

## Impact of Profitability, Leverage, Capital Intensity, Firm Size, and Firm Age on Tax Avoidance

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### ABSTRACT

Indonesia's primary source of state revenue is taxes and is used to support economic growth to achieve the vision of "Golden Indonesia 2045". The challenge in collecting tax revenues is the act of tax avoidance by companies. This research wants to study whether the tax avoidance of basic materials companies on the Indonesia Stock Exchange from 2018 to 2022 is affected by factors such as profitability, leverage, capital intensity, company size, and company age. Ninety-six basic materials companies are the population in this study. This quantitative research uses financial reports through purposive sampling with a total sample of two hundred and ninety-five data. The findings in this study show that the tax avoidance is significantly positively influenced by profitability which is proxied by return on assets, while the tax avoidance is significantly negatively influenced by company size. On the other hand, the tax avoidance is not significantly influenced by leverage, capital intensity, and company age. These results imply that company management is encouraged to avoid taxes to meet the profit level targets set by shareholders, but remains careful to maintain the company's good reputation.

**Keywords:** capital intensity; firm age; firm size; leverage; profitability; tax avoidance

### INTRODUCTION

Indonesia, as a vast archipelagic country, requires large funds to invest and finance infrastructure development in the context of economic equality in all provinces in Indonesia. Large funding needs can be supported by the primary source of state revenue, namely the tax function as a budget function (Mardiasmo, 2023). To increase Indonesia's tax ratio which is not yet optimal, the Government through the Direktorat Jenderal Pajak always strives to collect tax revenues optimally through intensification and extensification strategies as well as carrying out various tax reforms since 2016. Even after the Tax Amnesty program in 2017, Indonesia's tax ratio stagnant at around 6 to 10 percent as shown in Table 1. One of the challenges in increasing Indonesia's tax ratio is that there are acts of tax avoidance by companies that utilize a tax calculation system which is a self-assessment system. This system has the potential to cause agency conflicts between the government (principal) and the company (agent) regarding the amount of tax owed.

**Table 1.** Indonesia's Tax Ratio from 2017 to 2022

Year	2017	2018	2019	2020	2021	2022
Tax Rasio	10.30%	8.87%	8.41%	6.93%	9.12%	10.39%

Tax avoidance takes advantage of legal loopholes in tax regulations, so it is often considered a legal action. Tax avoidance is an effort to minimize the tax burden without violating statutory regulations

(Mardiasmo, 2023). The Effective Tax Rate can be used as a measuring tool for the level of tax avoidance by companies. Nurkolisoh & Hidayah (2019) defines the effective tax rate as the actual tax rate charged on profits earned. If the tax rate borne by the company is less than the applicable tax rate, there are indications of tax avoidance (Sulistiyanti & Nugraha, 2019).

The tax paid by the company is obtained by multiplying the applicable tax rate by the company's taxable income (fiscal profit). Because profit is the basis for calculating a company's taxes, it is expected that if a company's level of profitability is high, the tax burden paid by that company will also be large. On the contrary, for companies that have a low level of profitability, the taxes paid by these companies should also be low. Murkana & Putra (2020) concluded that the effective tax rate is positively influenced by profitability.

Many factors, such as interest costs, influence the calculation of company profits. Referring to Article 6 of the Income Tax Law, interest costs are costs that are allowed to reduce a company's fiscal profit. Ratnasari (2012) defines interest costs as the price that must be paid by the debtor (loan recipient) to the creditor (lender). Therefore, the amount of interest costs will depend on the size of the loan received so if the company's loan amount is large, the interest costs that must be borne will also be large. The amount of company debt is assessed using the leverage ratio. Dilasari, Sitinjak, & Kusumowati (2021) concluded that leverage has a negative relationship with the effective tax rate.

Apart from interest costs, other costs that are allowed as a deduction from fiscal profit are depreciation costs. Depreciation or depreciation is a systematic allocation of the value of fixed assets as an expense (Prihadi, 2019) so that depreciation costs will increase according to the number of fixed assets owned by the company. The amount of a company's fixed assets can be described by the capital intensity ratio. This ratio provides an overview of the extent to which the company invests company assets in the form of fixed assets. Research by Kurniawan, Lisetyati, & Setiyorini (2021) found that the effective tax rate is negatively influenced by capital intensity.

