



## The Influence of Profitability and Company Size on Tax Avoidance (A Case Study of Mining Companies Listed on the Indonesia Stock Exchange in 2018-2022)

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**ABSTRACT:** Tax avoidance is a deliberate strategic approach that companies employ to reduce their tax liabilities while remaining compliant with relevant tax regulations. The complexity of tax avoidance arises from its dual nature, where, on one side, it remains within the bounds of legality, and yet, on the other side, it is deemed undesirable by the government due to its adverse impact on national revenue. The objective of this research is to investigate how both the size and profitability of a company influence its engagement in tax avoidance between mining companies listed on the Indonesia Stock Exchange (BEI) from 2018 to 2022. This research utilized a descriptive quantitative methodology and for sample was selected through purposive sampling, identifying 14 companies meeting predefined criteria. The data collected was subjected to analysis using IBM SPSS Statistics 25, which included Classical Assumption Tests, Multiple Linear Regression Analysis, and Hypothesis Testing. The results of this study indicated a noteworthy impact of profitability on tax avoidance, while the size of the company did not demonstrate a significant influence on tax avoidance. Moreover, the observation revealed that the joint consideration of both profitability and company size had a significant impact on tax avoidance.

**Keywords:** Company Size, Profitability, Tax Avoidance



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## INTRODUCTION

Taxes serve as a substantial revenue source for national development, which involves continuous development efforts to improve society's welfare. The level of public awareness to commit to their tax responsibilities can profoundly impact the sustainability of national development. Below is a table illustrating tax revenue figures over the past five years.

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**Table 1. Tax Revenue Data**

(In Million Rupiah)

Notes	2018	2019	2020	2021	2022
<b>Target</b>	1.424	1.577,56	1.198,82	1.229,6	1.485
<b>Realization</b>	1.315,9	1.332,1	1.069,98	1.231,87	1.717,8
<b>Percentages</b>	92,4%	84,4%	89,25%	100,19%	115,6%

Source: Kemenkeu (data processed, 2023)

The table presented that it is evident that the actual tax revenue collection has consistently fallen short of the established targets, despite witnessing incremental percentage increases. Tax revenues in 2018-2022 experienced fluctuations yearly, where the realized value of tax revenues in 2020 was the lowest compared to the previous year. Therefore, the government must optimize tax revenue to be stable and increase yearly. One key strategic measure to reach the tax revenue goal can be seen in the high level of taxpayer compliance. Derived from information provided by the Directorate General of Taxes (DJP), the formal taxpayer compliance ratio in 2018 was 71.10%, while in 2019, it was recorded at 73.06%, and in 2020, the standard taxpayer compliance ratio reached 77.63%.

Moreover 2021, formal taxpayers increased from the previous year to 84%; in 2022, the standard compliance level decreased from 83.2%. The government strives for a taxpayer compliance (WP) ratio following Organization for Economic Cooperation and Development (OECD) standards, reaching 85 percent. This percentage suggests that individuals still haven't disclosed their yearly responsibilities as taxpayers (Nugroho, et al., 2022). A state's revenue is closely related to taxpayer compliance, if taxpayer compliance increases then state revenue will increase (Beer et al., 2020). If we look at that data, the taxpayer compliance ratio has yet to reach its target and is still unstable yearly. The company's financial performance, as indicated by profitability, indicates its capacity for profit generation through the management of assets, identified as ROA, according to Dewinta & Setiawan (2016), An increase in ROA corresponds to higher company profits, while a decrease in ROA indicates lower profits. Consequently, a higher ROA level results in increased corporate profits, leading to higher tax liabilities. In response, the company may adopt tax avoidance measures. If taxpayers do not comply with tax regulations, this will indirectly increase tax avoidance efforts (Prastiyanti & Mahardhika, 2022).

