



**IMPLEMENTATION OF LEVERAGE, PROFITABILITY, COMPANY SIZE,
FIXED ASSET INTENSITY, AND CAPITAL INTENSITY ON TAX
AVOIDANCE (EMPIRICAL STUDY ON MANUFACTURING COMPANIES
IN THE CONSUMER GOODS SECTOR LISTED ON THE INDONESIA
STOCK EXCHANGE IN 2020 – 2022)**

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Abstract

This study examines the determinants of tax avoidance in the consumer goods sector listed on the Indonesia Stock Exchange from 2020 to 2023 using multiple linear regression. While the method is appropriate, the low R-squared value (24.7%) indicates that key factors such as corporate governance, ownership structure, or international operations may have been omitted, limiting the model's explanatory power. The Cash Effective Tax Rate (CERT) is used as a proxy for tax avoidance due to its common use in literature; however, it may be influenced by temporary differences or one-off tax items, potentially masking consistent tax planning behavior. Acknowledging this limitation, future research should consider multi-metric approaches and broader variables to capture a more comprehensive picture. Due to sector-specific characteristics, the findings may not be generalizable across industries.

Keyword: Capital Intensity, Firm Size, Fixed Asset Intensity, Leverage, Profitability



INTRODUCTION

Taxation serves as the backbone of a nation's fiscal infrastructure, financing essential government expenditures, including public services and development projects (Diyastuti & Kholis, 2022). As stipulated in Law No. 28 of 2007 on General Provisions and Tax Procedures (*KUP*), tax is a compulsory contribution imposed on individuals or entities by law, without direct compensation, and is utilized for the prosperity of the nation. However, despite its significance, Indonesia continues to face challenges in maximizing its tax revenue. One critical issue undermining the country's tax performance is corporate tax avoidance a legal strategy whereby companies exploit gaps in tax regulation to minimize their tax obligations (Fionasari et al., 2020).

It is important to distinguish tax avoidance, which is lawful albeit ethically debatable, from tax evasion, which involves deliberate violations of tax law. While companies engaging in tax avoidance may not breach legal boundaries, their actions can significantly diminish state revenues and hinder public welfare programs. The conflict of interest between the government's need for revenue and corporate goals of profit maximization creates a tension that often results in reduced tax compliance efforts (Novriyanti & Dalam, 2020; Gazali et al., 2020). This misalignment weakens the effectiveness of the taxation system, where success is measured by the extent of revenue collected (Ayu & Durya, 2021).

Indonesia's fiscal vulnerability is illustrated by the findings of the Tax Justice Network (2020), which reported that Indonesia loses approximately US\$4.86 billion annually due to corporate tax avoidance, and an additional US\$78.83 million from individual taxpayers concealing offshore wealth. These practices contribute to revenue shortfalls, such as the one in 2020 when the



government set a target of Rp1,198.82 trillion but failed to meet it (pajakku.com). One method commonly used by multinational firms involves profit shifting to low-tax jurisdictions, thereby reducing taxable income reported in Indonesia.

Within this context, understanding the internal factors that influence corporate tax behavior becomes imperative. This study focuses on financial determinants such as leverage, profitability, firm size, fixed asset intensity, and capital intensity as predictors of tax avoidance. Prior research on these variables has yielded inconclusive results. For instance, while Aulia & Mahpudin (2020) found that leverage significantly affects tax avoidance, Sriyono & Andesto (2022) reported the opposite. Similar inconsistencies appear in studies examining the impact of profitability and asset intensity. However, theoretical frameworks such as agency theory suggest that financial characteristics may shape managerial decisions regarding tax strategies. Therefore, this research aims to address the existing gaps by empirically analyzing how these financial indicators influence tax avoidance practices among manufacturing firms listed on the Indonesia Stock Exchange during the 2020–2023 period.

