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The Influence of Firm Size, Leverage, and Profitability on Tax Avoidance Among Mining Companies Listed in Indonesia Stock Exchange for Period 2022 – 2024

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Abstract

This study aims to examine and empirically analyze the effect of firm size, leverage, and profitability on tax avoidance in mining companies listed on the Indonesia Stock Exchange (IDX) for the 2022-2024 period. The sample selection method in this study used purposive sampling with several screening criteria, resulting in an initial sample of 120 observations. After detecting extreme data (outliers) to meet the normality assumption, a final sample of 91 observation data was obtained and tested using multiple linear regression analysis through the SPSS program. Tax avoidance in this study is overviewed using the Effective Tax Rate (ETR) ratio. The results showed that partially, firm size has no significant effect on tax avoidance. Meanwhile, leverage is proven to have a positive and significant effect on ETR, which indicates that an increase in the debt ratio is associated with a decrease in the company's tax avoidance actions. Conversely, profitability has a negative and significant effect on ETR, which indicates that the higher the company's ability to generate net income, the higher the level of tax avoidance actions. Simultaneously, firm size, leverage, and profitability have a significant effect on tax avoidance with an adjusted R square value of 14.8%, while the remaining 85.2% is explained by other variables outside this research model.

Keywords: Effective Tax Rate, Firm Size, Leverage, Profitability, Tax Avoidance.

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INTRODUCTION

Tax revenue is one of the government's largest sources of income, and optimizing tax revenue has always been a top priority for the government in maintaining economic stability and supporting development. Therefore, the government enacts tax laws to ensure that tax collection is maximized to safeguard the welfare of its citizens. Consequently, loopholes in tax laws have emerged, enabling taxpayers to engage in tax avoidance practices to minimize their tax liabilities. The desire to minimize tax liabilities has become the primary factor driving both legal tax avoidance and illegal tax evasion (Darmawan & Sukartha, 2014). Tax avoidance itself is typically carried out by employing one of the strategies or techniques that involve exploiting loopholes in tax regulations and is not a criminal offense (Pohan, 2013). Differences in interests between the government and the private sector have always been the primary driver of these tax avoidance practices. The government consistently prioritizes taxes as the main source of government revenue; however, companies view taxes as a burden that directly affects their profitability (Resmi, 2019). This lack of alignment in interests may prompt company management particularly in capital-intensive sectors, such as the mining industry to engage in aggressive tax planning to preserve the company's value in the eyes of shareholders (Jensen & Meckling, 1976).

The issue of tax revenue disparities in the mining sector has come under intense scrutiny in recent years. Data from the Ministry of Finance shows that as of October 2025, tax revenue from the mining sector had contracted by 0.7%, even though the sector remains the backbone of the economy, contributing 11.4% of total revenue. This is reinforced by a report from Publish What You Pay (PWYP) indicating the existence of tax avoidance loopholes through interest management schemes and transfer pricing. It is this disparity between the massive scale of companies' operations and their fluctuating tax contributions that underscores the importance of examining the influence of firm size, leverage, and profitability on tax avoidance practices. Company size is a key metric for estimating a company's scale, typically assessed by the amount of capital it holds, the extent of its market share, the number of employees, and the total assets it possesses. The larger the company's size or total assets, the greater the opportunity for a company to engage in tax planning to minimize its tax liability (Riyanto, 2015). Mining companies, as businesses in a capital-intensive sector typically engage in tax planning to optimize their tax burden. The results of a study conducted by Firmansyah & Bahri (2022) states that company size has no effect on tax avoidance, whereas the results of other studies

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by Agustin & Agustin (2025) mentions that company size has a positive effect on tax avoidance.