Divergent interests exist between the government in its role as tax authorities and companies acting as taxpayers. For the government, taxes serve as a potential income stream for funding governmental administration. Conversely, tax is a burden for companies because of the potential to diminish earnings. Profitability can be assumed that all sample companies carry out tax management which aims to reduce the tax burden, by transferring pricing to companies that have special relationships or with subsidiaries so that company profits can be minimized (Moeljono, 2020) and then some companies maintain their profit value through tax avoidance (Khoirunissa & Ratnawati, 2021). Companies aspire to achieve elevated earnings in each period; however, the greater the profit, the increased tax liability. Thus, it is to enable companies to avoid taxes. Tax avoidance involves strategically lessening the tax burden through methods that align with tax

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regulations. When it adheres to existing loopholes in tax provisions, it is considered legal tax avoidance.

Tax avoidance practices have been observed within the coal mining sector, particularly involving companies affiliated with the Bakrie Group. These three companies have been implicated in tax avoidance activities totaling IDR 2.176 trillion. Additionally, there is documented evidence of tax avoidance in a report issued by Global Witness, which highlights the involvement of a major mining corporation in Indonesia, PT Adaro Energy Tbk. The report suggests that PT Adaro Energy Tbk engaged in tax avoidance through transfer pricing tactics involving its subsidiary in Singapore, known as Coaltrade Service International. These tax avoidance efforts by Adaro are reported to have occurred between 2009 and 2017. During this period, Adaro only paid taxes amounting to US\$125 million, equivalent to IDR 1.75 trillion (calculated at an exchange rate of IDR 14,000 per US dollar), a significantly lower figure than its tax liability owed to Indonesia ([Sugianto, 2019](#)).

The mining industry has evolved into one of the pivotal sectors in Indonesia, playing a leading role in the state's economic landscape. Nonetheless, to enhance transparency within the management of this sector, there is still a pressing need to optimize state revenues. The Ministry of Finance has underscored a notable disparity within the mineral and coal mining sector, wherein there exists a greater number of compliant taxpayers possessing licenses in contrast to those who neglect to submit their annual tax returns. In 2015, out of 8,003 taxpayers involved in coal mining, 4,532 did not file their SPT. It's worth noting that this data excludes smaller coal entities that operate without tax registration. Additionally, among those who do file their tax returns, there is a potential for underreporting based on the actual situation. Some taxpayers may accurately submit their returns but engage in practices like aggressive tax planning, corporate inversion, profit shifting, and transfer mispricing for tax avoidance and savings ([Maftuchan, 2019](#)).

Companies with high profitability levels tend to carry out careful tax planning, leading to ideal tax outcomes, and there will be a decline in the inclination to engage in tax avoidance activities ([Olivia & Amah, 2019](#); [Ariska et al, 2020](#); [Carolina, 2020](#), [Dalam & Novriyanti, 2020](#)), meaning Companies that have a high Return on Assets (ROA) can pay their tax burden and maintain a reputation in the eyes of shareholders and the public. As a result, these companies are more likely to comply with applicable tax regulations, thereby reducing the possibility of corporate tax avoidance. Good resource management, tax planning can also be managed properly. So that the company does not need to do tax avoidance ([Sunarsih et al, 2019](#)). In determining the adoption of tax avoidance measures, a company must carefully evaluate various factors pertaining to the advantages gained and the associated costs. Subsequently, during the execution of tax avoidance practices, managerial deliberations encompass the accrued benefits, encompassing those received by the manager in terms of rewards and promotions, in contrast to potential costs such as auditing expenses, fines, and damage to the company's reputation ([Dang & Nguyen, 2022](#)). In accordance with the delineated scope, the authors of this study have deliberately confined their investigation to specific parameters. Specifically, the study delves exclusively into the examination and analysis of the impact of profitability and company size on tax avoidance. The focus of this research is

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restricted to a case study encompassing mining companies listed on the Indonesia Stock Exchange during the period spanning from 2018 to 2022.

## Taxation

According to Mardiasmo (2019), Tax represents a mandatory fiscal obligation imposed by legal authority, devoid of direct reciprocation. These funds are allocated to fulfill the various needs of the state, ultimately aiming to enhance the overall well-being of its citizens.

Meanwhile, according to Waluyo (2017) and Resmi (2019), taxes are compulsory community contributions that must be paid to the state, either through the central government or local governments that are coercive for those who are not compliant.