LITERATURE REVIEW

Agency Theory

Agency Theory explains the contractual relationship between principals (shareholders) and agents (managers), where agents manage company resources on behalf of principals, as described by Jensen and Meckling (1976). This relationship often results in information asymmetry, as agents possess more comprehensive knowledge about the company, potentially enabling them to prioritize personal gain over shareholder interests (Sari & Indrawan, 2022). In



corporate taxation, this manifests as tax avoidance, where managers reduce tax liabilities to enhance firm value and secure personal benefits, such as performance-based compensation (Desai & Dharmapala, 2006). However, such actions can expose principals to hidden risks, including reputational damage and regulatory scrutiny. Recent studies suggest that robust governance mechanisms, like independent boards and shareholder activism, can mitigate these tax-motivated agency conflicts, demonstrating how aggressive tax planning reflects broader agency problems linked to strategic financial decisions (Minnick & Noga, 2010; Armstrong et al., 2015).

Tax

Law Number 16 of 2009, amending Law Number 6 of 1983 regarding General Provisions and Tax Procedures, defines tax as a mandatory contribution paid by individuals or entities to the state, imposed without direct compensation, and used to promote public welfare.

In the context of corporate taxation, resistance to tax obligations often manifests as active resistance. Active resistance encompasses deliberate efforts by companies to minimize their tax liabilities, either legally through tax avoidance or illegally through tax evasion. Tax avoidance, while not breaching explicit legal provisions, manipulates existing tax laws and regulations to reduce taxable income. Techniques include exploiting loopholes in tax codes, shifting profits to jurisdictions with lower tax rates, and reclassifying income or expenses to obtain tax advantages.

Although passive resistance—arising from broader socio-economic conditions exists among individual taxpayers, it is less relevant to corporate tax behavior. Corporate tax avoidance is fundamentally a strategic decision, often



rooted in agency conflicts and managerial incentives. Thus, a sharper focus on active resistance, specifically corporate tax avoidance, is essential to understand how firms intentionally minimize tax obligations without violating statutory provisions, aligning with the study's emphasis on corporate behavior in taxation.

Tax Avoidance

Tax avoidance refers to efforts by individuals or companies to reduce their tax liabilities to the state, making the taxes paid appear lower than they should be (Novriyanti & Dalam, 2020). Although tax avoidance is a legal tax management strategy that does not violate tax laws, it remains a complex issue, as it is legally permissible yet socially undesirable (Krisyadi & Mulfandi, 2021). Despite its legality, tax avoidance can harm the state by decreasing government revenue that should have been collected from taxpayers. Some sources argue that tax avoidance is unethical because it seeks to minimize tax payments improperly to enhance a company's cash flow (Gazali et al., 2020). Methods of tax avoidance include shifting taxable subjects or objects to tax haven countries, engaging in formal tax planning to choose transactions with the lowest tax burden, and exploiting loopholes through practices like transfer pricing, thin capitalization, treaty shopping, and controlled foreign corporations (Fionasari et al., 2020). In essence, tax avoidance involves exploiting legal opportunities to reduce tax obligations, but it can foster opportunistic managerial behavior, such as disguising personal expenses as operational costs to diminish profits reported to investors (Anggraeni & Oktaviani, 2021). Moreover, engaging in tax avoidance exposes companies to risks, including penalties and damage to their reputation, which can lead to prolonged future challenges.

**Leverage**

Leverage represents the extent to which a company finances its operations through debt relative to equity, covering both short-term and long-term funding needs. Utilizing leverage as a source of financing affects the company's effective tax rate due to differing treatments of capital structure. Companies often rely heavily on debt to expand operations and invest in projects that support broader economic growth (Rahmadani et al., 2020; Yehezkiel & Gultom, 2024). While interest payments on debt are fixed obligations, they can enhance shareholder returns; however, excessive debt may reduce overall profitability. Leverage, commonly measured by the debt-to-equity ratio (DER), compares a company's total liabilities to its equity (Sriyono & Andesto, 2022). Firms with high tax obligations may tend to increase their leverage, yet heavy reliance on debt introduces financial burdens and risks, particularly for companies experiencing declining revenues, as they must continue servicing interest payments to avoid penalties from creditors (Diyastuti & Kholis, 2022).