Apart from the previous factors, a company's tax payments can also be influenced by the size of the company. The company size can be determined based on the number of assets in the company (Fitria, 2018). Masrurroch, Nurlaela, & Fajri (2021) confirm that the larger the company size, the lower the tax burden the company pays. Companies with large assets also have better ability to carry out tax avoidance which is supported by the resources owned by the company. The age of a company reflects the company's ability to maintain continuity in business competition. Wulandari & Purnomo (2021) argue that companies that have been operating for a long time will have superior experience compared to other companies. Companies that have been operating for a long time also have better accounting information management (Murwaningtyas, 2019), understand business processes more deeply, and take comprehensive steps regarding tax management actions. This is by research by Wulandari & Purnomo (2021) which found that the effective tax rate is negatively influenced by company age.

This research is based on Ariani & Hasymi (2018) and Nibras & Hadinata (2020) which examined the variables of profitability, leverage, capital intensity, and company size. Then it is also based on research by Nurkolisoh & Hidayah (2019), namely the effective tax rate as a proxy for tax avoidance. Considering that this research conducted in early 2024 and not all companies have published their financial statement for the year of 2023, and considering that even Tax Amnesty program in 2017 could not increase Indonesia's tax ratio, researchers interested to study this phenomenon during the period of 2018 to 2022. This research is updated compared to previous research. First, we add company age to our variables to find out whether it has impact on company's effective tax rate. Second, considering that the Indonesian Stock Exchange (BEI), starting in 2021, will implement the latest sector classification, namely

the IDX Industrial Classification (IDX-IC) and there are still lack of researches about the new sector classification, we are interested to do our study using the new sector classification. This research uses basic materials companies as object because it is the third biggest sector and according to Purbolakseto, Tjahjadi, & Tjaraka (2022) during the period of 2017 to 2021 this sector performance is not stable. This research can contribute to insight and understanding of the effective tax rate from an agency theory perspective.

## HYPOTHESIS DEVELOPMENT

Agency theory by Jensen & Meckling (1976) states that there is an agency relationship, namely a contract between the principal and the agent in which the principal delegates authority to agents and expects the agent to carry out work and make decisions on behalf of the principal. Within the scope of the company, examples of agency relationships arise in the relationship between investors and company management. Conflict occurs when investors hope that company management will carry out responsibilities according to their goals, namely improving investor welfare, but on the contrary, company management pursues its own goals, namely maximizing its welfare (Irwansyah, Lestari, & Adam, 2020).

Agency theory states that company management, in its interests, will try to maximize profitability through tax planning actions. These tax savings may initially align with shareholders' wishes, but shareholders may need to learn the extent of the tax savings, which could harm the company. Agency conflicts also occur in the relationship between the government and companies, related to the self-assessment system where the government delegates authority in calculating taxes to companies, which can cause differences in objectives.

Tax is a mandatory levy on profits generated by a company, so it is an element that reduces company profits. Therefore, taxes are detrimental to every company (Nadya & Purnamasari, 2020). Because tax is seen as a burden, it encourages companies to take tax management actions. To find out what percentage of tax the company pays, you can use the Effective Tax Rate ratio. ETR reflects the level of tax payments compared to profit before tax (Niandari, Yustrianthe, & Grediani, 2020). By knowing the effective tax borne by the company, it can be determined whether the company pays tax in line with the applicable tax rates or pays less. A small effective tax rate indicates a good company's ability because it can manage its tax effectiveness (Yanto, 2022), but this also indicates the occurrence of tax avoidance by the company (Mayndarto, 2022).