## Profitability

Profitability serves as a metric for gauging the overall effectiveness of management, as it reflects the extent of profits earned from both sales and investments (Fahmi, 2015). Whereas Profitability assessment serves as a critical measure to gauge a company's inherent ability to generate earnings and financial gains. (Kasmir, 2016). Profitability refers to a company's capacity to generate earnings within a specific timeframe. When a company experiences high profits, it indicates a corresponding increase in the tax obligation that needs to be met (Kurniati & Apriani, 2021).

## Company Size

The measurement of company size is a multifaceted construct, frequently evaluated indirectly through the consideration of key financial parameters, including equity valuation, sales performance, and total assets (Dayanara et al., 2019). Concomitantly, Hartono (2013) posits that company size constitutes a metric capable of stratifying an enterprise's magnitude via diverse methodologies, such as total asset valuation, logarithmic scaling, and stock market valuation, among others. Typically, the categorization of company size tends to be discretized into three distinctive tiers, notably encompassing large corporations, medium-sized entities, and small companies. This classification predominantly hinges on the quantification of a company's total assets as a pivotal determinant. In principle, enterprises across all scales aspire to minimize their tax liabilities, with the overarching objective of facilitating the reinvestment of earned profits for the expansion of the company or their distribution to stakeholders, namely, owners or investors, often in the form of dividends (Hemawan et al., 2021).

## Tax Avoidance

According to Suandy (2016), tax avoidance denotes a strategic endeavor by a company to mitigate its tax liabilities. Conversely, tax avoidance is considered legally permissible as it leverages the available loopholes within tax legislation to reduce the tax liability owed (Pohan, 2017). Tax avoidance involves evading or minimizing tax payments by leveraging tax laws in ways not originally intended by the government. (Hoseini & Safari Gerayli, 2018)

## Agency Theory

According to Jensen and Meckling (1976), Agency theory is directed at the ubiquitous agency relationship, in which one party (the principal) delegates work to another (the agent), who performs that work. In this study, the government serves as the principal, and the company acts

as the agent. The government mandates that companies adhere to tax regulations and fulfill their tax obligations, while companies, aiming to optimize profits, seek to minimize expenses, including tax costs, by considering factors like profitability and leverage. The company's strategy of reducing the tax burden is a form of tax avoidance ([Carolina, 2020](#)).

### **Hypothesis**

[Sugiyono \(2018\)](#) states that a hypothesis serves as a provisional response to the formulation of a research problem. The research problem is initially presented as a question. The formulated research hypothesis was as follows:

**H1** = There is a positive influence between Profitability on Tax Avoidance

**H2** = There is a positive influence between Company Size on Tax Avoidance

**H3** = There is a positive influence between Profitability and Company Size on Tax Avoidance

## **METHOD**

### **Research Approach**

This research employed a quantitative approach because the data was numerical and analyzed by using statistics to reach conclusions. Furthermore, this research used descriptive research methods to explain or describe the influence of the variables studied.

### **Operational Variables**

#### Dependent Variable (Y)

Within the scope of this study, tax avoidance was designated as the dependent variable and quantified using the Cash Effective Tax Rate (CETR) formula. The choice of CETR was made because it enables the evaluation of tax payments based on cash flow reports, offering insights into the actual cash outlays made by the company. The CETR formula used in this study is delineated as follows:

$$CETR = \frac{\text{Tax Payment}}{\text{Profit Before Tax}}$$

#### Independent Variable (X)

##### 1. Profitability (X1)

The measurement of profitability in this study was conducted through the utilization of ROA (Return on Assets). ROA was chosen as the metric because it effectively gauges a company's capacity to generate profits from its operational activities. The computation of ROA involved the application of the following formula:

$$ROA = \frac{\text{Profit After Tax}}{\text{Total Asset}}$$

## 2. Company Size (X<sub>2</sub>)

According to Hartono (2013), the size of a company serves as a metric that can categorize its magnitude through various criteria. (total assets, log size, stock market value, etc.). The procedure for computing the size of a company is as outlined below:

$$\text{Company Size} = \text{LN (Total Asset)}$$

## Data Collection Technique

In this research, the data source employed was secondary data, consistent with the definition provided by Sugiyono (2018). Secondary data refers to information that is not directly obtained by the researchers themselves but is instead sourced from various pre-existing outlets, such as financial reports, bookkeeping records, and other established repositories. In this study, the data collection technique applied was documentation, which is a research method used to acquire pertinent information by collating current company data, primarily extracted from sources like financial reports.

