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The Effect Of Leverage And Company Size On Tax Avoidance In Property And Real Estate Companies Listed On The Indonesia Stock Exchange In 2022-2024

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Abstract

This study aims to analyze the impact of leverage and firm size on tax avoidance practices in the property and real estate sector of companies listed on the Indonesia Stock Exchange (IDX) for the 2022–2024 period. The research method applied is quantitative with a causal approach, using secondary data from company financial statements over three years. The analysis was conducted using multiple linear regression to understand the relationship between variables. The research findings indicate that leverage has a significant impact on tax avoidance, while firm size does not show a significant effect individually. However, simultaneously, leverage and firm size have a significant impact on tax avoidance. These results indicate that companies with high debt tend to utilize debt interest expenses to legally reduce tax obligations, while firm size affects overall tax planning capabilities. This study contributes to companies in managing clear tax strategies and to the government in monitoring tax avoidance practices in the property and real estate sector.

Keywords:Leverage, Firm Size, Tax Avoidance.

INTRODUCTION

One of the largest sources of state revenue is tax revenue. In accounting, taxes are a cost component that can reduce a company's profits. Therefore, companies need to undertake various efforts to reduce their tax burden. This is because they employ various strategies to reduce tax burdens in order to improve shareholder welfare.

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However, on the other hand, the government also requires funds from tax revenues to run its administration, thus creating a conflict of interest. One way companies can minimize their tax burden is through tax avoidance.(Bulawan et al., 2023).

Taxes have an important role in contributing to state revenue, which is one of the main sources to support development.(Zenara et al., 2025). Tax is a mandatory contribution that is mandatory and is used to finance state development without direct compensation to taxpayers.(Princess & Son, 2017)In the corporate context, taxes are often considered a burden that can reduce net profit, so companies have a tendency to optimize tax management strategies, including through tax avoidance practices or legal tax avoidance.(Tarisyah Cahyatie & Mulia Rahmah, 2023)Tax avoidance is an action taken by a number of individuals, both individuals and companies, with the intention of reducing their tax obligations to the state, in the hope of achieving greater profits. The goal of this tax avoidance practice is to improve the welfare of stakeholders and maintain the company's survival.(Dharma et al., 2023).

Tax avoidance theory is a conceptual framework that explains the motives, mechanisms, and consequences of corporate strategies to minimize tax burdens legally, without violating applicable laws.(Economy et al., 2026)In the corporate context, factors such as leverage and company size are thought to influence tax avoidance practices. Leverage, which is the ratio of debt used in a company's capital structure, can provide tax savings incentives by reducing interest expenses, which can be deducted from taxable income. Conversely, company size, which reflects the company's capacity and resources, is also thought to influence the company's ability to undertake complex tax planning.

This research focuses on property and real estate companies listed on the Indonesia Stock Exchange (IDX) because this sector is one of the largest tax contributors in Indonesia. The government pays close attention to tax compliance in this sector to prevent tax manipulation that could reduce state revenue. Companies operating in the property and real estate sector face significant challenges, particularly related to high capital requirements and operating cost pressures. Therefore, company management must devise various strategies to ensure financial stability, one of which is through tax avoidance practices. The property and real estate sector was chosen as the research subject because companies in this sector are major contributors to tax revenue in Indonesia.(Febiani et al., 2025). Based on this discussion, the following hypothesis can be formulated:

1) H1: To test the effect of leverage on tax avoidance.

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2) H2: To test the effect of company size on tax avoidance.
3) H3: To test simultaneously the effect of leverage and company size on tax avoidance.

Therefore, this study aims to examine the effect of leverage and company size on tax avoidance practices in property and real estate companies listed on the Indonesia Stock Exchange (IDX) during the 2022-2024 period. The research findings are expected to contribute to companies managing their tax strategies more transparently and in accordance with applicable regulations, as well as provide information for the government and investors in understanding the factors influencing tax avoidance.

THEORETICAL BASIS

1. *Tax Avoidance*

*Tax avoidance*is a strategy used by companies to minimize tax liabilities by exploiting loopholes in tax regulations, without breaking the law.(Lawrence et al., 2025)Tax avoidance can increase a company's financial efficiency and net profit, but it also has the potential to create the risk of sanctions and damage the company's reputation if it is deemed to violate the spirit of taxation.(Harry, 2018)Tax avoidance is usually measured using the Effective Tax Rate (ETR), which is the ratio of tax burden to profit before tax, where a lower ETR indicates a higher level of tax avoidance.(Agustina et al., 2023).

