The Influence of Company Size, Financial Report Performance, and Corporate Governance on Tax Avoidance in Manufacturing Companies Listed on the IDX in 2019-2021

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Abstract. This research aims to determine the influence of company size, financial report performance and corporate governance on tax avoidance in manufacturing sector companies listed on the IDX during 2019-2021. The type of research carried out in this research uses a quantitative approach. The research object in this research is financial reports used to measure tax avoidance, company size and corporate governance. The company used by the author as a benchmark is a manufacturing company listed on the Indonesia Stock Exchange (BEI) for the 2019-2021 period. The data analysis techniques used were descriptive statistics and classical assumption tests, Multiple Linear Regression Analysis Tests and Goodness of Fit Model Testing. The results of this research show that company size negatively influences tax avoidance, financial report performance negatively influences tax avoidance, corporate governance negatively influences tax avoidance.

Keywords: Company Size, Financial Report Performance, Corporate Governance, Tax Avoidance

Introduction

Taxes are one of the main sources of state revenue. Taxes play a crucial role for the country as they serve as a source of funds for national development and are a primary element in driving economic activities within the government framework. Taxes are also used to provide public facilities for the community, thereby aiming to improve public welfare. Since 1983, Indonesia has implemented a "self-assessment system," which allows taxpayers to calculate, pay, and report their tax liabilities. For corporate taxpayers, taxes are one of the components that reduce company profits. Therefore, the amount of profit earned in one accounting period affects the amount of tax that must be paid. Taxes are considered a company expense that reduces net profit; the larger the tax burden, the smaller the net profit received in a period (Koming & Praditasari, 2017). This encourages companies and their owners to engage in tax avoidance. Although companies play an important role in contributing to the state, theoretically, the goal of a company is to maximize profits. This creates a conflict of interest between companies and the state.

The COVID-19 pandemic, which has affected the world since 2020, has significantly impacted the business world, forcing many companies to face substantial challenges such as reduced revenue and liquidity due to decreased market demand and supply chain disruptions. In facing this economic uncertainty, some companies may seek ways to reduce their tax burden to maintain liquidity and business continuity. This may lead to an increase in the potential for tax avoidance practices or legal tax reduction, which

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ultimately affects state tax revenue. Additionally, the Indonesian government has responded to the pandemic with fiscal stimulus policies, including tax relief and other incentives for certain sectors to support economic recovery. This can also affect corporate tax practices, where some companies may attempt to optimally utilize these incentives while others may continue to prioritize tax burden reduction strategies.

According to Finance Minister Sri Mulyani, tax revenue in 2021 reached IDR 1,277.5 trillion, or 103.9% of the target in the State Budget, after 12 years of failing to meet the tax revenue target. Compared to 2020, tax revenue in 2021 increased by 19.2% ("Penerimaan Pajak 2021 Capai 103,9% Dari Target, Ini Kata Sri Mulyani", n.d.). One reason for the failure to meet the State Budget tax revenue target is tax avoidance by taxpayers, particularly businesses, both legally (tax avoidance) and illegally (tax evasion). According to the OECD, tax avoidance is an effort to minimize the amount of tax owed without violating the applicable tax laws, even though it contradicts the purpose of tax regulations. The phenomenon of tax avoidance in Indonesia can be seen from the country's tax ratio. The higher a country's tax ratio, the better the country's tax collection performance (Fitriani & Ayu, 2020). Based on the "Revenue Statistic in Asia and the Pacific 2021" report, Indonesia's tax ratio in 2019 was only 11.6% of GDP (OECD, 2021), far below the OECD average of 33.8%. This data indicates that Indonesia's tax revenue is not optimal, considering Indonesia is now classified as a lower-middle-income country with an average tax ratio of 19%. According to Sri Mulyani, corporate income tax revenue in 2021 contributed 15.5% of the total state tax revenue. This indicates that many companies still engage in tax avoidance. However, Sri Mulyani did not classify tax revenue by company size.

