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Research Article

The Influence of Company Size and Profitability on Tax Avoidance (on Mining Companies Listed on the Indonesia Stock Exchange for the Period 2022 – 2024)

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Abstract: This study aims to analyze the effect of firm size and profitability on tax avoidance practices in mining companies listed on the Indonesia Stock Exchange during the period 2022 to 2024. The research method used is a quantitative approach with multiple linear regression analysis and classical assumption tests to ensure model validity. A total of 18 companies were selected with 49 data used in this analysis. The results show that, simultaneously, firm size and profitability influence tax avoidance. However, partially, both variables do not show a significant effect on tax avoidance. These findings indicate that there are other factors beyond firm size and profitability that affect tax avoidance practices in the mining sector. Therefore, future research is recommended to consider additional variables and to strengthen supervision and transparency in corporate financial reporting to minimize tax avoidance practices.

Keywords: Firm Size, Profitability, Tax Avoidance

1. Introduction

In recent years, the issue of tax avoidance has become a serious concern in many countries, including Indonesia. Although legally this practice is different from tax evasion, its impact on state revenues can be very significant. Many large companies take advantage of loopholes in regulations to legally reduce their tax obligations. Amidst the government's efforts to increase state revenues and reduce the budget deficit, practices like this are certainly a challenge in themselves. According to data from the Ministry of Finance, the potential for lost tax revenue due to tax avoidance practices is estimated to reach hundreds of trillions of rupiah each year, indicating that regulatory loopholes are still being actively exploited by corporations (Ministry of Finance, 2023).

The mining sector is one of the strategically important sectors and is vulnerable to tax avoidance practices. In addition to its significant contribution to Indonesia's Gross Domestic Product (GDP) of around 8.1% in 2023 according to the Central Statistics Agency (BPS, 2024), this sector also has a complex cost structure and financial governance. The Directorate General of Taxes report (2023) indicates a striking difference between the profits reported by mining companies and the realization of their tax payments. This raises major questions about the extent to which these companies carry out tax avoidance strategies, either directly or through legitimate but manipulative financial mechanisms.

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In the accounting and taxation literature, two variables that are often associated with tax avoidance are company size and profitability. Large companies generally have greater resources, including access to professional tax consultants and tax lawyers, as well as complex organizational structures that can be used to develop tax avoidance strategies. Meanwhile, companies with high levels of profitability have greater incentives to minimize their tax burdens in order to maintain high net profits. Aulia & Mahpudin (2020) in their research stated that profitability and company size have a significant influence on tax avoidance in Indonesian companies. Jao & Holly (2022) also support these findings, with the addition that CSR and leverage can strengthen the relationship.

Another study conducted by Dhariwal et al. (2024) in the oil and gas sector in Pakistan, showed that companies with large size and high profitability tend to be more aggressive in tax avoidance, because they have greater financial and managerial flexibility. On the other hand, a study by Ayu et al. (2021) which examined mining companies in Indonesia during the period 2017–2021 concluded that profitability and company size significantly affect tax avoidance, but the study did not cover the latest regulatory dynamics after 2021. Meanwhile, Prihatini & Amin (2022) added variables such as audit quality and fixed asset intensity, but did not specifically examine the mining sector, so they did not provide an in-depth sectoral picture.

From these various studies, it can be concluded that there is still a fairly large research gap, especially in the context of mining companies in Indonesia after 2021. The period after tax reform, increased fiscal supervision, and various legal cases related to mining companies such as alleged corruption in mining management by BUMN in 2023 have not been widely studied in relation to tax avoidance. Therefore, this study is designed to analyze company size and profitability in influencing tax avoidance practices specifically in the mining sector listed on the Indonesia Stock Exchange during the period 2022 to 2024.

2. Literature Review

Company Size

Company size is one of the important aspects that is often used to see how big a company is in terms of its finances and tax strategy. This measure is generally measured by the company's total assets, sales, or market value. According to Aulia & Mahpudin (2020), larger companies tend to have more resources and access to information to develop more complex financial strategies, including tax strategies. This statement is reinforced by Dhariwal et al. (2024), who stated that large companies in the oil and gas sector have a greater opportunity to avoid taxes because of their complex organizational structure and sufficient resources.

In Indonesia, Prihatini & Amin (2022) added that large companies tend to be more "careful" in avoiding taxes because they are often in the public spotlight. They still try to be efficient, but without breaking the rules. This is in line with Kasmir (2015), who explained that large companies usually have better managerial capabilities in managing risks and fiscal obligations.

Profitability

Profitability shows how capable a company is of generating profits from its operational activities. Commonly used ratios include ROA (Return on Assets) and ROE (Return on

Equity). Aulia & Mahpudin (2020) stated that companies with high profits usually have a large tax burden as well. Therefore, they will look for legal ways to reduce their tax obligations.

Research by Arinda et al. (2022) on mining companies also found something similar, the higher the profit, the greater the tendency of companies to avoid taxes. This is because companies want to maintain a good image in the eyes of investors and shareholders. In addition, companies that make large profits also have more funds to hire tax consultants or create a more efficient financial structure.

This is also in line with Harahap's explanation (2021) who said that profitability is not only about profit, but also part of a company's strategy to manage its taxes carefully.