Formula:

$$ETR = \frac{\text{Beban Pajak}}{\text{Laba Sebelum Pajak}}$$

2. *Leverage*

*Leverage*is a ratio that measures the extent to which a company uses borrowed funds in its capital structure. Leverage offers the benefit of tax savings because debt interest can be deducted from taxable income, thereby lowering the company's tax burden. However, high leverage also increases financial risks such as bankruptcy and financial instability. According to agency theory, the higher the leverage, the better the transfer of wealth from creditors to shareholders.(Tarisyah Cahyatie & Mulia Rahmah, 2023). Therefore, proper leverage management is crucial so that the tax savings benefits are not offset by excessive financial risk.(Harry, 2018)Agustina et al.'s (2023) research shows that leverage has a negative and significant effect on tax avoidance in property and real estate companies listed on the IDX.

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Formula:

- $DER = \frac{\text{Total Utang}}{\text{Ekuitas}}$

3. Company Size

Company size is a scale that shows the condition of a company through total assets where large companies have better sources of funds to run their business compared to small companies.(Tarisyah Cahyatie & Mulia Rahmah, 2023).Company size is typically measured by total assets or total sales and reflects a company's resource capacity. Larger companies tend to have greater capabilities and access to complex tax planning and more aggressive tax avoidance strategies. However, recent research suggests that company size does not always significantly influence tax avoidance, as larger companies also tend to comply more closely with tax regulations to maintain their reputation and avoid the risk of tax audits.(Agustina et al., 2023). Company size is measured using the natural logarithm of total assets.(Listed et al., 2022).

Formula:

$$\text{Size} = \text{Ln Total Asset}$$

4. Agency Theory

This theory explains the relationship between the company owner (principal) and the management (agent) which often gives rise to differences of interest due to unbalanced information.(Octaviany et al., 2023). Separation Agency theory explains the relationship between the principal (owner) and agent (management), where conflicts of interest often arise due to differences in goals between the two parties.(Agustina et al., 2023). Company owners (principals) desire maximum profits and compliance with all regulations, including taxation, to maintain the company's reputation. Conversely, management (agents) often focus more on personal gain, such as bonuses or incentives, which can be obtained by maximizing the company's net profit, one way being through tax avoidance practices.(Princess & Son, 2017)According to Barli (2018), principals often sacrifice resources in the form of compensation to agents to improve the company's performance and tax efficiency. However, this situation can trigger management to engage in tax avoidance to maximize the company's net profit, which, while legal, can be detrimental to state tax revenue.

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RESEARCH METHODS

This study uses a quantitative method with a causal approach to test the influence*leverage*and company size on tax avoidance practices. The data used is secondary data obtained from the financial reports of companies listed on the Indonesia Stock Exchange (IDX) for the period 2022 to 2024, officially published on the website.www.idx.co.idThe analysis was conducted using multiple linear regression to determine the relationship between variables. The study population was all companies listed on the Indonesia Stock Exchange (IDX) in the property and real estate sector during the 2022–2024 period. The sample was drawn using a purposive sampling technique based on the following criteria:

1. Companies operating in the property and real estate sector listed on the IDX
2. Companies that consistently published complete and audited annual financial reports during the study period.
3. Companies that made consecutive profits during the study period.
4. Companies that clearly disclose information about taxes, leverage, and company size in their financial reports.

The purposive sampling method is used to ensure that the selected sample is in accordance with the research objectives and is representative of the population to be analyzed.

Table 1. Research Sample

No	Criteria	Number of Companies
1	Property and real estate sector companies listed on the IDX in 2022–2024	84
2	Companies that do not provide complete financial reports	-20
3	Companies that experience losses	-38
4	Companies that do not report tax data, leverage, and company size	-6
	Total companies observed	**20**
	Total company for 3 years (20 × 3)	**60**

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RESULTS AND DISCUSSION

Descriptive Statistical Analysis

The descriptive statistical analysis included examining measures of data center, such as the mean, minimum value, maximum value, and standard deviation, as well as measures of dispersion. The findings from the descriptive statistical analysis, curated using SPSS, can be seen in the table below.

Table 2. Results of Descriptive Statistical Analysis

Descriptive Statistics

	N	Minimum	Maximum	Mean	Standard Deviation
Leverage	60	,00	1.63	,5677	,42718
COMPANY SIZE	60	1125536.00	76023348886.00	11317529751,1833	13611003375,55196
Tax Avoidance	60	,00	,35	,0911	,09482
Valid N (listwise)	60				

Normality Test

The normality test was conducted using the One-Sample Kolmogorov Smirnov Test approach. Based on the normality test output, the following can be seen:

Table 3. Normality Test Results

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		60
Normal Parametersa,b	Mean	,0000000
	Standard Deviation	,08120994
Most Extreme Differences	Absolute	,112
	Positive	,112
	Negative	-,056
Test Statistics		,112
Asymp. Sig. (2-tailed)c		,058
Monte Carlo Sig. (2-tailed)d	Sig.	,059

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	99% Confidence Interval	Lower Bound	,053
		Upper Bound	,065

The results of the normality test indicate that each tested variable is normal, with a significance value greater than 0.05, at 0.058. These results indicate that the residual data is normally distributed, concluding that the regression model meets the classical assumptions of normality, meaning the data is suitable for the research objectives and can be continued.

