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RESEARCH ON ACCOUNTING THEORY 10

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Impact of Profitability, Leverage, Capital Intensity, Firm Size, and Firm Age on Effective Tax Rate

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Article Info:
Received: 2024-XX-XX
Revised: 2024-XX-XX
Accepted: 2024-XX-XX

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 effective tax rate 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 effective tax rate is significantly negatively influenced by profitability which is proxied by return on assets, while the effective tax rate is significantly positively influenced by company size. On the other hand, the effective tax rate 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; Effective Tax Rate; Firm Age; Firm Size; Leverage; Profitability.

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 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. 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.

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. This research is updated compared to previous research, namely company age, and also considering that the Indonesian Stock Exchange (BEI), starting in 2021, will implement the latest sector classification, namely the IDX Industrial Classification (IDX-IC). Based on research results that still need to be consistent in previous studies, new research is needed on effective tax rates using the latest sectors. Therefore, this research uses basic materials companies on the IDX for 2018 to 2022. 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

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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); Susanto & Veronica (2022) where the effective tax rate is positively influenced by ROA ratio. Based on the agency theory and previous research:

H_1: Profitability has a positive effect on the Effective Tax Rate.

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_2: Leverage has a negative effect on the Effective Tax Rate.

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_3: Capital intensity has a negative effect on the Effective Tax Rate.

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_4: Firm size has a negative effect on the Effective Tax Rate.

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_5: Firm age has a negative effect on the Effective Tax Rate.

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

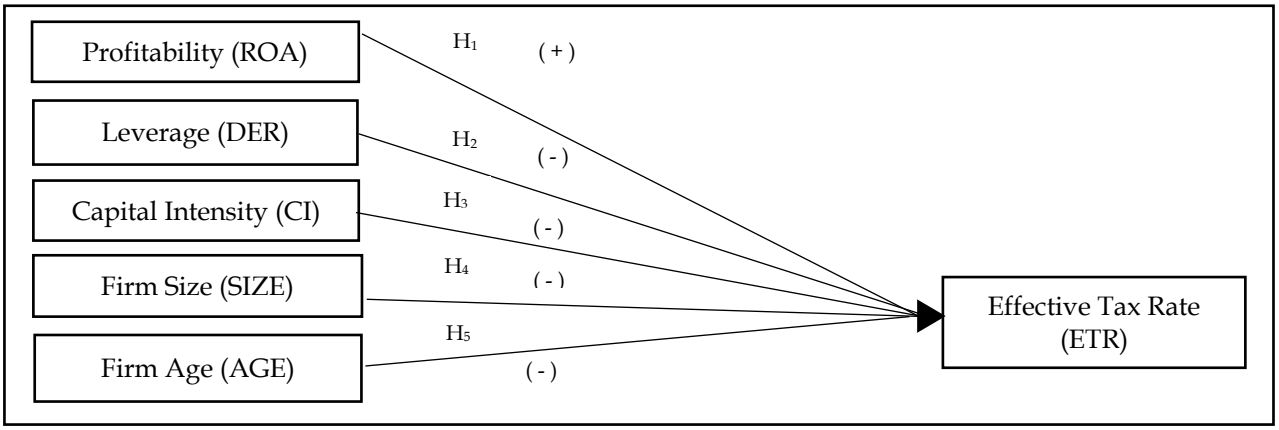

Figure 1. Conceptual Framework

METHODS, DATA, AND ANALYSIS

Table 1. 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 has 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 1. 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.

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):

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

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

Size = Ln(Total Aset)

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

Age = The year of research - 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:

$$ETR = \alpha + \beta_1 ROA + \beta_2 DER + \beta_3 CI + \beta_4 SIZE + \beta_5 AGE + e$$

Description:

ETR = Effective Tax Rate
α = 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 2 below contains information regarding the results of descriptive statistics. Based on Table 2, 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 0.533475. The independent variable leverage shows that the average company debt-to-equity ratio is 1.0289201, with minimum leverage being negative 7.17595 and the highest being 12.87701. 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. 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. 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.

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). Table 3 displays Aysmp. Sig (2-tailed) is 0.083>0.05, so the residual is normally distributed (Ghozali, 2017). Table 4 presents 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). Table 5 shows that the Sig value. (2-tailed) each independent variable on the residual exceeds 0.05, so there is no heteroscedasticity problem (Priyatno, 2014). Table 6 presents the Asymp values. Sig (2-tailed) is 0.131 which exceeds 0.05 so there is no autocorrelation problem (Ghozali, 2017).