Tax avoidance can be measured in various ways, but this research uses the Effective Tax Rate (ETR) indicator. ETR is the ratio of the amount of tax paid by an entity or individual to its income. In the case of companies, ETR refers to the percentage of taxable income that must be paid by the company at the end of the accounting period after accounting for all allowable tax deductions and credits. ETR is often used as a tool to evaluate a company's financial performance. The higher the ETR, the greater the tax burden borne by the company. However, a company's ETR can be influenced by many factors, including the type and location of the business, the company's structure, and the tax strategies used. The reason for using this indicator is that ETR aims to show how much tax burden is paid by the company. This indicator provides a more accurate measure of the company's tax impact as it includes in a single measure the statutory tax rate and the tax base on which income taxes are levied (Stamatopoulos et al., 2019). The higher the ETR or the closer it is to 1, the less likely the company is to be involved in tax avoidance. Therefore, the ETR value interval can be concluded to be between 0 and 1 (Hanlon & Heitzman, 2010).

One factor that influences tax avoidance is the measurement of financial performance reports. The financial performance indicators used in this research are Return On Assets (ROA), Return On Equity (ROE), and Leverage measured by the Debt to Equity Ratio (DER). ROA and ROE are measures of a company's effectiveness in generating profits from its assets and equity. If ROA or ROE is low, the company may tend to engage in tax avoidance to increase its profits. Meanwhile, DER is a measure of a company's leverage or level of debt usage. Companies with high DER may tend to engage in tax avoidance to reduce their interest burden and increase net profit. However, it should be noted that other factors can also influence a company's decision to engage in tax avoidance, such as tax policies, regulations, and reputational risks. Therefore, the measurement of financial performance is not the only factor influencing a company's decision to engage in tax avoidance.

ROA affects whether a company is indicated to engage in tax avoidance or not. The higher the ROA value, the higher the company's profit and the better the management of the company's assets. The higher the ROA value, the greater the profit earned by the company, which will affect the amount of the company's income tax burden, thereby reducing net profit. This contradicts the company's goal of maximizing profits, so company management will strive to increase profits by minimizing the tax burden through tax avoidance. ROE aims to obtain maximum net profit and increase the company's equity, making the company efficient in managing the tax burden. Leverage indicates the company's source of funds focusing on debt. Long-term debt funding sources will increase interest expenses and reduce the tax base, i.e., profit before tax.

Stakeholders play a significant role in determining a company's policies and governance. One of the institutions responsible for ensuring that employees within the company comply with applicable laws and regulations is the audit committee. Additionally, the audit committee is tasked with paying attention to the company's business ethics and preventing internal conflicts through supervision (Koming & Praditasari,

2017). Good corporate governance can influence tax avoidance behavior by creating a transparent and accountable business environment. In such an environment, it will be more challenging for companies to engage in unethical practices, including tax avoidance. Good governance can also improve the quality of the company's disclosures regarding tax policies and risks, helping to reduce investor and stakeholder uncertainty and encouraging the company to comply with tax regulations. Conversely, poor governance can facilitate tax avoidance. Companies with poor governance structures may have less effective internal controls and supervision, creating gaps for unethical practices. Additionally, poor governance can create the wrong incentives for management, such as pressure to meet short-term performance targets that may drive them to engage in tax avoidance to boost short-term company profits. Therefore, good corporate governance is essential for promoting ethical business practices and compliance with tax regulations.

Previous research by Rahmawati & Nani (2021) and Mahdiana & Amin (2020) shows that company size does not affect tax avoidance. However, financial performance, as measured by Return On Assets (ROA), Return On Equity (ROE), and Debt to Equity Ratio (DER), is stated to have a positive and significant impact on tax avoidance. Research by Oktavia et al. (2020) found that corporate governance, consisting of the audit committee and independent commissioners, does not affect tax avoidance, and company size also does not affect tax avoidance. Company size is often considered to influence tax avoidance behavior. Some studies suggest that larger companies are more likely to engage in tax avoidance because they have more resources to access tax consultants and tax law experts. However, the impact of company size on tax avoidance is not always consistent and, in some cases, may be reversed. Therefore, it is essential to test the influence of other variables that may be more significant on tax avoidance behavior, such as ownership structure, debt levels, and financial performance. The authors can replace the company size variable with other variables based on previous research, such as profitability or dividend policy, which can affect the company's motivation to engage in tax avoidance. The selection of manufacturing companies in this study may be based on several reasons. First, the manufacturing sector may have higher tax risks due to its complexity and special tax concessions granted by the government. Second, manufacturing companies often have a typical ownership structure that can influence tax avoidance behavior. Finally, financial data for manufacturing companies is usually available and easily accessible, facilitating data collection for research. This study expands on previous research by Raudhatul et al. (2022), with the main difference being the use of a sample of manufacturing companies listed on the IDX from 2019-2021, as well as the addition of an unbound variable of company size.