Multicollinearity Test

A multicollinearity test is performed to detect excessively strong relationships between independent variables in a regression model. This test measures the Tolerance and Variance Inflation Factor (VIF) values. Data are considered free of multicollinearity if the VIF is less than 10 and the Tolerance is greater than 0.1. The results of the multicollinearity test analysis are shown in the following table:

Table 4. Multicollinearity Test Results

Coefficientsa

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	,034	,018		1,836	,072		
	Leverage	,122	,027	,549	4,535	,000	,878	1,139
	COMPANY SIZE	-1.033E-12	,000	-,148	-1,225	,226	,878	1,139

a. Dependent Variable: TAX AVOIDANCE

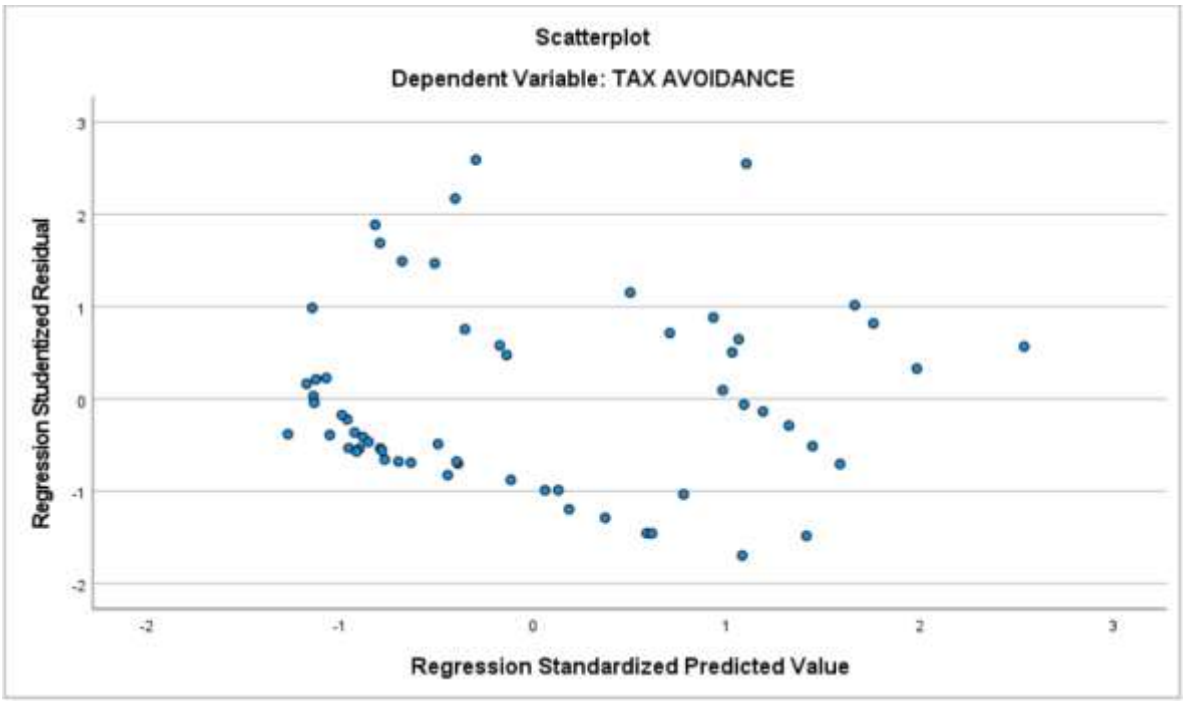
Based on the table above, it is known that all variables have a Tolerance value of 0.878, which is greater than 0.10, and a Variance Inflation Factor (VIF) value of 1.139, which is less than 10.00. Thus, it can be concluded that there are no symptoms of multicollinearity among the independent variables in this regression model.

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Heteroscedasticity Test

Based on the test results, the points on the scatterplot graph are randomly distributed and do not form a specific pattern. Furthermore, the points are also spread both above and below zero on the Y-axis. Therefore, it can be concluded that the regression model does not experience heteroscedasticity, making it suitable for use in research.



Multiple Linear Regression Test

Table 5. Multiple Linear Regression Test Results

Coefficientsa

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	,034	,018		1,836	,072
	Leverage	,122	,027	,549	4,535	,000
	COMPANY SIZE	-1.033E-12	,000	-,148	-1,225	,226

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a. Dependent Variable: TAX AVOIDANCE

Regression test results indicate that leverage influences tax avoidance. The higher a company's leverage, the more likely it is to engage in tax avoidance practices by utilizing debt interest expenses to reduce taxable income.

