$), it means that the variation of Y cannot be explained by X at all. If $R^2 = 1$, it means that the variation of Y as a whole can be explained by the variable X. The results of the R^2 determination test are in the table below:

Table 6.
Coefficient of Determination Test

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.564 ^a	.318	.071	.37629	1,830
a. Predictors: (Constant), X3_ROA, X2_LNTa, X1_KM					
b. Dependent Variable: Y_CETR					

Source: Processed data, (2024)

Based on Table 5 above, the R^2 (R Square) figure is 0.318. This shows that the percentage contribution of the influence of the independent variables, consisting of Tax Planning, to the dependent variable, Tax Avoidance, is 31.8%. Or the variation of the independent variables used, Managerial Ownership, Company Size, and Profitability, are able to explain 31.8% of the variation of the dependent variable (Tax Avoidance). While the remaining 68.2% is influenced or explained by other variables that are not included in this research model. The regression results obtained a value of 0.37629, which means that the number of errors in the prediction of Tax Avoidance is 0.37629. As a guideline, if the standard error of the estimate is less than the standard deviation of Y, then the regression model is getting better at predicting the value of Y.

The Influence of Managerial Ownership on Tax Avoidance

Based on the research results, it shows that Managerial Ownership (X1) has a significance value (Sig.) of 0.037 in the Coefficients^a table with an α value (degree of significance) of 0.05, meaning $0.037 < 0.05$ and the t-count value is greater than the t table, which is $-2.154 < 1.66088$. This means that Managerial Ownership (X1) has a significant negative effect on Tax Avoidance.

Managerial ownership has a significant negative effect on tax avoidance because the greater the proportion of shares owned by management, the less likely they are to engage in

tax avoidance practices. Managers who have a direct interest in the company tend to be more careful in decision making, including in tax practices, to protect the company's reputation and maintain its long-term sustainability (Effendi, 2023; Altania & Tanno, 2023). Share ownership by managers increases the alignment of interests between managers and shareholders, so that risky practices such as tax avoidance are minimized (Koapaha, 2020; Bhatti et al., 2021). In addition, managers with significant share ownership are more likely to adopt strategies that support good corporate governance and financial transparency, reducing the likelihood of engaging in actions that can damage the company's image (Roslan et al., 2019; Saminem, 2022). Thus, managerial ownership serves as an effective internal control mechanism to prevent tax avoidance.

The Influence of Company Size on Tax Avoidance

Based on the research results, it shows that Company Size (X2) has a significance value (Sig.) of 0.170 in the Coefficientsa table with an α value (degree of significance) of 0.05, meaning $0.170 > 0.05$ and the t-count value is greater than the t table, which is 1.382 < 1.66088. This means that Company Size (X2) does not affect Tax Avoidance.

Company size does not have a significant effect on tax avoidance because company scale does not directly determine the ability or tendency of companies to engage in such practices. Large companies often have more transparent financial reporting mechanisms and are under stricter regulatory oversight, so the room for tax avoidance is more limited (Bachmann et al., 2021; Raguseo et al., 2020). In contrast, small companies may have more flexibility in financial reporting, but resource constraints prevent them from developing complex tax avoidance strategies (Hernández et al., 2020). In addition, other factors such as management governance, ownership structure, or tax policies tend to be the main determinants of corporate decisions regarding tax avoidance practices, beyond the influence of company scale (Chodorow-Reich et al., 2022). Research also shows that both large and small companies often face unique challenges that cannot be generalized based on size alone, so the relationship between company size and tax avoidance is inconsistent.

The Influence of Profitability on Tax Avoidance

Based on the research results, it shows that Profitability (X3) has a significance value (Sig.) of 0.025 in the Coefficientsa table with an α value (degree of significance) of 0.05,

meaning $0.025 < 0.05$ and the t-count value is greater than the t table, namely $2.270 > 1.66088$. This means that Profitability (X3) has a significant effect on Tax Avoidance.