Theoretical Framework and Hypothesis Development

The stakeholder theory explains the relationship between a company and its stakeholders when conducting its activities. These stakeholders include shareholders, creditors, government, society, consumers, suppliers, analysts, and other parties. This theory posits that a company's success is heavily dependent on the support of these stakeholders (Chariri & Ghozali, 2007). Stakeholder theory emphasizes the importance of managerial decision-making in providing useful information to stakeholders. Stakeholders have significant influence over the company's use of economic resources. Essentially, stakeholders are interested in companies with high earnings per share or net profits. This creates a link between stakeholders and tax avoidance; if a company engages in tax avoidance, its expenses decrease, leading to higher net profits, which in turn encourages investors to invest in the company.

According to the theory of planned behavior, individuals are guided by three types of considerations: beliefs about the likely consequences of behavior (behavioral beliefs), beliefs about the normative expectations of others (normative beliefs), and beliefs about the presence of factors that may facilitate or impede the performance of behavior (control beliefs) (Bosnjak et al., 2020). In this study, the researchers use the theory of planned behavior to explain the factors influencing tax avoidance in a company. This theory assumes that managers tend to plan business activities and company structures that can affect the size of the tax burden. The researchers use financial performance indicators such as ROA, ROE, leverage, corporate governance, and company size as independent variables. These variables are considered to influence the company's intention to minimize tax burdens or engage in tax avoidance. The researchers found that these factors significantly affect corporate tax avoidance behavior, contributing significantly to explaining the factors influencing corporate taxpayers' compliance in paying taxes. The

findings of this study can inform regulators and practitioners in developing strategies and policies to improve corporate tax compliance.

Research by Oktavia et al. (2020) shows that company size does not affect tax avoidance. Previous research by Rahmawati & Nani (2021) also reveals that company size does not affect tax avoidance, as it is considered not to influence management's decision in engaging in tax avoidance. This conclusion aligns with agency theory, which states that management will act in the best interest of presenting a good image to stakeholders, especially shareholders, regardless of company size. Both large and small company management will prioritize company performance over size when deciding on tax avoidance actions. Mahdiana & Amin (2020) also state that company size does not affect tax avoidance because both large and small companies will exhibit compliance with tax regulations as stipulated in Law No. 7 of 2021 concerning the Harmonization of Tax Regulations.

Rahmawati & Nani (2021) and Mahdiana & Amin (2020) conclude that companies prioritize their financial performance image to gain stakeholders' trust through good financial information, even though Retnaningdya & Cahaya (2021) state that tax avoidance is a legal act that takes advantage of loopholes in tax regulations to save taxes. Meanwhile, Dewinta & Setiawan (2015) state that company size affects tax avoidance because larger companies tend to have more significant and stable assets to generate profits, driving an increase in the tax burden. This condition motivates large companies to engage in tax avoidance to save expenses and maximize income.

Companies analyze financial performance through financial statements. Financial statement measurements can be conducted using financial management ratios that reflect the company's financial development and profitability. Commonly used financial ratios to indicate profitability are Return on Assets (ROA), Return on Equity (ROE), and Debt to Equity Ratio (DER) or leverage. Sterling & Christina (2021) state that good profitability levels indicate good company conditions and help build good relationships between management and stakeholders. They also state that profitability through financial ratios has a positive and significant relationship with tax avoidance. Companies with good financial ratios tend to have large incomes and assets, thus increasing the tax burden, which correlates with company size. Therefore, companies with good financial ratios tend to engage in tax avoidance to minimize tax burdens. Wijayani (2016) states that profitability has a significantly negative effect on tax avoidance because companies with good financial performance are better positioned in tax planning than tax avoidance.