Based on Riyanto (2015), Leverage is defined as a measure of the extent to which a company can use assets or funds with fixed costs (debt) to increase profits or returns for the company's owners. From a financial management perspective, high levels of debt (high leverage) can raise suspicions among external parties (such as banks or creditors). A study from Hanifah & Aresteria (2025) states that leverage has a significant effect on tax avoidance. Meanwhile, studies conducted by Marhamah et al. (2021) have shown that leverage does not have a positive effect on tax avoidance. One ratio used to determine the effectiveness of a company's management is the profit generated from sales and investment income; this can also serve as a measure of the company's ability to generate profits, commonly referred to as profitability (Kasmir, 2019). As a result, mining companies that consistently generate sky-high net profits tend to engage in tax avoidance so that the net profits they earn and distribute to shareholders remain high. Safitri & Muid (2020) finds that profitability has a negative effect on tax avoidance, and in another study by Hanifah & Aresteria (2025) shows that profitability has a positive effect on tax avoidance.

Although research on the factors influencing tax avoidance has been frequently conducted, inconsistent findings among studies persist to this day. In addition to the inconsistencies in previous research, the mining sector listed on the Indonesia Stock Exchange exhibits unique characteristics, namely high capital intensity and dynamic fluctuations in global commodity prices during the 2022–2024 period. Changes in domestic and global tax policies, as well as the dynamics of post-pandemic economic recovery, create an urgency for researchers to re-examine the extent to which firm size, leverage, and profitability can accurately predict tax avoidance behavior. Therefore, this study was conducted to address this gap in the literature and provide the latest empirical evidence regarding tax phenomena in the Indonesian mining sector.

LITERATURE REVIEW

Agency Theory

Jensen & Meckling (1976) defines an agency relationship as a contract in which one or more individuals (principals) use the services of another person (agent) to provide a benefit in the principal's interest, whereby for every decision to be made, the agent is authorized to delegate it to minimize potential problems. This agency theory carries risks that may arise if the desires and objectives of the principal and the agent conflict, and if

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there is a discrepancy in how the principal and the agent allocate the risks they face (Eisenhardt, 1989).

Tax Avoidance

Mardiasmo (2018) according to the tax authorities, tax avoidance is a legal means of minimizing the tax burden without violating the law. James & Nobesi (2000) He also added that these activities are carried out by exploiting existing legal loopholes and are not illegal. Tax avoidance, in a broader sense, refers to the explicit reduction of taxes. Tax avoidance is viewed as a continuum; it ranges from tax planning conducted legally and reasonably, to highly aggressive strategies that may cross the threshold into illegality and tax evasion.

Firm Size

Firm size is a measure of a company's scale, which can be calculated based on total assets or the value of the company's assets by applying an algorithm to total assets. This is done to simplify the scale of assets which are typically of significant value into a simpler, more understandable unit (Hartono, 2017). Firm size can be used to classify companies based on their size, and it can be used to describe a company's activities and revenue in a simpler way (Mahdiana & Amin, 2020). Company size is generally calculated using the natural logarithm (Ln) of total assets.

Leverage

Riyanto (2015) Leverage is defined as the use of funds with a fixed cost (debt interest). In the world of taxation, this interest expense is deductible—meaning it can be subtracted from or minimized in pre-tax profit. This means that the more debt a company uses to finance its operating expenses, the higher the interest expense that will appear on its financial statements. A sufficiently large proportion of interest expense can provide an opportunity to reduce the resulting taxable income, thereby lowering the amount of tax paid to the government. Meanwhile, Sartono (2016) Leverage is described as a company's use of assets and funding sources that involve fixed costs (debt), with the expectation that the resulting profits will exceed those fixed costs, thereby increasing returns for shareholders.

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Profitability

Profitability is one of the factors that determines a company's performance in maximizing earnings from operations (Rahmawati & Mildawati, 2019). In addition, profitability is also used as a key metric to measure the extent to which a company is able to generate profits from its revenue (Fahmi, 2017). In other words, companies that earn higher profits will also face a significant tax burden. Therefore, to maximize their profits, companies will make the most of all their available resources—including sales, cash flow, capital, the number of employees, the number of subsidiaries, and other factors so that their profits can be optimized (Harahap, 2019).