The main goal of every company is to generate maximum profits, so the company will evaluate the company's capacity to generate profits. Evaluation of the company's capacity can use profitability ratios. Sudana (2015) defines profitability ratio as a ratio to assess a company's capability to generate profits through the use of resources owned by the company including assets, equity, or income. One of several profitability ratios is return on assets (ROA) which assesses a company's capability to generate profits based on a level of assets (Hanafi & Halim, 2018). A high ROA value reflects that the company is becoming more effective and efficient in utilizing available resources which is by the wishes of shareholders as principals.

Shareholders (principals) hope that management (agents) will act as best as possible in improving the company's achievements. Companies that have high profits should pay large taxes as a result of the tax being calculated at a rate based on the company's profits. Research by Ariani & Hasymi (2018) and Murkana & Putra (2020) found that the effective tax rate is influenced by profitability and is confirmed by

the results of research by Dailimi & Setyowati (2020);(Nibras & Hadinata, 2020) where the tax avoidance is positively influenced by ROA ratio. Based on the agency theory and previous research:

H<sub>1</sub>: Profitability has a positive effect on the Tax Avoidance.

The leverage ratio aims to find out how much company assets are financed by debt (Kasmir 2021). This ratio assesses the company's capability to pay off all its debts when the company goes bankrupt. The debt-to-equity ratio (DER) ratio compares the company's liabilities to equity (own capital). The use of credit sources of funds can burden the company's finances due to the interest costs charged by creditors on the loan. The government (principal) gives the authority to the company (agent) to independently calculate its taxes so that the company can maximize the loan amount so that it can burden the company's profits with interest costs. Large interest costs will reduce company profits and result in smaller tax payments (Kurniawati, 2019). Novriyanti & Dalam (2020); Kusuma & Maryono (2022) found that the effective tax rate was negatively influenced by leverage in their research. In line with this research, research by Dilasari et al. (2021) on leverage proxied by DER shows that the effective tax rate is negatively influenced by DER. Based on the agency theory and previous research:

H<sub>2</sub>: Leverage has a positive effect on the Tax Avoidance.

The capital intensity ratio is an investment activity by a company related to investment in the form of fixed assets (Dianto, Djaddang, Suyanto, & Darmansyah, 2021). Capital intensity shows the extent to which a company invests its assets into fixed assets. The higher the level of capital intensity of the company, it reflects the large number of fixed assets owned by the company. Investments in the form of fixed assets are related to taxation related to depreciation charges. The company as the agent will maximize investment in fixed assets so that this affects the depreciation expense attached to ownership of a fixed asset. This means that the greater the company's fixed assets, the greater the depreciation expense that can be charged to fiscal profit. Research by Humairoh & Triyanto (2019);Wulandari, Assoba, & Uzliawati (2023) concluded that the effective tax rate is negatively influenced by capital intensity as a proxy for the capital intensity ratio. Based on the agency theory and previous research:

H<sub>3</sub>: Capital intensity has a positive effect on the Tax Avoidance.

Firm size can be assessed by its scale through the amount of assets owned by the company (Fitria, 2018). Riyanto (2016) categorizes the size of a company based on how widely the company's shares are spread. Companies with large assets bear increasingly large operational costs to store, maintain, and safeguard their assets. The high costs of maintaining these assets will burden the company's finances and cause profits to decrease. Companies with large assets also have better abilities in tax planning because they have more qualified resources. These things can cause the taxes paid by companies to become smaller so that they are not in line with the goals or desires of the government as (principal) which gives authority to companies (agents) in calculating taxes. Nibras & Hadinata (2020); Kusufiyah & Anggraini (2019) through their research found that the effective tax rate is negatively influenced by company size. Based on the agency theory and previous research:

H<sub>4</sub>: Firm size has a positive effect on the Tax Avoidance.

Company age or firm age is defined by Shumway (2001) as the number of calendar years since the company was founded. The purpose of the company age variable is to assess how long the company has

been in business (Hansen, 1992). Companies that have been established for a long time should become more efficient in managing costs due to the learning and experience gained, but research by Loderer & Waelchli (2010) found that companies experience aging problems which result in companies becoming increasingly inefficient as time goes by.