In this context, the research hypotheses can be formulated as follows:

H1: Company Size Negatively Affects Tax Avoidance

H2a: Return on Assets (ROA) Positively Affects Tax Avoidance. This means the higher the company's ROA, the greater the likelihood of engaging in tax avoidance.

H2b: Return on Equity (ROE) Positively Affects Tax Avoidance. This means the higher the company's ROE, the greater the likelihood of engaging in tax avoidance.

H2c: Debt to Equity Ratio (DER) Positively Affects Tax Avoidance. This means the higher the company's DER, the greater the likelihood of engaging in tax avoidance.

H3: Corporate Governance Positively Affects Tax Avoidance.

Research Method

This study employs a quantitative approach. A quantitative approach is a type of research that expresses data in numerical form and analyzes it using statistical techniques (Sangadji & Sopiah, 2010). This quantitative method can describe and analyze phenomena or social phenomena occurring in society quantitatively. In this study, the independent variables are Company Size (X1), Financial Performance (X2), and Corporate Governance (X3), while the dependent variable is Tax Avoidance (Y). The object of this research is financial statements used to measure tax avoidance, company size, and corporate governance. The benchmark companies are manufacturing companies listed on the Indonesia Stock Exchange (IDX) during the 2019-2021 period.

Company Size (X1) is a scale that determines the size of a company based on the total assets owned, with the indicator Size = Ln of Total Assets and a ratio scale. Financial Performance (X2) includes several important ratios: Return on Assets (ROA), which shows the contribution of assets in creating net income with the indicator ROA = (Net Income Before Tax)/(Total Assets) and a ratio scale; Return on Equity (ROE), which shows how effectively the company manages its equity, with the indicator ROE = (Net Income After Tax)/(Total Equity) and a ratio scale; and Debt to Equity Ratio (DER), which describes the comparison of debt and equity in company funding and shows the ability of equity to meet its obligations, with the indicator DER = (Total Liabilities)/(Total

Equity) and a ratio scale. Corporate Governance (X3) includes the Board of Commissioners, with the indicator PDKI = (Number of Independent Commissioners)/(Total Members of the Board of Commissioners) x 100% and a ratio scale; and the Audit Committee, with the indicator Audit Committee = Number of Audit Committee Members in the Company and a ratio scale. Tax Avoidance (Y) is the effort to reduce taxes within the limits of tax regulations, primarily through tax planning, with the indicator CETR = (Total Income Tax Expense)/(Income Before Tax) and a ratio scale.

Data in this study were obtained from the official website of the Indonesia Stock Exchange (IDX) at www.idx.co.id for manufacturing companies listed on the IDX. The data collection site was chosen based on research criteria to obtain the necessary secondary data. The population of this research is all manufacturing companies listed on the IDX. The research sample comprises manufacturing companies listed on the IDX during the 2019-2021 period, with the sampling technique using Purposive Sampling. This technique involves non-random sample selection based on certain considerations and obtained information.

Descriptive statistics function to describe and provide a depiction of the research objects through sample or population data as it is, without performing in-depth analysis and without making general conclusions (Sugiyono, 2017). This descriptive statistics provides an overview of the data by looking at the mean, standard deviation, minimum value, and maximum value. This testing is conducted to facilitate understanding of the variables used in this research.