Profitability

Profitability reflects a company's ability to generate profit within a specific period. According to Prihartini and Amin (2022), profitability serves as a benchmark for measuring the magnitude of profits and is crucial in determining the operational efficiency of a business. Efficiency can be assessed by comparing profits to equity, aiming ultimately to maximize company earnings. A higher profitability ratio indicates better capital management and optimal profit generation. Moreover, profitability is vital for a company's sustainability, as higher profitability levels are expected to lead to increased earnings (Hayani & Darmawati, 2023). Profitability is commonly measured using the Return on



Assets (ROA) ratio, which shows how effectively a company manages its assets. A higher ROA signifies better asset utilization and greater company profitability (Anggraeni & Oktaviani, 2021).

Firm Size

Firm size is a classification that distinguishes companies based on their total assets. According to Prihartini and Amin (2022), it reflects the scale of operational activities, where larger firms possess more assets and require greater operational funding, while smaller firms operate on a smaller scale. Firm size influences capital structure and is categorized into large, medium, and small firms. Companies with greater total assets are considered to have better prospects and longer operational spans (Aulia & Mahpudin, 2020). A firm's ability to generate higher sales and profits typically correlates with larger firm size, which requires substantial capital, diverse products, and broad market reach.

Fixed Asset Intensity

Fixed assets are tangible resources obtained either ready-to-use or constructed, intended for operational purposes rather than sale, and generally have a useful life exceeding one year (PSAK No. 16). Fixed asset intensity relates to taxation through the impact of depreciation on investment decisions (Rindiani & Asalam, 2022). As companies invest in fixed assets to generate profits, the resulting depreciation lowers taxable income. A higher depreciation expense reduces taxable profits, whereas a lower depreciation results in higher taxable income (Novriyanti & Dalam, 2020). Thus, fixed asset intensity influences a company's tax obligations through the depreciation expense recorded.



Capital Intensity

Capital intensity describes a company's financial decision-making regarding the investment in fixed assets to enhance profitability. Through capital intensity, companies can engage in tax avoidance strategies by investing in fixed assets and optimizing debt-to-equity ratios to maximize firm value and reduce taxable income (Firdaus & Poerwati, 2022). Capital intensity reflects the extent to which a company utilizes its assets to generate substantial revenues efficiently in production and marketing (Yehezkiel & Gultom, 2024). Since most fixed assets undergo depreciation, which reduces taxable income, higher capital intensity can lead to lower tax liabilities by increasing deductible depreciation expenses (Firdaus & Poerwati, 2022).

Research Hypothesis

The Effect of Leverage on Tax Avoidance

Leverage is utilized by companies to fulfill long-term obligations, and a company is considered financially healthy when its total debt does not exceed its total assets. Higher leverage can lead to greater interest expenses, which in turn reduce taxable income and thus lower the corporate tax burden, as interest expenses are tax-deductible (Novriyanti & Dalam, 2020). However, high leverage also increases financial risk, particularly when the company experiences instability or financial decline, as it must still meet its debt obligations (Diyastuti & Kholis, 2022). Research by Krisyadi & Mulfandi (2021) found that leverage significantly influences tax avoidance, while Novriyanti & Dalam (2020) indicated a negative effect. Based on these insights, the following hypothesis is proposed:

H1: Leverage affects tax avoidance.



The Effect of Profitability on Tax Avoidance

Profitability, often measured using Return on Assets (ROA), reflects the company's ability to generate profit relative to its assets. Companies with high profitability have more opportunities to engage in effective tax planning, but they may also have greater incentives for tax avoidance due to the larger tax burden associated with higher profits (Rahmadani et al., 2020). While Novriyanti & Dalam (2020) found that profitability significantly impacts tax avoidance, Diyastuti & Kholis (2022) reported no significant relationship. Thus, the following hypothesis is formulated:

H2: Profitability affects tax avoidance.