To overcome the problem of aging and maintain good performance, the company will try to minimize company costs, including tax costs, which are supported by a better understanding of business processes in tax management. This is what allows the taxes paid by companies to be minimized, which is contrary to the trust given by the government as the principal. Testing by Ziliwu & Ajimat (2021) on the company age variable found that the effective tax rate was negatively influenced by company age and was also confirmed by the results of the research (Wulandari & Purnomo, 2021). Based on the agency theory and previous research:

H<sub>5</sub>: Firm age has a positive effect on the Tax Avoidance.

According to the discussion above, the conceptual framework is as follows:

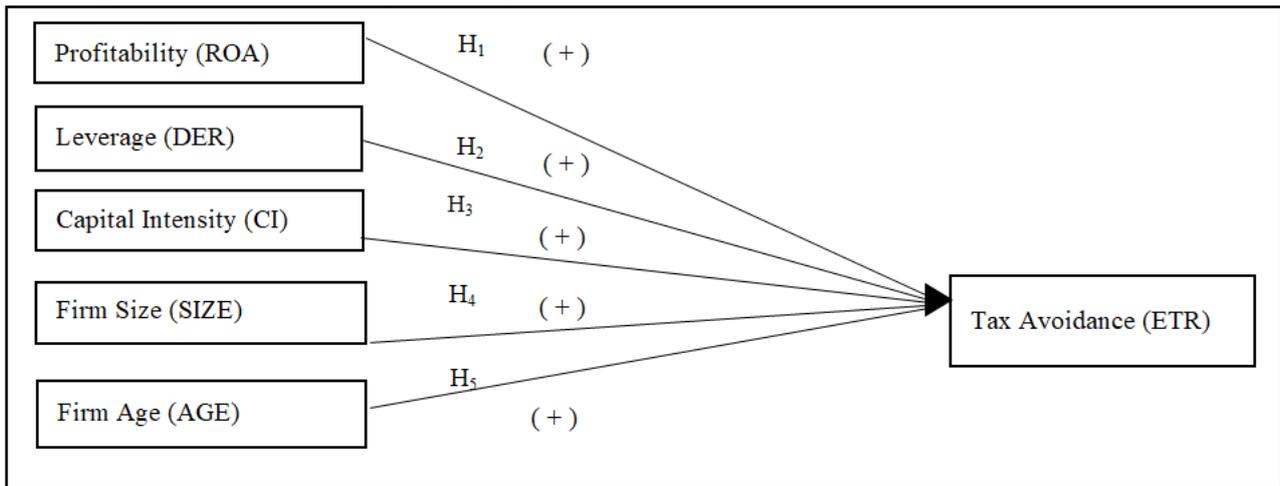


Figure 1. Conceptual Framework

## METHODS, DATA, AND ANALYSIS

Table 2. Sample Selection Procedure

Criteria	2018	2019	2020	2021	2022	Data
Basic materials companies on the IDX during 2018-2022.	96	96	96	96	96	480
Basic materials companies that financial reports cannot be accessed.	(1)	(2)	(3)	(3)	(3)	(12)
Basic materials companies that have not yet conducted an Initial Public Offering (IPO)	(23)	(15)	(11)	(3)	(0)	(52)
Basic materials companies that experienced losses.	(17)	(17)	(24)	(16)	(24)	(98)
Basic materials companies that do not pay taxes.	(4)	(5)	(7)	(5)	(2)	(23)
Total of Research Sample	51	57	51	69	67	295

Source: Indonesia Stock Exchange (2024)

The research uses a quantitative approach with associative problem formulation for the research object of basic materials companies listed on the Indonesia Stock Exchange from 2018 to 2022, with a total population of 96 companies. Associative problem formulation questions the relationship between two or more variables (Sugiyono, 2022). Purposive sampling was used as a method for selecting samples

based on certain criteria, leaving 295 company data with explanations in Table 2. The research data is secondary data collected by researchers using documentary study techniques on financial reports and company annual reports for 2018-2022 via the BEI website. Sujarweni (2015) defines secondary data as data collected through records in the form of company financial reports and does not need to be processed further.