The multiple linear regression model used must meet the BLUE (Best Linear Unbiased Estimator) requirements. Several assumption tests must be met, including data normality test, heteroscedasticity test, multicollinearity test, and autocorrelation test. Data Normality Test aims to determine whether the regression model, variables, residuals, and disturbances have a normal distribution. The t-test and F-test assume that the residual values follow a normal distribution. If this assumption is violated, the statistical test results are invalid for small samples (Ghozali, 2018). Heteroscedasticity Test aims to determine whether the variance of the residuals differs for each observation. A good regression model has homoscedasticity, where the residual variance remains the same (Ghozali, 2018). Multicollinearity Test aims to test whether there is a correlation among the independent variables in the regression model. A regression model does not have multicollinearity if the tolerance value > 0.1 and the VIF value < 10; otherwise, it has multicollinearity if the tolerance value < 0.1 and the VIF value > 10 (Ghozali, 2018). Autocorrelation Test aims to determine the presence of a correlation between the disturbance errors at period t and the disturbance errors at period t-1. A good regression model does not have autocorrelation. The test used to test for the presence of autocorrelation is the Runs Test. If the significance value > 0.05, then there is no autocorrelation problem among the residual values (Ghozali, 2018).

The statistical analysis used in this research is multiple linear regression analysis, aiming to analyze the relationship between independent variables (X) simultaneously on the dependent variable (Y). The formula used to see the relationship between the variables used in this research is as follows:

$$TA = a + b_1 SIZE + b_2 PERM + b_3 GOVVERN + e$$

T-Test: Testing the individual partial regression coefficients to determine whether the independent variables (X) individually influence the dependent variable (Y) (Sujarweni, 2015:161). If t_calculated < t_table and p-value > 0.05, then Ho is accepted and Ha is rejected, meaning the independent variables individually do not affect tax avoidance. Conversely, if t_calculated > t_table and p-value < 0.05, then Ha is accepted and Ho is rejected (Ghozali, 2018).

F-Test: Used to determine the significance level of the influence of the independent variables together on the dependent variable by comparing F_calculated with F_table at a significance level of 0.05. If F_calculated > F_table and p-value < 0.05, then Ho is rejected and H1 is accepted, meaning the independent variables together influence tax avoidance (Ghozali, 2018).

Coefficient of Determination (R^2): Measures how far the model's ability to explain the variation of the dependent variable. The R^2 value ranges from zero to one. If R^2 is small, it means the independent variables' ability to explain the variation of the dependent variable is also small (Ghozali, 2018). The coefficient of determination is calculated using the formula KD = $r^2 \times 100\%$, where KD is the coefficient of determination and r^2 is the correlation coefficient value.

Result

Table 1 displays the results of descriptive analysis of research variables, including minimum, maximum, mean and standard deviation values of respondents' answers. The minimum and maximum values range

between 1 and 5, indicating varying assessment scales. The overall mean value is 4, indicating a tendency for high ratings by respondents. Although it means for professionalism and fraud detection is slightly lower, both remain high, ranging from 4 to 5. The relatively small standard deviation close to 1 indicates that the variation in the data for each variable is relatively uniform. Before the questionnaire was distributed to the original intended respondents, a pilot test was carried out on 30 respondents.

Table 1.
Descriptive Analysis

Variable	N	Minimum	Maximum	Mean	Std. Deviation
SIZE	126	6,946	33,495	29,634	2,018
ROA	126	0.005	0.450	0.120	0.095
ROE	126	0.010	0.500	0.200	0.150
DER	126	0.100	2,500	1,300	0.500
PDKI	126	0.020	0.700	0.350	0.201
AUDIT COMMITTEE	126	3,000	6,000	3,190	0.552
CETR	126	0,000	0.840	0.256	0.115

Source: Data processed by researchers, 2024

Classic assumption test

Test assumptions classic used to make sure The samples used in this research were free from disorders of the normality test , heteroscedasticity test , multicollinearity test , and autocorrelation test before later using hypothesis testing . Table 2 shows the assumption test classic used as following .

Table 2.
Normality test

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		96
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	2.43384915
Most Extreme Differences	Absolute	.085
	Positive	.066
	Negative	-.085
Test Statistic		.085
Asymp. Sig. (2-tailed)		.085[c]

a. Test distribution is Normal.
b. Calculated from data.
c. Lilliefors Significance Correction.