The Effect of Firm Size on Tax Avoidance

Firm size, determined by total sales and assets, can influence the level of tax avoidance. Larger firms may engage more actively in tax avoidance strategies, yet small firms with higher relative profits might also participate in aggressive tax avoidance to maximize net gains (Novriyanti & Dalam, 2020). Prior studies by Prihartini & Amin (2022) found a significant relationship between firm size and tax avoidance, while Yehezkiel & Gultom (2024) reported no significant effect. Therefore, the following hypothesis is proposed:

H3: Firm size affects tax avoidance.

The Effect of Fixed Asset Intensity on Tax Avoidance

Fixed asset intensity provides companies with an opportunity to increase depreciation expenses, thus reducing taxable income and corporate tax liabilities. An increase in fixed assets often leads to a higher depreciation burden, which can be strategically utilized by firms to minimize taxes (Prihartini & Amin, 2022). However, Novriyanti & Dalam (2020) found that fixed asset intensity does not



significantly affect tax avoidance. Based on these findings, the hypothesis is stated as follows:

H4: Fixed asset intensity affects tax avoidance.

The Effect of Capital Intensity on Tax Avoidance

Capital intensity is a factor that can be leveraged for tax avoidance through asset acquisition and investment activities that influence depreciation-related tax expenses. Companies may manipulate reported capital intensity to manage taxable income strategically (Krisyadi & Mulfandi, 2021). While Firdaus & Poerwati (2022) found a significant positive effect of capital intensity on tax avoidance, Yehezkiel & Gultom (2024) reported no significant influence. Therefore, the following hypothesis is proposed:

H5: Capital intensity affects tax avoidance

RESEARCH METHOD

This study employs a quantitative approach with an associative method to examine the relationship between financial variables and tax avoidance in manufacturing companies listed on the Indonesia Stock Exchange (IDX) from 2020 to 2022. The associative method is chosen to identify statistical relationships without assuming direct causality, which aligns with the study's exploratory aim and reliance on secondary data. Samples were selected using purposive sampling based on criteria including consistent IDX listing, complete financial statements in rupiah, and consecutive annual profits, resulting in a focused yet potentially biased sample that may limit generalizability. The dependent variable, tax avoidance, is measured by the Cash Effective Tax Rate (CERT), while the independent variables include leverage, profitability, firm size, fixed asset



intensity, and capital intensity. Data were sourced from annual financial reports and analyzed using SPSS with multiple linear regression, supported by descriptive statistics, classical assumption tests (normality, multicollinearity, heteroscedasticity, and autocorrelation), and hypothesis testing through F-tests and t-tests. The model’s explanatory strength is evaluated using the coefficient of determination (R^2).

RESULTS AND DISCUSSION

Object Description and Research

Table 1.
Sample with Purposive Sampling

No	Criteria	Total
1	Consumer goods sector companies listed on the Indonesia Stock Exchange during the 2020-2022 period	113
2	Consumer goods sector companies that do not present their complete financial reports on the IDX during the 2020-2022 period	(31)
3	Consumer goods companies that do not present financial reports in rupiah during the 2020-2022 period	(1)
4	Consumer goods companies that do not make a profit consecutively during the 2020-2022 period	(36)
	Research Sample	45
	Research Year	3
	Total Research Sample	135

Source: Data Analysis Results, 2025

The population in this study comprises companies in the consumer goods sector listed on the Indonesia Stock Exchange (IDX) from 2020 to 2022. Through purposive sampling, 45 companies were selected, resulting in 135 firm-year observations. This method was employed to ensure the inclusion of firms that consistently reported financial statements in Rupiah and showed consecutive



profitability, which enhances the reliability of the financial metrics. However, it is important to acknowledge that this selection approach may introduce sample bias and limit the generalizability of findings, as the final sample represents less than half of the total 113 firms in the sector. The exclusion of firms with incomplete or inconsistent reporting may omit potentially relevant variations that exist in the broader consumer goods industry.