Tax Avoidance as proxied by the Effective tax rate is the level of tax rate borne by the company, (Oktavian & Mukhibad 2022)

$$\text{Effective Tax Rate} = \frac{\text{Tax Expense}}{\text{Earning Before Tax}}$$

Profitability is a proxy for the return on assets (ROA) ratio that reflects the company's capability to utilize all its assets to generate profits after tax. (Sudana, 2015).

$$\text{Return on Asset (ROA)} = \frac{\text{Earning after Taxes}}{\text{Total Assets}}$$

Leverage with a debt-to-equity ratio proxy that compares debt to equity (Prihadi 2019):

$$\text{Debt to Equity (DER)} = \frac{\text{Total Debt}}{\text{Total Equity}}$$

Capital intensity is a ratio obtained by dividing total fixed assets by total assets (Windaswari & Merkusiwati 2018):

$$\text{Capital Intensity} = \frac{\text{Total Fixed Assets}}{\text{Total Assets}}$$

Company size is reflected by the number of assets the company owns (Wulandari & Purnomo 2021)

$$\text{Size} = \text{Ln}(\text{Total Aset})$$

Company age describes how many years the company has survived (Suryani & Mariani 2019):

$$\text{Age} = \text{The year of research} - \text{First year of company}$$

This research carried out descriptive statistical analysis, classical assumptions, and multiple linear regression using SPSS 25. The multiple linear regression equation model is stated as follows:

$$TA = \alpha + \beta_1ROA + \beta_2DER + \beta_3CI + \beta_4SIZE + \beta_5AGE + e$$

Description:

TA = Tax Avoidance (Effective Tax Rate)

$\alpha$  = Constanta

ROA = Profitability (Return on Asset)

DER = Leverage (Debt to Equity)

CI = Capital Intensity

SIZE = Firm Size

AGE = Firm Age

e = Error

## RESULT AND DISCUSSION

Table below contains information regarding the results of descriptive statistics. Based on table , information can be taken that there are 295 total data in the study, and there is no missing data. From 2018 to 2022, basic materials companies had an average effective tax rate of 0.2825221, with the highest value of 0.95958 and the lowest of 0.00332. The first independent variable, profitability, shows the highest value of 0.61350 and the lowest value of 0.00045, and basic materials companies have an average profitability value of 0.0533475. These show that basic materials companies averagely could create around five percent profit to their assets. PT SLJ Global, Tbk in 2022 has the highest profitability rate compared to others, while PT Kirana Megatara, Tbk in 2018 is the company with the lowest profitability.

**Table 3.** Descriptive Statistics

	N	Range	Minimum	Maximum	Mean	Std. Deviation
Return On Asset	295	,61305	,00045	,61350	,0533475	,05621479
Debt to Equity Ratio	295	20,05296	-7,17595	12,87701	1,0289201	1,39104715
Capital Intensity	295	,83934	,00462	,84396	,3724484	,21709490
SIZE	295	8,14308	24,50957	32,65265	28,6339205	1,77832865
AGE	295	69	2	71	35,23	14,171
Effective Tax Rate	295	,95626	,00332	,95958	,2825221	,15099672

The independent variable leverage shows that the average company debt-to-equity ratio is 1.0289201, with minimum leverage being (-7.17595) and the highest being 12.87701. These show that averagely, basic materials companies rely more on debt than their equity. In 2021, PT SLJ Global, Tbk in 2021 has negative equity that cause negative DER, and in 2022 PT Ancora Indonesia Resources, Tbk has the highest DER.

The following independent variable is capital intensity, which shows that basic materials companies invest their assets in the form of fixed assets with an average value of 0.3724484, with the highest capital intensity being 0.84396 and the lowest being 0.00462. PT Surya Biru Murni Acetylene, Tbk in 2022 invest more in their fixed asset while PT Darmi Bersaudara, Tbk in 2019 has the lowest fixed asset investment.