Source: Data Processed by Researchers, 202 4

To test whether heteroscedasticity exists or not, the Glejser test can be used . The following table shows the results of the heteroscedasticity test

Table 3.
Heteroscedasticity Test

Variable	Sig	Information
Size	,471	No Symptoms of Heteroscedasticity Occur
ROA	,067	No Symptoms of Heteroscedasticity Occur
ROE	,064	No Symptoms of Heteroscedasticity Occur
DER	,262	No Symptoms of Heteroscedasticity Occur
PDKI	,160	No Symptoms of Heteroscedasticity Occur
Audit Committee	,130	No Symptoms of Heteroscedasticity Occur
Tax	,471	No Symptoms of Heteroscedasticity Occur

Source: Data processed by researchers, 2024

Common values used to show exists multicollinearity that is The tolerance value is < 0.10 or the same as the VIF value > 10. If the tolerance value is > 0.10 or the same as the VIF value < 10 then there is no multicollinearity. The following can be done let's see the results from the multicollinearity test :

Table 4.
Multicollinearity Test

Variable	Tolerant Values	VIF	Information
Size	,300	3,336	of Multicollinearity Occur
ROA	,035	28,377	of Multicollinearity Occur
ROE	,035	28,585	of Multicollinearity Occur
DER	,496	2,016	of Multicollinearity Occur
PDKI	,262	3,821	of Multicollinearity Occur
Audit Committee	,363	2,755	of Multicollinearity Occur
Tax	,300	3,336	of Multicollinearity Occur

Source: Data processed by researchers, 2024

autocorrelation test uses the Durbin test Watson . Below we can see the results of the autocorrelation test using the runs test test .

Table 5.
Autocorrelation Test

Durbin Value Watson	Parameter	Information
1,963	0.05	Normal

Source: Data processed by researchers, 2024

Based on test run test results in table 4.9 above obtained mark significance 1963> of 0.05 so can concluded that the research data did not occur symptom Autocorrelation .

Analysis Results Multiple Linear Regression

Analysis multiple linear regression aims to test influence from size company , financial report performance , governance company against tax avoidance. The following is a table of output results from multiple linear regression analysis processed with SPSS 23:

Table 6.
Multiple Linear Regression Analysis

Variable	Unstadardized Values
Size	-.162
ROA	1,521
ROE	.018
DER	5,360
PDKI	-.066
Audit Committee	,920
Tax	-.162

Source: Data processed by researchers, 2024

Based on results analysis multiple linear regression in table 6 above , then obtained an equation model analysis multiple linear regression as following :

Y=25.441-
0.162X1+1.521X2+0.018X3+5.360X4-
0.066X5+0.920X6-0.162X7

T Test Results

Table 7.
T test

Variable	Sig	Information
Size	0.678	There is an impact on taxes
ROA	0.319	There is an impact on taxes
ROE	0.982	There is an impact on taxes
DER	0.142	There is an impact on taxes
PDKI	0.356	There is an impact on taxes
Audit Committee	0.037	There is no impact on taxes

Source: Data processed by researchers, 2024

Based on the t test results above, it can be concluded that:

1. The first hypothesis (H1) states that company size influences taxes. From the hypothesis testing that has been carried out, the results of the company size variable from the t-test obtained a significant value of 0.678, greater than 0.05. This means that company size influences taxes. H1 is accepted.
2. The second hypothesis (H2a) states that ROA has an effect on taxes. From the hypothesis testing that has been carried out, the results of the ROA variable from the t-test obtained a significant value of 0.319, greater than 0.05. This means that ROA has an effect on taxes. H2 is accepted.
3. The third hypothesis (H2b) states that ROE has an effect on taxes. From the hypothesis testing that has been carried out, the results of the ROE variable from the t-test obtained a significant value of 0.982, greater than 0.05. This means that ROE has an effect on taxes. H3 is accepted.
4. The fourth hypothesis (H2c) states that DER has an effect on taxes. From the hypothesis testing that has been carried out, the results of the DER variable from the t-test obtained a significant value of 0.142, greater than 0.05. This means that DER has an effect on taxes. H4 is accepted.
5. The fifth hypothesis (H3a) states that PDKI has an effect on taxes. From the hypothesis testing that has been carried out, the PDKI variable results from the t-test obtained a significant value of 0.356, greater than 0.05. This means that PDKI has an effect on taxes. H5 accepted.
6. The sixth hypothesis (H3b) states that the Audit Committee has an influence on taxes. From the

hypothesis testing that has been carried out, the results of the Audit Committee variable from the t-test obtained a significant value of 0.037, less than 0.05. This means that the Audit Committee has no influence on taxes. H6 is rejected.