## Sampling Technique

The research population in this study refers to the broader category encompassing individuals or entities possessing specific attributes and characteristics, as determined by the researcher for the purpose of analysis and drawing informed conclusions ([Sugiyono, 2018](#)). The population of this study was mining companies listed on the Indonesia Stock Exchange in 2018-2022, totaling 58 companies. In this research, a sampling technique was used with purposive sampling where the information obtained comes from sources that are deliberately selected based on the criteria set by the researcher ([Sekaran & Bougie, 2016](#)). This purposive sampling method was used to determine the criteria for sampling. The reason for choosing purposive sampling was that not all samples had the requirements set by the researcher. Based on the specified criteria, 14 sample companies out of 58 companies in the mining company population met the criteria for conducting research.

## Data Analysis Technique

The data analysis methodology employed in this research encompassed a range of statistical techniques, including descriptive statistical analyses, classical assumption tests, multiple linear regression analyses, hypothesis testing, and the assessment of coefficient of determination. These analyses were conducted utilizing the SPSS version 25 software application ([Ghozali, 2018](#)).

## RESULT AND DISCUSSION

### Descriptive Statistics

Descriptive statistics aimed to determine the average (mean), maximum, minimum, and standard deviation values of the variables profitability, company size, and tax avoidance.

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**Table 2.** Descriptive Statistics Test

	N	Min.	Max.	Mean	Std. Deviation
Profitability (X1)	70	.00	.62	.1583	.15695
Company Size (X2)	70	15.73	27.93	20.1236	2.15917
Tax Avoidance (Y)	70	.05	.61	.2396	.12692
Valid N (listwise)	70				

Source: data processed, 2023

The outcomes of the descriptive statistical analyses have provided significant insights into the variables under investigation. Specifically, concerning the dependent variable, tax avoidance, its observed values ranged from a minimum of 0.05 to a maximum of 0.61. On average, the tax avoidance rate stood at 0.2396, equivalent to 23.96% of the tax liability for several mining companies listed on the Indonesian Stock Exchange. It is noteworthy that this average value of 0.2396 exceeded the standard deviation of 0.12692, indicating a relatively consistent pattern in the data with limited significant deviations.

In contrast, the independent variable, profitability, displayed a range from a minimum of 0.00 to a maximum of 0.62. The average profitability rate was computed at 0.1583 or 15.83%, implying that companies, on average, achieved a net profit-to-total assets ratio of 15.83%, highlighting their efficiency in generating profits relative to their asset base. It's worth noting that the standard deviation value of 0.15695 was smaller than the average, indicating that the data was homogeneous, with minimal deviations.

Additionally, the independent variable, company size, ranged from a minimum value of 15.73 to a maximum of 27.93. The average company size was 20.1236, with a standard deviation of 2.15917. These findings pointed towards data homogeneity, as the standard deviation was smaller than the average value, underscoring that the data regarding the sizes of mining companies were relatively consistent and did not exhibit significant variations.

## Classic Assumption Test Results

### Normality Test Results

A normality test was carried out to assess the distribution of the data for normality. In this study, the One-Sample Kolmogorov-Smirnov Test, with a minimum significance level of 0.05, was employed. The outcomes of the data normality test are outlined as follows:

**Figure 1. Normality Test Results**

**One-Sample Kolmogorov-Smirnov Test**

		Unstandardized Residual
N		70
Normal Parameters <sup>a,b</sup>	Mean	.0000000
	Std. Deviation	.12068500
Most Extreme Differences	Absolute	.097
	Positive	.097
	Negative	-.054
Test Statistic		.097
Asymp. Sig. (2-tailed) <sup>c</sup>		.097

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

Source: data processed, 2023

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The data above showed that the data was typically distributed. It could be seen from the significant value, which was greater than 0.05 ( $0.097 > 0.05$ ).