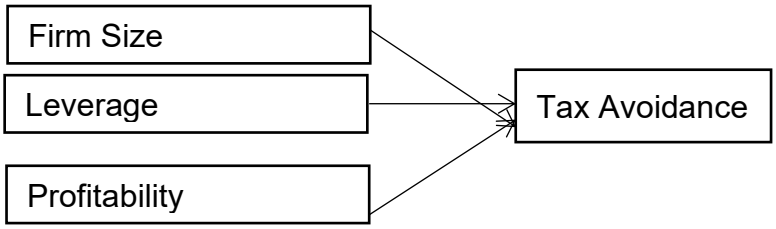


Figure 1. Research Framework

Firm size refers to how large or small a company is. Established companies have much easier access to the capital markets than small companies facing the same competition (Brigham & Houston, 2019). However, the larger a company's total assets, the higher the amount of tax it will have to pay; consequently, company management engages in tax planning to ensure that assets, profits, and taxes are managed optimally. Previous research conducted by Leksono et al. (2019) shows the significance of the firm size variable with a negative coefficient. This means that firm size has a negative effect on tax avoidance.

H1: Firm size influence on tax avoidance.

Sartono (2016) Leverage is defined as the way a company can use debt as an asset and a source of funds that will generate greater returns than its fixed costs, thereby providing substantial returns to shareholders. However, the higher a company's operating costs, the higher the taxes it will have to pay. Therefore, companies will look for loopholes to minimize their tax burden and maximize profits. Research conducted by Kurniawati & Nuraslina (2024) and Fadhila & Kasir (2026) states that an increase in a company's debt-

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to-equity ratio can provide management with an opportunity to use interest expenses as a legitimate tax deduction to minimize their tax liability.

H2: Leverage influence on tax avoidance.

Based on Kasmir (2019) profitability is a ratio used by companies to assess their ability to manage their operations in a way that generates maximum and optimal profits. However, the stronger a company's ability to generate profits, the higher the tax burden it must pay, which can significantly reduce its profits. Previous research conducted by Basrah (2025), Mianti & Santioso (2025), Leksono et al (2019).

H3: Profitability influence on tax avoidance.

RESEARCH METHOD

This study employs a quantitative approach using the associative-causal method. Sugiyono (2019) state that causal-associative research is a type of research that examines the relationship between two or more variables, so that the results can explain and predict the relationship between those two or more variables. The population for this study consists of mining companies listed on the Indonesia Stock Exchange, covering the period from 2022 to 2024, using financial reports published by the Indonesia Stock Exchange. A total of 111 companies in the mining sub-sector listed on the Indonesia Stock Exchange were included in the study.

The sample selection in this study was conducted using the purposive sampling method. According to Sekaran & Bougie (2016), purposive sampling is a sampling technique based on the suitability of the subjects' characteristics to specific criteria required to address the research questions.

The initial population in this study consisted of 111 mining companies listed on the Indonesia Stock Exchange (IDX). To obtain a representative sample and avoid bias in the regression data analysis, the researcher screened the population based on the following criteria: 1) Mining companies that consistently published annual financial reports during the observation period (2022–2024); 2) Companies that consistently presented financial statements in Indonesian Rupiah (IDR) during the 2022–2024 period; 3) Companies that recorded positive net income (no losses) during the study period.

According to Ghozali (2018), data analysis aims to test research hypotheses and draw conclusions based on the data collected by the researcher. Data processing in this study was carried out using SPSS 27 software. The stages of data analysis carried out

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by the researcher included classical assumption tests, comprising normality tests, multicollinearity tests, and heteroscedasticity tests. This was followed by multiple linear regression analysis and hypothesis testing using the F-test and t-test. The formula for the multiple linear regression equation is as follows:

$$ETR = \alpha + \beta_1 Size + \beta_2 DER + \beta_3 ROA + \epsilon$$

Description
ETR = Tax avoidance
α = Constanta
β_1 β_2 β_3 = The regression coefficients for each variable
Size = Firm size
DER = Leverage
ROA = Profitability
Є = Error