Table 2. 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

Source: Data Processed (2024)

Table 3. Normality Residual of One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		254
Normal Parameters[a,b]	Mean	,0000000
	Std. Deviation	,29164275
Most Extreme Differences	Absolute	,053
	Positive	,053
	Negative	-,046
Test Statistic		,053
Asymp. Sig. (2-tailed)		,083[c]

Source: Data Processed (2024)

Table 4. Multicollinearity Test

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-4,877	1,199		-4,067	,000		
	LN_ROA	-,160	,020	-,473	-8,162	,000*	,910	1,099
	LN_DER	-,012	,021	-,036	-,589	,556	,805	1,242
	LN_CI	,008	,023	,021	,335	,738	,788	1,269
	LN_SIZE	1,027	,351	,193	2,922	,004*	,698	1,433
	LN_AGE	-,029	,033	-,051	-,896	,371	,940	1,064

a. Dependent Variable: LAG_LN_ETR
*Significant 5%
Source: Data Processed (2024)

Table 5.Heteroscedasticity Test – Spearman's Rho

Correlations

			LN_ROA	LN_DER	LN_CI	LN_SIZE	LN_AGE	Residual
Spearman's rho	LN_ROA	Correlation Coefficient	1,000	-,263**	-,124*	,023	,026	,037
		Sig. (2-tailed)	.	,000	,048	,710	,684	,561
		N	255	255	255	255	255	254
	LN_DER	Correlation Coefficient	-,263**	1,000	-,017	,336**	,040	,027
		Sig. (2-tailed)	,000	.	,790	,000	,526	,667
		N	255	255	255	255	255	254
	LN_CI	Correlation Coefficient	-,124*	-,017	1,000	,327**	,260**	-,071
		Sig. (2-tailed)	,048	,790	.	,000	,000	,257
		N	255	255	255	255	255	254
	LN_SIZE	Correlation Coefficient	,023	,336**	,327**	1,000	,266**	-,015
		Sig. (2-tailed)	,710	,000	,000	.	,000	,806
		N	255	255	255	255	255	254
	LN_AGE	Correlation Coefficient	,026	,040	,260**	,266**	1,000	-,019
		Sig. (2-tailed)	,684	,526	,000	,000	.	,769
		N	255	255	255	255	255	254
	Residual	Correlation Coefficient	,037	,027	-,071	-,015	-,019	1,000
		Sig. (2-tailed)	,561	,667	,257	,806	,769	.
		N	254	254	254	254	254	254

Source: Data Processed (2024)

Table 7 below presents the results of correlation, regression tests, coefficient of determination, and feasibility of the research model. As shown in Table 7, 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 are presented in Table 7. df1=4 and df2= 249, it is known that the Ftable value is 2.407896 and this result

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is smaller than the Fcount of 15.853, so the conclusion of the research model in the research is drawn worth testing. Table 7 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.

Table 6. Autocorellation Test

	Unstandardized Residual
Test Value[a]	,01731
Cases < Test Value	127
Cases >= Test Value	127
Total Cases	254
Number of Runs	116
Z	-1,509
Asymp. Sig. (2-tailed)	,131

a. Median

Table 7. Result of Test

Model	B	t	Sig.	R	Adj. R Square	F	Sig.
(Constant)	-4,877	-4,067	,000	0,492	0,227	15,853	0,000
LN_ROA	-,160	-8,162	,000*				
LN_DER	-,012	-,589	,556				
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)

Impact of Profitability on Effective Tax Rate

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 Effective Tax Rate

Leverage does not influence the effective tax rate 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 Effective Tax Rate

The results of the third hypothesis test (H3) show that the significance value of capital intensity is 0.738>0.05, so the effective tax rate 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 Effective Tax Rate

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 company size, as seen from its total assets, is 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's 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 can make shareholders (principals) lose trust in company management (agents), causing a decline in the company's share price. These results are not in line with the research findings of Nibras & Hadinata (2020), Dailimi & Setyowati (2020), Kusufiyah & Anggraini (2019), but these results support research by Fitria (2018), Mulya & Anggraeni (2022), showed that company size has a positive influence on the effective tax rate.

Impact of Firm Age on Effective Tax Rate

Referring to the test results of the fifth hypothesis (H5), the effective tax rate 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 negative relationship between company age and the effective tax rate.

CONCLUSION AND SUGGESTIONS

The findings in this study show that the effective tax rate is significantly negatively influenced by profitability, which is proxied by return on assets, while the effective tax rate is significantly positively influenced by company size. On the other hand, the effective tax rate 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 that it only focuses on basic materials companies on the IDX during a limited period, from 2018 to 2022. Then, the variables of profitability, leverage, capital intensity, company size, and company age used an agency theory approach—future research recommendations to examine other sectors of the IDX, such as the consumer cyclical sector. 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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