## Multicollinearity Test Results

The multicollinearity test aimed to evaluate the strength of correlation among the independent variables within the regression model. A desirable regression model is characterized by the absence of significant correlations among the independent variables, indicating the absence of multicollinearity. Multicollinearity is typically identified through the examination of two key indicators: the tolerance value and the VIF (Variance Inflation Factor). Multicollinearity is present when the Variance Inflation Factor (VIF) exceeds 10 or when the tolerance value falls below 0.01. The following summarizes the outcomes of the multicollinearity test:

**Figure 2. Multicollinearity Test Results**  
**Coefficients<sup>a</sup>**

Model		Collinearity Statistics	
		Tolerance	VIF
1	Profitabilitas (X1)	.994	1.006
	Ukuran Perusahaan (X2)	.994	1.006

a. Dependent Variable: Penghindaran Pajak (Y)

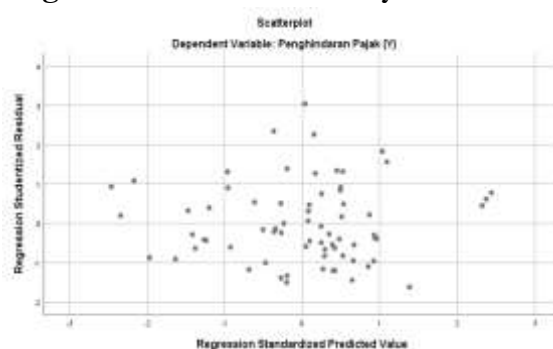
Source: data processed, 2023

According to the data presented, the VIF value for the profitability variable was found to be 1.006, while the VIF value for the company size variable was 1.006 as well. Additionally, the tolerance value for the profitability variable was calculated at 0.994, and for the company size variable, it was also 0.994. It is noteworthy that all independent variables under scrutiny in this study exhibited tolerance values exceeding the threshold of 0.01 and VIF values well below 10.0. This substantiates the conclusion that there is no discernible multicollinearity issue within the dataset or the regression model.

## Heteroscedasticity Test Results

To assess the presence of heteroscedasticity, an examination of the scatterplot graph between SRESID (the dependent variable) and ZPRED (the independent variable) was conducted. The subsequent section outlines the findings from the heteroscedasticity test:

**Figure 3. Heteroscedasticity Test Results**

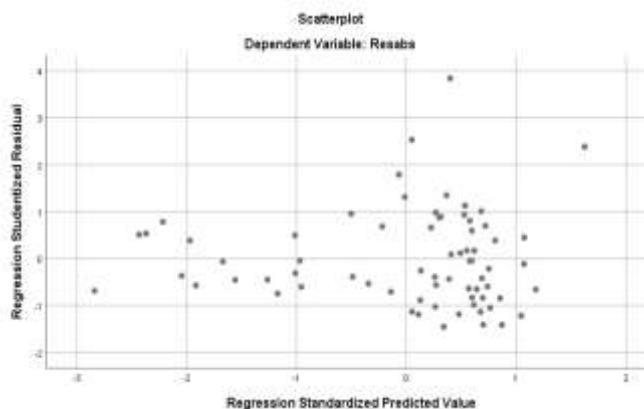


Source: data processed, 2023



The examination of the data revealed a lack of discernible patterns and an even distribution. Consequently, it can be inferred that this study did not encounter any issues related to heteroscedasticity. To further validate this assertion, the Glejser test was conducted to ascertain whether any symptoms of heteroscedasticity were present in the dataset.

**Figure 4. Glejser Test Results**



Source: data processed, 2023

It could be seen that after carrying out the Glejser test, there was still no particular pattern found, and the data was spread evenly. This research did not have heteroscedasticity problems.

#### Autocorrelation Test Results

In this study, the Run Test was employed to assess the presence of autocorrelation. The Run Test is used to ascertain whether residuals exhibit a random or irregular pattern. Specifically, if the Asymp.Sig. (two-tailed) value exceeded 0.05, it would indicate the absence of an autocorrelation problem. The subsequent section outlines the results of the autocorrelation test:

**Figure 5. Autocorrelation Test Results**

Runs Test	
	Unstandardized Residual
Test Value <sup>a</sup>	.0000000
Cases < Test Value	40
Cases >= Test Value	30
Total Cases	70
Number of Runs	30
Z	-1.300
Asymp. Sig. (2-tailed)	.194

a. Mean

Source: data processed, 2023

Based on the run test results above, the value of Asymp could be seen. Sig. (2-tailed) of 0.194 > 0.05. There were no autocorrelation symptoms in this research data.