RESULT AND DISCUSSION

Normality Test

Table 1. One Sample Kolmogorove-Smirnov Test

			Unstandardized Residual
N			91
Normal Parameters[a,b]	Mean		-.0117859
	Std. Deviation		.03853136
Most Extreme Differences	Absolute		.078
	Positive		.078
	Negative		-.054
Test Statistic			.078
Asymp. Sig. (2-tailed)[c]			.200[d]
Monte Carlo Sig. (2-tailed)[e]	Sig.		.184
	99% Confidence Interval	Lower Bound	.174
		Upper Bound	.194

a. Test distribution is Normal.
b. Calculated from data.
c. Lilliefors Significance Correction.
d. This is a lower bound of the true significance.
e. Lilliefors' method based on 10000 Monte Carlo samples with starting seed 1535910591.

Source: Data Processed (2026)

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Based on the results of the normality test above, the results of the One-Sample Kolmogorov-Smirnov test show a Test Statistic value of 0.078 and a significance value (Asymp. Sig. 2-tailed) of 0.200. This significance value is greater than the specified significance level of 0.05 (0.200 > 0.05). Thus, it can be concluded that the residual values in the regression model of this study are normally distributed, thereby satisfying the classical assumptions for multiple linear regression analysis.

Multicollinearity Test

Table 2. Multicollinearity Test

Coefficients[a]

Model		Collinearity Statistics	
		Tolerance	VIF
1	X1_FirmSize	.952	1.051
	X2_Leverage	.981	1.019
	X3_Profitabilitas	.952	1.050

a. Dependent Variable: Y_TaxAvoidance

Source: Data Processed (2026)

Based on the results of the analysis conducted in SPSS shown in table 2, the following analysis results were obtained: the firm size variable (X_1) has a Tolerance value of 0.952 > 0.10 and a VIF value of 1.051 < 0.10; the leverage variable (X_2) has a tolerance value of 0.981 > 0.10 and a VIF value of 1.019 > 0.10; and the profitability variable (X_3) has a tolerance value of 0.952 > 0.10 and a VIF value of 1.050 < 0.10. Based on these results, the tolerance values for all independent variables in this study are greater than 0.10, and the resulting VIF values are less than 10. Thus, it can be concluded that this regression model is free from multicollinearity.

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Heteroscedasticity Test

Table 3. Glejser Test

Coefficients[a]

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	.066	.045		1.475	.144
	X1_FirmSize	-.002	.002	-.104	-.967	.336
	X2_Leverage	.025	.015	.176	1.654	.102
	X3_Profitabilitas	.010	.060	.019	.172	.864

a. Dependent Variable: ABRESID

Source: Data Processed (2026)

Based on the results of the Glazer test, the following results were obtained: the firm size variable (X_1) has a significance value of 0.336 > 0.05; the leverage variable (X_2) has a significance value of 0.102 > 0.05; and the profitability variable (X_3) has a significance value of 0.864 > 0.05. The test results in table 3 above show that all independent variables have significance values greater than 0.05. Thus, it can be accurately concluded that the proposed regression model does not suffer from heteroscedasticity.

Autocorrelation Test

Table 4. Durbin Watson's Test

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.420[a]	.176	.148	.03427	2.189

a. Predictors: (Constant), X3_Profitabilitas, X2_Leverage, X1_FirmSize

b. Dependent Variable: Y_TaxAvoidance

Source: Data Processed (2026)

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Based on the test results in Table 4, a Durbin-Watson value of 2.189 was obtained. This value was then compared with the Durbin-Watson table values at a 5% significance level, given the sample size (n = 91) and the number of independent variables (k = 3). A Durbin-Watson value of 2.189 falls within the range indicating the absence of autocorrelation (whether positive or negative). Therefore, the regression model in this study meets the classical assumption test for autocorrelation.