Corporate profitability has a significant influence on tax avoidance because more profitable companies tend to have the financial resources and expertise to plan and implement complex and aggressive tax strategies (Larasati & Purwanto, 2022). High profits provide additional incentives for companies to take advantage of legal opportunities to minimize tax liabilities, such as through the use of tax incentives or efficient management of corporate structures (Kasmir, 2021). Thus, tax avoidance is one way to increase financial efficiency and maintain the company's competitiveness in the market (Young & Park, 2021; Wahyuni et al., 2019). In addition, profitable companies are more often targeted by tax audits, so their strategies are not only focused on reducing the tax burden but also ensuring compliance with applicable tax regulations. This shows that profitability not only affects the company's motivation to reduce taxes, but also the method and level of complexity of the tax strategy used.

CONCLUSION

The conclusion of this study is 1) Managerial Ownership has a significant negative effect on Tax Avoidance; 2) Company Size does not affect Tax Avoidance; 3) Profitability has a significant effect on Tax Avoidance. Suggestions from the results of this study are 1) Further research is expected to use more company sectors as samples so that it is not limited to only a few other company samples; and 2) Further research can use other analytical methods to obtain different research results.

REFERENCES

- Altania, S. and Tanno, A. (2023). The effect of managerial ownership and institutional ownership on company financial performance. *Scientific Journal of Management, Economics & Accounting (Mea)*, 7(1), 322-335. <https://doi.org/10.31955/mea.v7i1.2924>
- Anggraeni, T. and Oktaviani, R. (2021). The impact of thin capitalization, profitability, and company size on tax avoidance. *Journal of Accounting and Taxation*, 21(02). <https://doi.org/10.29040/jap.v21i02.1530>
- Anggun, N. (2023). The influence of financial ratios on profit growth of property & real estate companies listed on the idx for the period 2019-2021. *Almana Journal of Management and Business*, 7(2), 319-331. <https://doi.org/10.36555/almana.v7i2.2169>

- Asih, K. and Darmawati, D. (2022). The role of independent commissioners in moderating the effect of profitability, company size and company risk on tax avoidance. *Asia Pacific Fraud Journal*, 6(2), 235. <https://doi.org/10.21532/apfjournal.v6i2.222>
- Bhatti, K., Husnain, M., Saeed, A., Naz, I., & Hashmi, S. (2021). Are top executives important for earnings management and firm risk? empirical evidence from selected Chinese firms. *International Journal of Emerging Markets*, 17(9), 2239-2257. <https://doi.org/10.1108/ijoem-09-2019-0734>
- Chytis, E., Tasios, S., Georgopoulos, I., & Hortis, Z. (2019). The relationship between tax avoidance, company characteristics and corporate governance: evidence from Greece. *Corporate Ownership and Control*, 16(4), 77-86. <https://doi.org/10.22495/cocv16i4art7>
- Effendi, S. (2023). Analysis of the influence of institutional ownership, managerial ownership, and ownership structure on company financial performance: case study of manufacturing companies in Indonesia. *Global Financial Accounting Journal*, 7(2), 169. <https://doi.org/10.37253/gfa.v7i2.8596>
- Ghozali, I. (2021). *Multivariate Analysis Application with IBM SPSS 26 Program 10th Edition*. Diponegoro University Publishing Agency.
- Indrati, M. (2024). Analysis of factors that influence tax avoidance in the food and beverage industry. *Global Education Scientific Journal*, 5(1), 558-571. <https://doi.org/10.55681/jige.v5i1.2392>
- Indriastuti, M., Mar'ati, F., & Wijayani, D. (2020). Does managerial ownership and Islamic corporate social responsibility reduce tax aggressiveness? *International Journal of Islamic Business Ethics*, 5(2), 145. <https://doi.org/10.30659/ijibe.5.2.145-155>
- Kasmir. 2021. *Financial Statement Analysis Revised Edition*. Depok: PT. Raja Grafindo Persada.
- Koapaha, H. (2020). Debt ratio, performance and corporate values: managerial ownership versus non-managerial ownership. *Klabat Accounting Review*, 1(2), 12. <https://doi.org/10.31154/kar.v1i2.495.12-18>
- Krieg, K. and Li, J. (2021). A review of corporate social responsibility and reputational costs in the tax avoidance literature*. *Accounting Perspectives*, 20(4), 477-542. <https://doi.org/10.1111/1911-3838.12274>
- Kuo, N. and Lee, C. (2019). Earnings management in response to corporate tax rate reduction under an imputation tax system. *The International Journal of Accounting*, 54(01), 1950002. <https://doi.org/10.1142/s1094406019500021>
- Larasati, C. and Purwanto, P. (2022). How financial ratios and firm size affect profitability: evidence from food and beverages industry in Indonesia. *The Winners*, 23(1), 43-50. <https://doi.org/10.21512/tw.v23i1.7099>
- Liyundira, F., Fidiyyah, A., & Juliasari, D. (2023). Influence of corporate governance, corporate risk, and profitability on tax avoidance (empirical study of companies listed