## Multiple Linear Regression Test Results

The primary objective of the multiple linear regression analysis was to elucidate the influence exerted by the independent variables, namely, profitability (X1) and company size (X2), on the dependent variable, tax avoidance (Y). The following were the results of the multiple linear regression test:

**Figure 6. Multiple Linear Regression Test Results**

Model	Coefficients <sup>a</sup>				
	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	.102	.140		.724	.471
Profitabilitas (X1)	-.213	.094	-.263	-2.256	.027
Ukuran Perusahaan (X2)	.009	.007	.145	1.244	.218

a. Dependent Variable: Penghindaran Pajak (Y)

Source: data processed, 2023

The regression equation formed based on the results of research was as follows:

$$Y_{it} = 0,102 - 0,213X1 + 0,009X2 + e$$

The preceding regression equation was elucidated as follows:

- The constant value ( $\alpha$ ) was determined to be 0.102, and it was positively oriented. This suggests that in the absence of the profitability and company size variables, the predicted tax avoidance would stand at 0.102.
- The coefficient associated with the profitability variable was calculated at -0.213, indicating a negative relationship. When the profitability variable increases by one unit, tax avoidance is expected to decrease by 0.213 units, all other factors held constant. Consequently, it can be inferred that the profitability variable has a negative impact on tax avoidance.
- The coefficient for the company size variable was measured at 0.009, representing a positive value. In the event of an increase of one unit in the company size variable, it is expected that tax avoidance will also increase by 0.009 units, with the assumption that all other independent variables within the regression model remain constant. Therefore, the positive coefficient value implies a positive correlation between company size and tax avoidance.
- The presence of a positive sign (+) signifies a positive and direct relationship between the variables, indicating that they move in the same direction. Conversely, a negative sign (-) implies an inverse and negative relationship between the independent and dependent variables, indicating that they move in opposite directions.

## Hypothesis Test Results

### Simultaneous Test Results (F)

A simultaneous test was obtained by comparing the value of Fcount with Ftable and looking at the significance value of the following figure:

Figure 7. Simultaneous F Test Results

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.107	2	.053	3.550	.034 <sup>b</sup>
	Residual	1.005	67	.015		
	Total	1.111	69			

a. Dependent Variable: Penghindaran Pajak (Y)

b. Predictors: (Constant), Ukuran Perusahaan (X2), Profitabilitas (X1)

Source: data processed, 2023

Based on the data provided, the computed F value was determined to be 3.550, while the F-table value, obtained from the F distribution table using degrees of freedom for the numerator (2) and the denominator ( $N2 = N - K$ , where  $N$  = total observations and  $K$  = number of predictors), was found to be 3.13. A comparison between the F-count value of 3.550 and the critical F-table value of 3.13 reveals a notable and statistically significant difference, with a significance level of 0.034, which falls below the conventional alpha threshold of 0.05. Consequently, it can be concluded that both profitability (X1) and company size (X2) together exert a statistically significant influence on tax avoidance (Y) within the context of mining companies listed on the Indonesia Stock Exchange during the period from 2018 to 2022.

#### Partial Test Results (T)

Partial test results were acquired through the application of the t statistical test. This involved comparing the calculated t value with the corresponding t-table value and assessing the significance level, as indicated in the accompanying image.