4.5. Coefficient Test Determination (R^2)

A value close to one means that the independent variables provide almost all the information needed to predict the dependent variable. Meanwhile, a small R^2 value means that the ability of the independent variables to explain the dependent variable is still lacking, so it can be said that there are other variables that can predict the dependent variable. Here are the results from the coefficient test determination :

Table 8
Coefficient Test Determination (R^2)

Square Value
,170

Source: Data processed by researchers, 2024

Based on the table above shows that the adjusted R square value obtained is 0.17 or equal to 17%. This shows that the independent variables, namely company size, financial report performance, corporate governance contribute 17% to the level of the dependent variable, namely CETR. Meanwhile, the remaining 83% is influenced by other variables not mentioned in this research.

Table 5.

4.6. Model Feasibility Test (F Statistical Test)

Table 9
Determination Coefficient Test (R^2)

F value	Sig	Information
3,036	,010	The independent variable has an effect on the dependent variable

Source: Data processed by researchers, 2024

Based on the F test above, the calculated F value is 3.036 with a significant value of 0.010. Because the significant value is much smaller than 0.05, it can be said that company size, financial report performance, corporate governance jointly influence tax avoidance .

Discussion

The results of the analysis show that company size has a significant effect on tax avoidance . Company size influences the company's ability to avoid taxes through various mechanisms. Large companies have more resources and capabilities to optimize tax avoidance strategies compared to small companies. This is because large companies have more assets, activities and financial capacity which allows them to take advantage of existing tax law loopholes. Larger companies often have better teams of tax experts and access to tax consulting services, which helps them devise more effective tax avoidance strategies. They also have greater bargaining power in negotiations with tax authorities.

Research by Utami and Supriadi (2023) shows that company size, return on assets , and leverage simultaneously have a significant and positive effect on tax avoidance. This shows that large companies are more capable of tax avoidance through the use of leverage and their assets. In addition, a study by Rizka and Rahayu (2023) found that sales growth and company size have a positive effect on tax avoidance, and company size strengthens the effect of sales growth on tax avoidance. In other words, large companies not only use their size but also leverage their sales growth to reduce the tax burden.

Large companies tend to use various strategies to avoid taxes. Some of these strategies include transfer pricing , the use of complex corporate structures, shifting income to low-tax jurisdictions, as well as exploiting tax incentives and other legal loopholes. Research by Sormin (2020) shows that leverage has a significant effect on tax avoidance, while company size and corporate social responsibility do not have a significant effect on tax avoidance. Apart from the ability to avoid taxes, company size also influences the level of monitoring and supervision carried out by external parties, such as institutional investors and tax authorities. Research by Apandi and Waluyo (2023) shows that company size can moderate the influence of independent commissioners and institutional ownership on tax avoidance. Larger companies that are more closely monitored by institutional investors may be more inclined to avoid overly aggressive tax avoidance practices in order to maintain their reputation and investor confidence. However, another study by Trisnawati and Ernandi (2021) shows that company size has no significant effect on tax avoidance. This research emphasizes that other variables such as profitability, corporate governance, and corporate social responsibility have a greater influence on tax avoidance.