Analisis Data

Table 2.
Results of Descriptive Statistical Analysis

Variable	N	Minimum	Maximum	Mean	Std. Dev.
LEV	135	0,1085	7,9407	1,055245	1,1007533
PROF	135	0,0001	0,3489	0,089241	0,0682077
UP	135	25,7034	32,8264	29,345156	1,6293264
IAT	135	0,0877	0,8545	0,482309	0,2122809
IM	135	0,0236	3,0539	0,627279	0,5827758
TA	135	0,0320	0,9521	0,253661	0,1207150
VALID (listwise)	135				

Source: Data Analysis Results, 2025

The descriptive statistics reveal the variation in the dataset across variables. For Leverage (LEV), the standard deviation (1.1008) exceeds the mean (1.0552), indicating a wide dispersion in debt ratios among companies, which suggests the presence of outliers or a skewed distribution. Profitability (PROF), on the other hand, has a mean (0.0892) higher than its standard deviation (0.0682), suggesting lower variability and a more clustered distribution of profit margins.

Firm Size (UP) also displays a stable distribution with a relatively small spread (standard deviation 1.6293) compared to the mean (29.3452), indicating consistent firm sizes across the sample. Fixed Asset Intensity (IAT) and Capital Intensity (IM) show moderate to high variability, yet both have standard



deviations lower than their means, which still supports a relatively centralized data distribution. The variation in IM is more pronounced, hinting at differences in investment patterns across firms.

Tax Avoidance (TA) has a mean of 0.2537 and a standard deviation of 0.1207, suggesting moderate variation. However, potential skewness or concentration of values toward certain firm profiles could influence regression outcomes. While the standard deviations provide a basic measure of data spread, further exploration of skewness and potential outliers would enhance understanding of the distribution patterns, which may affect the robustness and assumptions of subsequent regression analysis.

Classical Assumption Test

Results of Normality Test

The normality test in this study was conducted using the Central Limit Theorem (CLT), which assumes that if the sample size is large enough ($n > 30$), the data follows a normal distribution. With a sample size of 135 ($n = 135 > 30$), the data in this study can be considered normally distributed, qualifying it as a large sample.

Multicollinearity Test Results

Table 3
Multicollinearity Results

	Tolerance	VIF	Description
LEV	0,925	1,081	No multicollinearity
PROF	0,944	1,059	No multicollinearity
UP	0,911	1,098	No multicollinearity
IAT	0,352	2,839	No multicollinearity
IM	0,362	2,764	No multicollinearity

Source: Data Analysis Results, 2025

The results of the multicollinearity test presented in Table 3 indicate that the



variables Leverage (LEV), Profitability (PROF), Firm Size (UP), Fixed Asset Intensity (IAT), and Capital Intensity (IM) all have a Variance Inflation Factor (VIF) ≤ 10 and a Tolerance value ≥ 0.10 . Therefore, it can be concluded that there is no multicollinearity among the independent variables.

Autocorrelation Test Results

Table 4
Autocorrelation Test Results

Variable	Run	Description
Unstandardized Residual	0,342	No autocorrelation occurs

Source: Data Analysis Results, 2025

Based on Table 4, the Run Test for autocorrelation yielded a significance value of 0.342, which is greater than 0.05, indicating that there is no autocorrelation.