Figure 8. Partial Test Results (t)

Coefficients <sup>a</sup>					
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	.102	.140		.724	.471
Profitabilitas (X1)	-.213	.094	-.263	-2.256	.027
Ukuran Perusahaan (X2)	.009	.007	.145	1.244	.218

a. Dependent Variable: Penghindaran Pajak (Y)

Source: data processed, 2023

The t-table value was derived by referencing the percentage point table of the t distribution, utilizing the degrees of freedom (df) determined as  $df = \text{total observation data (n)} - \text{number of variables (k)}$ , with a predetermined significance level of 0.05. Consequently, the computed t-table value amounted to 1.99547 ( $df = 70 - 2 = 68$ ). With this foundation, the research findings can be summarized as follows:

a. The influence of profitability on tax avoidance

The results of the t-test above showed that profitability was measured using Return on Assets (ROA), showing a significance value of  $0.027 < 0.05$  (t-statistic/t-count) and had a  $t_{\text{count}} > t_{\text{table}}$ , namely  $-2.256 > 1.99547$ . Therefore,  $H_0$  was rejected, while  $H_a$  was accepted because profitability significantly affected tax evasion. So, the first hypothesis, which stated that profitability affected tax evasion, was accepted or proven.

b. The influence of company size on tax avoidance

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The outcomes of the t-test, which assessed the impact of company size measured by size = Ln (Total Assets), yielded a significance result of 0.218, exceeding the threshold of 0.05 (as indicated by the t-statistic/t-count). Furthermore, the t-count value (1.244) was observed to be less than the critical t-table value (1.99547). Consequently, the null hypothesis (H0) was accepted, while the alternative hypothesis (Ha), which posited that company size influences tax evasion, was rejected. In summary, the research findings do not provide evidence supporting a significant effect of company size on tax evasion.

## Determination Coefficient Test Result (R<sup>2</sup>)

The purpose of the test of the coefficient of determination was to find out how much influence the independent variable had in explaining the dependent variable. The following was the coefficient of determination of the study:

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.310 <sup>a</sup>	.096	.069	.12247

a. Predictors: (Constant), Ukuran Perusahaan (X2), Profitabilitas (X1)

**Figure 9.** Determination Coefficient  
Source: data processed, 2023

Based on the coefficient of determination test results in Figure IV.10, it could be seen that the coefficient of determination, which was equated to the R Square figure, produced a result of 0.069, a percentage of 6.9%. It showed that profitability and company size influence tax avoidance by 6.9%.

## The Influence of Profitably (X<sup>1</sup>) on the Tax Avoidance (Y)

In this study, the profitability variable has a significant effect on tax avoidance. This is evidenced by the comparison between the t statistical test results and the t table, namely  $-2.256 > 1.99547$  with a significance value smaller than the significant level of  $0.027 < 0.05$ , so H0 is rejected and Ha is accepted, thus it can be concluded that in this study profitability has a significant effect on tax avoidance in mining companies listed on the Indonesia Stock Exchange for the period 2018 - 2022. The high and low value of profitability will affect the high and low levels of tax avoidance carried out by the company. Profitability in this study has a negative directional relationship to tax avoidance. This negative direction indicates that the more the company's profitability value increases, the more it reduces the value of tax avoidance.

Companies with high profits tend to have good tax planning. Thus, it will obtain effective and optimal taxes, which means that tax avoidance actions will be reduced. In addition, companies with high profitability will be better able to pay their tax burden and will report their tax burden by the regulations so that their reputation is good in the eyes of shareholders and get an image by the general public. Thus, the company will reduce actions that harm the company, namely tax

avoidance. The results of this study are in line with research conducted by Carolina (2020) which states that profitability has a significant negative effect on tax avoidance.

### **The Influence of Company Size ( $X^2$ ) on the Tax Avoidance (Y)**

This study discerned that the variable representing company size lacked a significant influence on tax avoidance. This determination was reached through a rigorous evaluation involving a comparison between the results of the t-test and the critical t-table value. Specifically, the t-test yielded a value of 1.244, which fell below the critical t-table value of 1.99547, with a significance level exceeding the predetermined alpha threshold of 0.05 ( $0.218 > 0.05$ ). Consequently, the null hypothesis ( $H_0$ ) was accepted, while the alternative hypothesis ( $H_a$ ) was rejected. Therefore, this study concludes that, within the context of mining companies listed on the Indonesia Stock Exchange from 2018 to 2022, company size does not exhibit a significant association with tax avoidance.