Next, it is known that the company size shows an average value of 28.6339205. The company's size has the largest value at 32.65265 and the smallest at 24.50957. In 2022, PT Indah Kiat Pulp & Paper, Tbk has the largest amount of total asset while PT Inter Delta, Tbk in 2022 has the lowest amount of total asset. The last variable, company age, shows that the average age of basic materials companies is 35.23 until 2022, with the oldest company being 71 years old and the newest company being two years old. PT Lautan Luas, Tbk in 2022 has been operating for 71 years while PT Berkah Beton, Tbk has just been operating for 2 years in 2022.

This research carries out classical assumption tests consisting of residual normality, multicollinearity, heteroscedasticity, and autocorrelation tests. To treat normality and autocorrelation problems, researchers eliminated 41 outlier data and transformed natural logarithms and Cochrane-Orcutt (Ghozali, 2021). The Aysmp. Sig (2-tailed) is 0.083>0.05, so the residual is normally distributed (Ghozali, 2017). The tolerance value for each independent variable exceeding the value of 0.10 and the VIF for each variable is less than 10, so it can be concluded that there is no multicollinearity problem (Ghozali, 2017). The Sig

value. (2-tailed) each independent variable on the residual exceeds 0.05, so there is no heteroscedasticity problem (Priyatno, 2014). The Asymp values. Sig (2-tailed) is 0.131 which exceeds 0.05 so there is no autocorrelation problem (Ghozali, 2017).

**Table 4.** Result of Test

Model	B	T	Sig.	R	Adj. R Square	F	Sig.
(Constant)	-4,877	-4,067	,000				
LN_ROA	-,160	-8,162	,000*				
LN_DER	-,012	-,589	,556	0,492	0,227	15,853	0,000
LN_CI	,008	,335	,738				
LN_SIZE	1,027	2,922	,004*				
LN_AGE	-,029	-,896	,371				

a. Dependent Variable: LAG\_LN\_ETR

Source: Data Processed (2024)

The table presents the results of correlation, regression tests, coefficient of determination, and feasibility of the research model. As shown, Adj Value R Square is 0.227, which means that the ability of the variables profitability, leverage, capital intensity, company size, and company age to explain changes in the effective tax rate in basic materials companies is 22.7 percent. At the same time, other factors influence 77.3 percent outside this research’s model. The F value of 15.853 and a significance of 0.000 less than 0.05.  $df_1=4$  and  $df_2= 249$ , it is known that the F table value is 2.407896 and this result is smaller than the F count of 15.853, so the conclusion of the research model in the research is drawn worth testing. Table 8 displays the test results for the profitability variable, which has a negative coefficient of 8.162 with a significance value of  $0.000 < 0.05$ , so it is concluded that the profitability variable negatively influences the effective tax rate, so H1 is rejected. This result indicates that companies with a high level of profitability bear a lower tax burden. The significance value of  $0.556 > 0.05$  in the leverage variable means that leverage does not influence the effective tax rate, so H2 is rejected. Then, the capital intensity variable has a significance value of  $0.738 > 0.05$ , so the effective tax rate is not influenced by capital intensity, so H3 is rejected. Company size with a coefficient value of 2.922 and a significance of  $0.004 < 0.05$  means that the effective tax rate is positively influenced by company size, so H4 is rejected. This result shows that companies with large assets will bear higher taxes. The company age variable has a significance value of  $0.371 > 0.05$ , so the effective tax rate is not influenced by company age, so H5 is rejected.

### Impact of Profitability on Tax Avoidance

Referring to the test results of the first hypothesis ( $H_1$ ), the effective tax rate is significantly negatively influenced by profitability with a negative coefficient of 8.162 and a significance value of  $0.000 < 0.05$ . The higher the company’s profit level, the smaller the tax burden borne by the company. This result shows that tax payments are not optimal for companies with a high level of profitability which can occur due to tax avoidance actions. This tax avoidance action could be the result of the shareholder’s (principal) expectations regarding the profit target that the management (agent) hopes to achieve so that management uses various methods to save costs, one of which is tax costs. The findings of this research are consistent with research by Ariani & Hasymi (2018) and Nibras & Hadinata (2020) which found profitability negatively affects the effective tax rate. However, the research findings reject the findings by Murkana & Putra (2020), Dailimi & Setyowati (2020), Susanto & Veronica (2022).