Heteroscedasticity Test Results

Table 5
Heteroscedasticity Test Results

Variable	Significance	Description
LEV	0,422	No heteroscedasticity
PROF	0,073	No heteroscedasticity
UP	0,188	No heteroscedasticity
IAT	0,054	No heteroscedasticity
IM	0,156	No heteroscedasticity

Source: Data Analysis Results, 2025

Based on the heteroscedasticity test results in Table 5, all variables show significance values greater than 0.05: Leverage (LEV) at 0.422, Profitability (PROF) at 0.073, Firm Size (UP) at 0.188, Fixed Asset Intensity (IAT) at 0.054, and Capital Intensity (IM) at 0.156. Therefore, it can be concluded that there is no heteroscedasticity in the variables of leverage, profitability, firm size, fixed asset



intensity, and capital intensity.

Multiple Regression Analysis Results

Table 6
Multiple Linear Regression Test Results

Variable	Coefficient	t count	Significance t	Description
Constant	0.610			
LEV	0.042	4,868	0.000	H1 accepted
PROF	-0.608	-4,455	0.000	H2 accepted
UP	-0.012	-2,034	0.044	H3 accepted
IAT	-0.007	-0,098	0.922	H4 rejected
IM	0.007	0,269	0.789	H5 rejected
F count			9.811	
Adjusted R			0.247	
Significance F			0.000	

Source: Data Analysis Results, 2025

Based on the results of the multiple linear regression analysis in Table 6 below, the following multiple linear regression equation model is obtained:

$$Y = \alpha + \beta_1 Lev + \beta_2 Prof + \beta_3 Up + \beta_4 IAT + \beta_5 IM + e$$

$$TA = 0,610+0,042LEV-0,608PROF-0,012UP-0,007IAT+0,007IM+ e$$

Based on the multiple linear regression above, the direction of the results of the regression coefficients of this study can be interpreted as follows:

A constant value of 0.610 means that if the leverage (Lev), profitability (Prof), company size (UP), fixed asset intensity (IAT), and capital intensity (IM) variables have a fixed or consistent value, then the Tax Avoidance rate will be 0.610.

The coefficient value of the leverage variable (Lev) is 0.042, meaning that if there is a 1% increase in leverage, the Tax Avoidance rate will increase by 4.2%, and vice versa.

The coefficient value of the profitability variable (Prof) is -0.608, meaning that if there is a 1% increase in profitability, the Tax Avoidance rate will decrease



by 60.8%, and vice versa.

The coefficient value of the company size variable (UP) is -0.012, meaning that if there is a 1% increase in company size, the Tax Avoidance rate will decrease by 1.2%, and vice versa.

The coefficient value of the fixed asset intensity variable is -0.007, meaning that if there is a 1% increase in fixed asset intensity, the Tax Avoidance rate will decrease by 0.7% and vice versa.

The coefficient value of the capital intensity variable is 0.007, meaning that if there is a 1% increase in capital intensity, the Tax Avoidance rate will increase by 0.7% and vice versa.

Coefficient of Determination (R²) Test

Based on Table 6, the Adjusted R-Square value is 0.247, indicating that 24.7% of the variance in Tax Avoidance is explained by the independent variables: leverage (Lev), profitability (Prof), firm size (UP), fixed asset intensity (IAT), and capital intensity (IM). The remaining 75.3% is influenced by factors outside the regression model.

Model Feasibility Test (F-Test)

The F-test assesses whether the regression model is fit for use. It tests the collective influence of the independent variables—leverage, profitability, firm size, fixed asset intensity, and capital intensity—on the dependent variable, Tax Avoidance. According to Table 6, the F-statistic is 9.811 with a significance value of 0.000, indicating that the model is feasible since $0.000 < 0.05$.

T Test

Based on the t-test results in Table 6, the significance analysis shows that:
1) Leverage (Lev) has a p-value of 0.000, less than 0.05, indicating that H1 is



accepted and leverage affects tax avoidance; 2) Profitability (Prof) has a p-value of 0.000, less than 0.05, indicating that H2 is accepted and profitability affects tax avoidance; 3) Firm size (UP) has a p-value of 0.044, less than 0.05, indicating that H3 is accepted and firm size affects tax avoidance; 4) Asset intensity has a p-value of 0.922, greater than 0.05, indicating that H4 is rejected and asset intensity does not affect tax avoidance; 5) Capital intensity has a p-value of 0.789, greater than 0.05, indicating that H5 is rejected and capital intensity does not affect tax avoidance.