The absence of a significant influence between company size and tax avoidance implies that a company's size does not inherently drive it to engage in tax avoidance practices. Larger companies often come under closer scrutiny from the government, leading them to adhere more closely to tax regulations. Additionally, larger companies tend to possess the financial capacity to fulfill their tax obligations without resorting to avoidance measures. Furthermore, these companies prioritize long-term sustainability and aim to maintain a positive corporate image, which discourages tax avoidance strategies.

It is important to note that all companies, regardless of size, are legally obligated to pay taxes, and larger companies are typically better equipped to fulfill this obligation. Additionally, they have a vested interest in maintaining good relations with tax authorities to avoid audits and associated penalties. In addition, companies aspire to demonstrate strong performance to shareholders, irrespective of their size, further disincentivizing tax evasion. The findings of this study align with the research conducted by [Hernadianto et al. \(2020\)](#), which also concluded that company size does not play a significant role in tax evasion among businesses.

### **The Influence of Profitability ( $X^1$ ) and Company Size ( $X^2$ ) simultaneously on The Tax Avoidance (Y)**

This study ascertained that both the profitability and company size variables, when jointly considered, wielded a statistically significant influence on tax avoidance. This determination was arrived at by subjecting the statistical F-test results to scrutiny in comparison with the critical F-table value. Specifically, the F-test yielded a value of 3.550, surpassing the critical F-table value of 3.13. Furthermore, the calculated significance level was established at 0.034, which falls below the pre-established alpha threshold of 0.05. Consequently, the null hypothesis ( $H_0$ ) was rejected, while the alternative hypothesis ( $H_a$ ) was embraced.

Therefore, this study establishes that both profitability and company size, when analyzed simultaneously, significantly impact tax avoidance among mining companies listed on the

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Indonesia Stock Exchange during the period from 2018 to 2022. It is noteworthy that as the values of profitability and company size increase, there is a corresponding rise in the likelihood of companies engaging in tax avoidance practices.

## CONCLUSIONS

The primary objective of this research was to investigate the impact of Profitability and Company Size on Tax Avoidance within the context of Mining Companies listed on the Indonesia Stock Exchange during the period spanning from 2018 to 2022. This study was conducted utilizing a descriptive quantitative approach, and the sample selection was accomplished through purposive sampling, involving 14 companies as the chosen sample set. Based on the thorough analysis and discussions presented in the preceding chapters, the following pivotal conclusions can be gleaned from this research:

1. The partial t-test results have demonstrated the substantial impact of the profitability variable on tax evasion within the scope of mining companies listed on the Indonesia Stock Exchange during the period from 2018 to 2022.
2. The partial t-test results have revealed that the company size variable does not exert a significant influence on tax evasion within the domain of mining companies listed on the Indonesia Stock Exchange during the period spanning from 2018 to 2022.
3. The concurrent F-test results have indicated that both the profitability and company size variables collectively have a statistically significant impact on tax evasion within the cohort of mining companies listed on the Indonesia Stock Exchange during the period from 2018 to 2022, accounting for a 6.9% variance in tax evasion.

In this study, the authors provided suggestions for further research. However, things could still be improved regarding writing and discussion in this study. The suggestions and input were as follows. Future researchers are encouraged to refine the research model, addressing certain limitations observed in this study. Expanding the sample size, extending the observation period, and introducing additional independent variables are areas where improvement can be made. This is particularly relevant considering that, in this study, the variables examined collectively explained only 6.9% of the variance in tax avoidance. The remaining unexplained variance suggests the presence of other factors influencing tax avoidance, and future research endeavors can contribute to a more comprehensive understanding of this phenomenon in the context of profitability and company size.

Meanwhile, companies should take heed of the findings from this research, which underscores the importance of ethical tax practices. It is imperative that companies adhere to existing tax regulations and refrain from engaging in illegal tax avoidance tactics. Such actions not only risk legal repercussions but also contribute to a reduction in state revenue derived from the taxation sector, which has broader implications for the economy. Moreover, The Directorate General of Taxes should consider enhancing its oversight and monitoring efforts with respect to tax

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avoidance. Strengthening supervision can lead to more robust and effective control of tax avoidance activities. This, in turn, can contribute to optimizing state revenue from the taxation sector and help achieve the revenue targets set by the government.

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