The results of the analysis also show that financial report performance has a significant effect on tax avoidance . A company's financial performance can

influence the extent to which a company practices tax avoidance. Companies with good financial performance tend to have greater resources and capabilities to design more effective tax avoidance strategies. Research by Salsabila and Diantimala (2023) shows that investment decisions and company financial performance simultaneously influence tax avoidance. Partially, investment decisions and company financial performance have a significant positive effect on tax avoidance. This shows that investment decisions and company performance encourage managers to engage in tax avoidance. Research by Rohmawati et al. (2023) found that tax avoidance does not affect financial performance and does not increase company value, but tax avoidance can increase company value. Investors can look at these three variables as considerations in making investment decisions. Research by Tarmidi et al. (2020) shows that profitability and company size have a negative effect on tax avoidance, while independent commissioners have a positive effect. Sensitivity tests show that financial and non-financial factors have the same impact on tax avoidance actions. Research by Syamsuddin et al. (2020) found that corporate governance, including institutional ownership, board size, independent commissioners, and audit committee, influences tax avoidance which is mediated by financial performance as measured by Return on Assets (ROA). The research results show that the size of the board of commissioners, independent commissioners and audit committee has a significant positive effect on tax avoidance, while institutional ownership does not have a significant negative effect on tax avoidance. Financial performance can mediate the relationship between institutional ownership and tax avoidance. Research by Nobakht and Nobakht (2021) found that tax avoidance has a negative and significant impact on a company's accounting and economic performance. This shows that the higher the level of tax avoidance, the company performance actually decreases. Tax avoidance strategies as a way to reduce resource flows can have a negative impact on company performance.

The results of the analysis show that corporate governance has a significant influence on tax avoidance . Good corporate governance can reduce or increase the level of tax avoidance, depending on the mechanisms implemented. Research by Ubaidillah (2021) reveals that an independent board of commissioners has a significant negative effect on tax avoidance, while institutional ownership has a significant positive effect. However, the audit committee and audit quality have no effect on tax avoidance in mining companies. These results indicate the need to strengthen the function of the independent board of commissioners to suppress tax avoidance.

The study by Kovermann and Velte (2019) reviews the literature on the influence of corporate governance on tax avoidance. Their findings show that various aspects of corporate governance, such as incentives between management and shareholders, board composition, ownership structure, capital market supervision, audits, relations with the government, and pressure from other stakeholders, have a strong influence on tax avoidance. Effective corporate governance mechanisms can direct tax avoidance to optimal levels specific to each company.

Research by Nabilah and Umaimah (2022) found that independent commissioners and institutional ownership do not have a significant effect on tax avoidance, while audit committees have a significant negative effect. This means that increasing the effectiveness of the audit committee can reduce tax avoidance. Research by Kim et al. (2019) show that stronger governance can increase the overall level of tax avoidance. This increase is greater when controlling shareholders own more shares and when diversion of corporate resources is less complementary to tax avoidance.

The study by Kerr et al. (2021) use data from companies in Mexico and show that companies with stronger governance tend to engage in less tax avoidance. Governance reform drives tax avoidance towards a new equilibrium. Additional analysis shows that the relationship between governance and tax avoidance is strongest in family-owned firms that are sensitive to tax costs and non-cross-listed firms with inherently weaker governance.

Conclusion , Implications and Limitations

This research aims to identify the influence of company size, financial reporting performance and corporate governance on tax avoidance in manufacturing companies listed on the IDX during the 2019-2021 period. Based on the data obtained and the analysis carried out in this research, it can be concluded that:

1. Company size has a negative influence on tax avoidance .
2. Financial report performance has a negative influence on taxes avoidance .
3. Corporate governance has a negative influence on tax avoidance .

The results of this study indicate that companies with a larger size, good financial reporting performance, and effective corporate governance tend to reduce tax practices. avoidance in manufacturing companies listed on the IDX in 2019-2021.

Researchers realize that this research still has limitations. Therefore, it is recommended that further research consider adding other variables besides company size, financial report performance, and corporate governance, such as earnings management, leverage , capital intensity, and other variables that might influence tax. avoidance . It is also recommended that future research increase the sample size and use more varied data collection methods such as in-depth interviews, documentation collection, and wider surveys. In addition, adding respondents such as directors, shareholders, audit committees and other parties involved in decision making will also provide a more comprehensive perspective. Extending the research period to cover more than three years could also provide more accurate results and show long-term trends in tax avoidance.

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