The Effect of Leverage on Tax Avoidance

The research indicates that leverage significantly affects tax avoidance in consumer goods companies listed on the IDX from 2020 to 2022. Leverage serves as a funding source, which, when used to finance debt, creates interest expenses that can reduce taxable income. As companies accrue more debt, the higher interest payments lead to potential tax benefits, thereby reducing the effective tax rate. This finding aligns with studies by Krisyadi & Mulfandi (2021), Aulia & Mahpudin (2020), and Diyastuti & Kholis (2022), who also concluded that leverage influences tax avoidance.

The Effect of Profitability on Tax Avoidance

The study shows that profitability has an impact on tax avoidance in consumer goods companies listed on the IDX from 2020 to 2022. A company's profitability affects its tax obligations; higher profits lead to higher tax rates, prompting firms to minimize tax liabilities. However, profitable firms tend to avoid tax avoidance practices as they have sufficient earnings to cover taxes. This study supports findings by Hayani & Darmawati (2023), Nofriyanti & Dalam (2020), and Krisyadi & Mulfandi (2021), indicating a negative relationship



between profitability and tax avoidance.

The Effect of Firm Size on Tax Avoidance

The research demonstrates that firm size influences tax avoidance in consumer goods companies listed on the IDX from 2020 to 2022. Larger firms, with abundant resources, are more likely to comply with tax regulations to avoid the risk of audits or penalties. Non-compliance could damage their reputation. This finding is consistent with studies by Prihartini & Amin (2022), Aulia & Mahpudin (2020), and Rahmadani et al. (2020), which suggest a positive relationship between firm size and tax avoidance.

The Effect of Fixed Asset Intensity on Tax Avoidance

The study reveals that fixed asset intensity does not significantly affect tax avoidance in consumer goods companies listed on the IDX from 2020 to 2022. While high fixed asset intensity could theoretically lead to higher depreciation expenses, which reduce taxable income, firms do not primarily acquire assets for tax avoidance. Rather, assets are used to support operational activities, and thus, there is no significant impact on tax avoidance. This finding is consistent with Najihha (2021) and Novriyanti & Dalam (2020), who concluded that fixed asset intensity has no effect on tax avoidance.

The Effect of Capital Intensity on Tax Avoidance

The study finds that capital intensity does not influence tax avoidance in consumer goods companies listed on the IDX from 2020 to 2022. The size of a company's assets does not directly affect its tax avoidance strategies. Companies invest in capital to support operations rather than to reduce tax obligations through depreciation. Therefore, a higher capital intensity does not drive tax avoidance. This aligns with findings from Yehezkiel & Gultom (2024) and



Rahmawati et al. (2020), which also show no significant effect of capital intensity on tax avoidance.

CONCLUSION

This study empirically examines the impact of leverage, profitability, firm size, fixed asset intensity, and capital intensity on tax avoidance in consumer goods companies listed on the Indonesia Stock Exchange during the 2020–2022 period. The results indicate that leverage, profitability, and firm size have a significant influence on tax avoidance (supporting H1, H2, and H3), while fixed asset intensity and capital intensity do not show significant effects (rejecting H4 and H5). Although the study provides meaningful insights, the model's explanatory power remains limited, with the independent variables accounting for only 24.7% of the variation in tax avoidance. This suggests that a substantial portion 75.3% of the variance is influenced by other factors not included in the model. These may involve external influences such as regulatory environments, industry-specific practices, macroeconomic conditions, or internal company attributes like managerial incentives, ownership structures, or audit committee effectiveness. Future research is encouraged to address these unexplored dimensions by including additional variables and broader industry coverage, as well as extending the observation period to enhance the robustness and generalizability of the findings.

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