- in the cgpi index 2018-2020). *International Journal of Accounting and Management Research*, 4(1), 33-40. <https://doi.org/10.30741/ijamr.v4i1.995>
- Mahdiana, M. and Amin, M. (2020). The effect of profitability, leverage, company size, and sales growth on tax avoidance. *Trisakti Accounting Journal*, 7(1), 127-138. <https://doi.org/10.25105/jat.v7i1.6289>
- Mardiana, M. (2024). The effect of corporate governance and executive incentives on tax avoidance of food and beverage sector companies. *IJERFA*, 2(4). <https://doi.org/10.55227/ijerfa.v2i4.153>
- Marfu'ah, D., Titisari, K., & Siddi, P. (2021). Tax avoidance reviewed from profitability, leverage, company size and independent commissioners. *Ekonomis Journal of Economics and Business*, 5(1), 53. <https://doi.org/10.33087/ekonomis.v5i1.265>
- Nengsih, T., Nofrianto, N., Prasaja, A., Rahma, S., Martaliah, N., & Ridho, M. (2021). Analysis of the distinction of earnings management between Islamic and conventional stocks markets in the consumer goods industry in Indonesia. *Journal of Business and Management Essence*, 11(2), 207-214. <https://doi.org/10.15408/ess.v11i2.23062>
- Niandari, N., Yustrianthe, R., & Grediani, E. (2020). Managerial ownership and tax avoidance practices. *Owner*, 4(2), 459. <https://doi.org/10.33395/owner.v4i2.250>
- Novita, E. and Herliansyah, Y. (2019). The effect of corporate governance mechanisms, liquidity and company size on tax avoidance. *Saudi Journal of Economics and Finance*, 03(10), 366-373. <https://doi.org/10.36348/sjef.2019.v03i09.001>
- Pratama, A. and Pratiwi, A. (2022). Tax disclosure in financial statements: the case of Indonesia. *International Journal of Applied Economics Finance and Accounting*, 14(1), 50-59. <https://doi.org/10.33094/ijaefa.v14i1.648>
- Purwohandoko, P. and Iriani, S. (2021). Effect of gross domestic product, liquidity, size, growth, capital adequacy ratio, and inflation on financial performance. *Equilibrium Journal of Economics-Management-Accounting*, 17(1), 46. <https://doi.org/10.30742/equilibrium.v17i1.1423>
- Rakayana, W., Sudarma, M., & Rosidi, R. (2021). Structure of company ownership and tax avoidance in Indonesia. *International Research Journal of Management It and Social Sciences*, 8(3). <https://doi.org/10.21744/irjmis.v8n3.1696>
- Ramdhani, R. (2023). The pandemic influence to firm size and financial ratio on listed companies in the healthcare industry. *Ultima Management Journal of Management Science*, 266-273. <https://doi.org/10.31937/manajemen.v15i2.3381>
- Rohyati, Y. and Suripto, S. (2021). Corporate social responsibility, good corporate governance, and management compensation against tax avoidance. *Budapest International Research and Critics Institute (Birci-Journal) Humanities and Social Sciences*, 4(2), 2612-2625. <https://doi.org/10.33258/birci.v4i2.1968>