Multiple Linear Regression Analysis

Table 5. Multiple Linear Regression Test

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	.181	.060		3.043	.003
	X1_FirmSize	.002	.002	.079	.789	.432
	X2_Leverage	.059	.020	.288	2.930	.004
	X3_Profitabilitas	-.267	.079	-.336	-3.375	.001

a. Dependent Variable: Y_TaxAvoidance

Source: Data Processed (2026)

Based on the results of SPSS 27 shown in Table 5, the following regression equation model was obtained:

$$ETR = 0.181 + 0.002(Size) + 0.059(DER) – 0.267(ROA)$$

The multiple linear regression interpreted the constant term of 0.181 indicates that if the variables firm size, leverage, and profitability are held constant or set to zero, then the ETR value is 0.181. Then, the regression coefficient for the firm size variable of 0.002 is positive, indicating a positive relationship between firm size and the ETR value, also the regression coefficient for the leverage variable is 0.059, which is positive indicating a positive relationship between leverage and the ETR value. Last, the regression coefficient for the profitability variable is -0.267, which is negative shows that it indicates an inverse relationship between profitability and the ETR value.

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Hypothesis Testing

Table 6. F-Test

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.022	3	.007	6.208	<.001[b]
	Residual	.102	87	.001		
	Total	.124	90			

a. Dependent Variable: Y_TaxAvoidance

b. Predictors: (Constant), X3_Profitabilitas, X2_Leverage, X1_FirmSize

Source: Data Processed (2026)

Based on Table 6 above, a significance value of 0.001 was obtained. Since this significance value is much smaller than the significance level of 0.05 (0.001 < 0.05), it can be concluded that firm size, leverage, and profitability simultaneously have a significant effect on tax avoidance among mining companies listed on the Indonesia Stock Exchange during the 2022–2024 period.

Table 7. T-test

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.181	.060		3.043	.003
	X1_FirmSize	.002	.002	.079	.789	.432
	X2_Leverage	.059	.020	.288	2.930	.004
	X3_Profitabilitas	-.267	.079	-.336	-3.375	.001

a. Dependent Variable: Y_TaxAvoidance

Source: Data Processed (2026)

Based on the SPSS 27 output in the table above, the results of the partial analysis are as follows: The firm size variable has a t-value of 0.789 with a significance level (Sig) of 0.432. Since the significance value is greater than 0.05 (0.432 > 0.05), it can be

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concluded that firm size does not have a significant effect on tax avoidance among mining companies listed on the Indonesia Stock Exchange for the 2022–2024 period. The leverage variable has a t-statistic of 2.930 with a significance level (Sig) of 0.004. Since the significance level is less than 0.05 (0.004 < 0.05), it can be concluded that leverage has a positive and significant effect on ETR. A positive coefficient value indicates that the higher a company's debt level (leverage), the higher the ETR value will be, meaning the company's propensity to engage in tax avoidance decreases. The profitability variable has a t-statistic of -3.375 with a significance level (Sig) of 0.001. Since the significance level is less than 0.05 (0.001 < 0.05), it can be concluded that profitability has a negative and significant effect on ETR (Effective Tax Rate). A negative coefficient indicates that the higher a company's profitability (ROA), the lower the ETR becomes, meaning the level of tax avoidance within the company increases.

Test of the Coefficient Determination

Table 8. Coefficient Determination Test

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.420[a]	.176	.148	.03427	2.189

a. Predictors: (Constant), X3_Profitabilitas, X2_Leverage, X1_FirmSize

b. Dependent Variable: Y_TaxAvoidance

Source: Data Processed (2026)

Based on the test results in Table 8, an adjusted R-squared value of 0.148 was obtained. This indicates that 14.8% of the variation in the Tax Avoidance (ETR) variable can be explained by the variation in the three independent variables: firm size, leverage, and profitability. Meanwhile, the remaining 85.2% is explained by factors or other variables outside the regression model that were not examined in this study.