F test

ANOVA						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	,141	2	,071	10,355	,000b
	Residual	,389	57	,007		
	Total	,530	59			
a. Dependent Variable: TAX AVOIDANCE						
b. Predictors: (Constant), COMPANY SIZE, LEVERAGE						

Based on the table above, the calculated F value is 10.355, where the F table value is 3.16, so the calculated F > F table (10.355 > 3.16). The significance level is <0.001, which means it is smaller than the significance level of 0.05. Therefore, the results of this test indicate that the independent variables, namely leverage and company size, together have a significant effect on the dependent variable, namely tax avoidance.

DISCUSSION

Based on data analysis using multiple linear regression, leverage was found to have a significant effect on tax avoidance, while company size had no significant effect. The following is a discussion of the research findings, supported by relevant journal references:

The results of the study indicate that leverage has a negative and significant effect on tax avoidance. This is in line with agency theory, where management, as an agent, utilizes the company's debt structure to reduce the tax burden by deducting debt interest from taxable profits. With high leverage, companies have an incentive to legally minimize tax liabilities. This finding is consistent with previous research, such as that conducted byAgustina et al., (2023)And(Ega Apridinata & Dewi Zulvia, 2023), which states that

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leverage has a negative effect on tax avoidance. In addition,Harry, (2018) also found that leverage provides benefits in the form of tax savings through the mechanism of reducing interest expenses. However, companies need to be careful because excessive leverage can increase financial risks, such as potential bankruptcy or financial instability. Theoretically, leverage provides tax benefits known as a tax shield, as explained by(Harry, 2018)By using debt as part of its capital structure, companies can reduce taxable profits, making tax avoidance practices more effective.

Company size has no significant effect on tax avoidance. This suggests that although larger companies have greater resources for complex tax planning, they also tend to be more scrutinized by tax authorities. Therefore, larger companies may be more compliant with tax regulations to maintain their reputation and avoid the risk of government sanctions. These results align with research.Agustina et al., (2023)And(Hermawan et al., 2021), which found that company size does not always have a significant effect on tax avoidance. Tax avoidance is not limited to large companies; even small and medium-sized companies can implement tax avoidance measures, but the magnitude does not significantly affect national income. This is supported by research from(Ayu et al., 2023)shows that company size does not affect tax avoidance. The influence of other research byDharma et al., (2023)also supports this finding, where large companies are more likely to comply with tax regulations because they are a primary concern of tax authorities. However, this finding differs from the results of research byDaughter & Son, (2017), which states that company size has a positive influence on tax avoidance. They argue that larger companies have greater flexibility to manage tax liabilities strategically.

Based on the results of the study using the F test, the effect of leverage and company size on tax avoidance was obtained with a calculated F value of 10.355, where the F table value is 3.16, so the calculated F > F table (10.355 > 3.16). The significance level is <0.001, which means it is smaller than the significance level of 0.05. Therefore, the results of this test indicate that the independent variables, namely leverage and company size, together have a significant effect on the dependent variable, namely tax avoidance. The results of this study indicate that leverage and company size are factors that can influence a company's tax avoidance practices. The higher the company's leverage, the greater the company's possibility of tax savings through the use of debt interest expenses. In addition, companies with a larger size also have better resources and capabilities in conducting tax planning, which can affect the company's tax avoidance level. This research is in line with research fromAgustina et al., (2023)which

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shows that leverage and company size together have a significant effect on tax avoidance.

CONCLUSION

Based on research findings on the effect of leverage and company size on tax avoidance in property and real estate companies listed on the Indonesia Stock Exchange (IDX) for the 2022–2024 period, it can be concluded that leverage significantly impacts tax avoidance because companies with high debt levels tend to utilize interest expenses to reduce tax liabilities. This finding aligns with research conducted by(Harry, 2018)And(Agustina et al., 2023).

Meanwhile, company size does not significantly influence tax avoidance because both large and small companies remain under the supervision of tax authorities. These results support the research.(Agustina et al., 2023)as well as(Tarisyah Cahyatie & Mulia Rahmah, 2023). Simultaneously, leverage and company size have a significant effect on tax avoidance.

LIMITATIONS AND SUGGESTIONS

This study has several limitations. The sample size is limited to property and real estate companies listed on the Indonesia Stock Exchange (IDX) for the 2022–2024 period, so the results cannot reflect the entire sector. Furthermore, this study uses only two independent variables—leverage and company size—to explain tax avoidance.

Based on these limitations, it is recommended that future researchers increase the sample size and extend the research period to obtain more accurate results. Further research is also recommended to include other variables such as profitability, liquidity, corporate governance, and capital intensity, which may influence tax avoidance. Furthermore, companies are expected to implement tax strategies that comply with applicable regulations to minimize the risk of tax violations.

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