- Roslan, Y., Dilla, J., & Suwarno, P. (2019). The effect of intellectual capital, institutional ownership and managerial ownership on company's performance. *Trisakti Accounting Journal*, 6(1), 99-118. <https://doi.org/10.25105/jat.v6i1.4996>
- Serly, V. and Zulvia, Y. (2019). Corporate governance and ownership structure: it's implications on agency costs (a study in Indonesian manufacturing company).. <https://doi.org/10.2991/piceeba-19.2019.4>
- Setiadi, N. (2022). An analysis of company size, ownership structure, intensity of fixed assets, and inventory intensity on tax avoidance: a case of retail companies. *International Journal of Business Humanities Education and Social Sciences (Ijbhes)*, 4(1), 14-21. <https://doi.org/10.46923/ijbhes.v4i1.122>
- Shevlin, T., Urcan, O., & Vasvari, F. (2019). Corporate tax avoidance and debt costs. *Journal of the American Taxation Association*, 42(2), 117-143. <https://doi.org/10.2308/atax-52605>
- Shubita, M. (2024). The relationship between sales growth, profitability, and tax avoidance. *Innovative Marketing*, 20(1), 113-121. [https://doi.org/10.21511/im.20\(1\).2024.10](https://doi.org/10.21511/im.20(1).2024.10)
- Srimindarti, C., Rahmawati, A., Hardiningsih, P., & Lisiantara, G. (2020). Financial distress a case study of indonesia.. <https://doi.org/10.2991/aebmr.k.210311.090>
- Sugiyono. (2020). *Quantitative, Qualitative and R&D Research Methods*. Bandung: Alfabeta
- Sumunar, K., Jannah, L., & Aulia, D. (2019). CEO overconfidence, tax avoidance, and education foundation. *Indonesian Accounting & Auditing Journal*, 23(2), 99-105. <https://doi.org/10.20885/jaai.vol23.iss2.art4>
- Wahyudi, S. (2023). Determinants of financial performance with company size as a moderating variable. *Journal of Social Science*, 4(2), 580-592. <https://doi.org/10.46799/jss.v4i2.571>
- Yusri, N., Astuti, S., Irawan, D., & Juanda, A. (2022). Ownership structure on tax avoidance: empirical study on manufacturing companies. *JBMP (Journal of Business Management and Banking)*, 8(2), 151-159. <https://doi.org/10.21070/jbmp.v8i2.1596>
- Cheng, C. (2023). Do creditor control rights impact corporate tax aggressiveness? evidence of debt covenant violations. *Journal of Business Finance & Accounting*, 51(5-6), 1084-1119. <https://doi.org/10.1111/jbfa.12742>
- Cruz, R., Fernández, V., Rodriguez, V., Espinoza, J., & Escalante, M. (2022). Administrative management in the collection of property taxes in the municipality of Condorcanqui, Peru. *Sapienza International Journal of Interdisciplinary Studies*, 3(4), 108-121. <https://doi.org/10.51798/sijis.v3i4.438>
- Nurdiana, R. (2021). The effect of environmental uncertainty and financial distress on tax avoidance with business strategy as moderating variables. *Eduvest - Journal of Universal Studies*, 1(9), 943-951. <https://doi.org/10.36418/edv.v1i9.209>
- Sugiat, J. (2023). The impact of company dimensions and marketing strategy on tax avoidance practices: empirical study of mining sector manufacturing companies.

Atestasi Jurnal Ilmiah Akuntansi, 6(2), 811-823.
<https://doi.org/10.57178/atestasi.v6i2.791>

Wahyuni, L., Fahada, R., & Atmaja, B. (2019). The effect of business strategy, leverage, profitability and sales growth on tax avoidance. *Indonesian Management and Accounting Research*, 16(2), 66-80. <https://doi.org/10.25105/imar.v16i2.4686>

Young, H. and Park, S. (2021). Relationship between corporate sustainability management and sustainable tax strategies. *Sustainability*, 13(13), 7429. <https://doi.org/10.3390/su13137429>