### **Impact of Leverage on Tax Avoidance**

Leverage does not influence the tax avoidance regarding the result of the second hypothesis. This result is because the significance value is  $0.556 > 0.05$ . Companies with high levels of debt may be able to manage their debt effectively so the companies can obtain greater profits than companies with low levels of debt, where limited funding problems may hamper the company in generating profits. Companies with high debt levels only sometimes bear enormous interest costs because loans are possible without interest charges. This result means that the tax burden paid by basic materials companies on the Indonesian Stock Exchange is not influenced by the company's leverage level. The research findings support research by Murkana & Putra (2020), Nibras & Hadinata (2020), but are not in line with the findings of Novriyanti & Dalam (2020), Kusuma & Maryono (2022), Dilasari et al. (2021).

### **Impact of Capital Intensity on Tax Avoidance**

The results of the third hypothesis test (H3) show that the significance value of capital intensity is  $0.738 > 0.05$ , so the tax avoidance is not influenced by capital intensity. Investments in fixed assets may not be intended to reduce the tax burden. Still, investments are made to obtain greater income and profits, so capital intensity is not a factor that influences the tax burden paid by basic materials companies on the Indonesian Stock Exchange. The findings of this research are by research by Ariani & Hasymi (2018) and Nibras & Hadinata (2020) which concluded that capital intensity does not affect the effective tax rate. This finding is different from the research of Kurniawan et al. (2021), Humairoh & Triyanto (2019), Wulandari et al. (2023).

### **Impact of Firm Size on Tax Avoidance**

The test results of the fourth hypothesis (H4) show that the coefficient value and significance value of company size are 2.922 and 0.004, where the significance value is less than 0.05. The company size has a significant positive effect on the effective tax rate. This result means that the greater the company size, as seen from its total assets, the greater the tax burden. Companies with high total assets are more careful in saving on tax payments. Large companies will also try to maintain a good name of the company to avoid negative news regarding cases of tax evasion because it can cause the company's image to suffer. A bad image of a company could make shareholders (principals) lose trust in company management (agents), causing a decline in the company's share price. This result show that firm size has a significant negative effect on the tax avoidance.

These results are not in line with the research finding of Nibras & Hadinata (2020) & (Mulya & Anggraeni, 2022), but these results support research by (Kusufiyah & Anggraini, 2019), showed that company size has a negative influence on the tax avoidance.

### **Impact of Firm Age on Tax Avoidance**

Referring to the test results of the fifth hypothesis (H5), the tax avoidance is not influenced by the age of a company, with a significance value of  $0.371 > 0.05$ . Companies with a long lifespan only sometimes carry out tax avoidance actions even though they have more experience; this can be because the company has been able to generate good profits through its operational activities. Acts of tax avoidance can become a risk threatening the continuity of a company's long-running business. Newly-aged companies will only sometimes be compliant in paying taxes due to the company's need for large

funds to develop its business. The test results are in line with research by Honggo & Marlinah (2019); Pramesti & Susilawati (2024) where company age does not affect the effective tax rate. On the other hand, the test results are different from research by Ziliwu & Ajimat (2021) which found a relationship between company age and the tax avoidance.

## CONCLUSION AND SUGGESTIONS

The findings in this study show that the tax avoidance is significantly positively influenced by profitability, which is proxied by return on assets, while the tax avoidance is significantly negatively influenced by company size. On the other hand, the tax avoidance is not significantly influenced by leverage, capital intensity, and company age. These results imply that company management is encouraged to avoid taxes to meet the profit level targets set by shareholders but remains careful to maintain the company's good reputation.

The limitations of this research are there are still some outlier data so researchers had to exclude them. As this research conclude that leverage, capital intensity and firm age do not have effect on tax avoidance on basic materials companies. Future researchers are recommended to examine other sectors of the IDX as comparison. Further research can also consider other variables, such as corporate governance, inventory intensity, company ownership structure, and executive characteristics, then using a stakeholder theory approach.

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