DISCUSSION

The Influence of Firm Size on Tax Avoidance

Based on the results of the t-test conducted in SPSS 27 using the analyzed secondary data, the firm size variable does not have a significant effect on ETR for mining

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companies listed on the Indonesia Stock Exchange from 2022 to 2024. The result indicated by a significance value of 0.432 means that the value is greater than 0.05. According to agency theory, firm size reflects operational complexity and the extent of public oversight. There are two opposing theoretical perspectives on this: according to political power theory, large companies are considered to have the resources to hire expert tax consultants to exploit legal loopholes; whereas according to political cost theory, large companies tend to be the focus of attention from the government, the public, and regulators, so they choose to act compliantly to avoid reputational sanctions; thus, firm size ultimately does not become the primary determinant in corporate tax policy. Both large and small mining companies face strict tax regulations, royalty provisions, and inspections from the Ministry of Energy and Mineral Resources (ESDM) and the Directorate General of Taxes (DJP). Therefore, the size of total assets does not automatically make a company more aggressive or more compliant in engaging in tax avoidance. This aligns with and supports previous research conducted by Putri & Lawita (2019), which found that both large and small companies exhibit the same tendencies regarding tax compliance or avoidance because tax regulations apply equally regardless of asset size. Additionally, Nugraha & Mulyani (2022) state that the strict oversight by the Directorate General of Taxes over companies in the Indonesian securities market does not guarantee that companies can evade their tax obligations.

The Influence of leverage on Tax Avoidance

Based on the results of the t-test, the leverage variable (DER) with a significance value of 0.004 (< 0.05), was found to have a positive and significant effect on the ETR value. This means that the higher a company's debt (leverage), the higher the ETR value becomes, indicating that tax avoidance practices are decreasing. The findings of this study reveal that while debt generates interest expenses that are tax-deductible, which typically leads to increased tax avoidance, the opposite phenomenon was observed among mining companies in Indonesia during the study period (2022–2024). Previous research conducted by Saputra & Wardani (2023) found that tax regulations limiting the deductibility of interest expenses on debt mean that excessively high debt can no longer be optimally used as a tax deduction. Additionally, under the Thin Capitalization rules (PMK No. 169/PMK.010/2015), the Indonesian government limits the debt-to-equity ratio (DER) to a maximum of 4:1 for tax purposes. Consequently, high debt levels are no longer effective in reducing taxes, resulting in a persistently high effective tax rate (ETR).

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The Influence of Profitability on Tax Avoidance

Based on the results of the t-test, the profitability variable (ROA) was found to have a significant negative effect on the ETR value, with a significance level of 0.001 (< 0.005). The negative coefficient value for ETR indicates that the higher a company's ability to generate profits (profitability), the lower the ETR value will be (the higher the level of *tax avoidance* practices). In the mining sector, companies with high profits have the financial flexibility to allocate funds toward legal tax planning methods, such as: maximizing exploration and research expenses, utilizing accelerated depreciation for heavy assets, or optimizing environmentally related management costs that are *tax-deductible.* Consequently, increased returns on assets (ROA) successfully reduce the effective tax rate paid, as reflected in the declining ETR value. This aligns with and supports previous research conducted by Dewinta & Setiawan (2016) and Lestari & Sugiharto (2021), which found that companies with high profitability possess better financial management capabilities to engage in legal tax planning to reduce corporate income tax burdens.

CONCLUSION

Firm size does not have a significant effect on tax avoidance. This indicates that the size of a mining company's total assets is not a determining factor in management's decision to engage in tax avoidance. Furthermore, leverage has a positive and significant effect on ETR. These results indicate that the higher the debt level (leverage) of a mining company, the higher the ETR will be, meaning that the level of tax avoidance decreases. Finally, profitability has a negative and significant effect on ETR. These results indicate that the higher a company's ability to generate net profit (ROA), the lower the ETR will be, meaning that the level of tax avoidance increases.

The Directorate General of Taxes (DJP) is expected to step up its oversight of mining companies that report ROA. When analyse the financial statements to make investment decisions in the mining sector, investors should not only look at the size of profits but also analyse debt structure and tax policies. Future researchers may include additional independent variables strongly suspected of influencing tax avoidance, such as corporate governance mechanisms, capital intensity, or institutional ownership. They may also extend the observation period (by incorporating audited financial statements from 2025, which are now being fully released on the IDX) or expand the scope of the study to other industrial sectors to obtain more comprehensive results.

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