Tax Avoidance

Tax avoidance is a strategy carried out by companies to reduce the amount of tax that must be paid, but remains within legal limits. This practice is legal, but sometimes raises ethical debate because it can reduce the company's contribution to the country. Jao & Holly (2022) explain that tax avoidance can be done in various ways, such as arranging transactions between entities in a corporate group, using low-tax countries (tax havens), or exploiting loopholes in tax regulations.

Suciarti et al., (2020) also found that companies with complex financial structures are usually more active in tax avoidance. This is increasingly relevant in the mining sector, because they often have many subsidiaries and cross-border activities. According to Arinda et al. (2022), mining companies are also encouraged to manage taxes aggressively because they face fluctuating commodity prices and strict regulations.

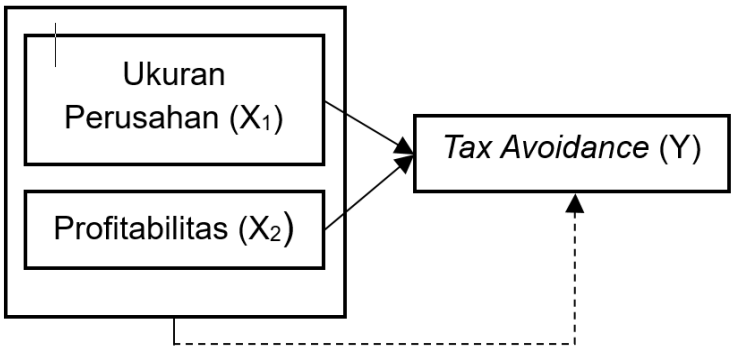
Waluyo (2017) emphasized that tax avoidance has actually become part of the long-term tax planning of companies that want to remain competitive without violating the rules.

Relationship Between Variables

Previous studies such as Aulia & Mahpudin (2020) and Putra et al., (2019) found that large companies and those with large profits tend to do tax avoidance. On the other hand, studies such as Dhariwal et al. (2024) and Arinda et al. (2022) showed a positive and significant influence, which means that the higher the profitability, the higher the tax avoidance carried out by the company. However, Prihatini & Amin (2022) stated that the relationship between company size, profitability and tax avoidance can change depending on other conditions, such as audit quality. This shows that the relationship between these three variables is still open to further study, especially in certain sectors such as mining. Mardiasmo (2018) also stated that tax management cannot be separated from the economic context and applicable regulations. Therefore, each variable must be seen in the broad framework of corporate governance.

CONCEPTUAL FRAMEWORK

The conceptual framework in this study is designed regarding the relationship between independent variables, namely company size and profitability level, and the dependent variable in the form of tax avoidance practices.



3. RESEARCH METHODS

This study uses a quantitative method with a descriptive approach. The quantitative method was chosen because this study aims to test the relationship between variables that can be measured numerically, namely company size and profitability as independent variables, and tax avoidance as the dependent variable. Meanwhile, a descriptive approach is used to explain and analyze the extent to which the two independent variables affect tax avoidance practices.

Tax Avoidance

To measure the level of tax avoidance, the Cash Effective Tax Rate (CETR) indicator is used. CETR is calculated by comparing the amount of tax paid in cash to profit before tax. The formula used is:

$$CETR = \frac{Pembayaran\ Pajak}{Laba\ Sebelum\ Pajak}$$

The lower the CETR value, the higher the indication that the company is engaging in tax avoidance. The use of CETR is considered more representative than GAAP ETR because it better reflects the actual cash flow used to pay taxes (Suciarti et al., 2020).

Company Size

Company size is determined based on total assets and expressed in the form of the natural logarithm of total assets to stabilize the spread of data. The formula:

$$Size = \ln(Total\ Aset)$$

Large companies usually have more resources to carry out strategic tax planning (Prihatini & Amin, 2022).

Profitability

Company profitability is measured using the Return on Assets (ROA) indicator, which reflects the company's ability to generate net profit from all assets owned. The ROA formula is:

$$ROA = \frac{Laba\ Bersih}{Total\ Aset}$$

Companies with high profitability tend to have greater incentives to carry out tax planning as a tax burden efficiency strategy (Dhariwal et al., 2024).

The population in this study includes all mining sector companies listed on the Indonesia Stock Exchange (IDX) during the period 2022 to 2024. Based on the data obtained, there are a number of active companies in this sector that are the objects of observation. The sampling technique used is purposive sampling, namely the selection of samples based on certain criteria that are relevant to the research objectives. Through this technique, a sample of 18 companies was obtained that met the selection criteria, including: (1) mining sector companies that are consistently listed on the IDX during the period 2022–2024; (2) companies that publish financial reports in other currencies (3) companies that provide complete financial data, including information related to tax avoidance practices, Return on Assets (ROA), and total asset value.

The type of data used in this study is secondary data, namely data obtained from the company's annual financial reports that have been audited and officially published. The data is accessed through the Indonesia Stock Exchange website (www.idx.co.id) and other supporting platforms that provide issuer financial information. Data were collected from financial reports dated December 31 for each year during the period 2022 to 2024.

The data analysis method used is multiple linear regression analysis to determine the effect of company size and profitability on tax avoidance. This analysis was carried out using the SPSS version 30 application. Before the regression analysis was carried out, a classical assumption test was first carried out which included a normality test, a multicollinearity test, a heteroscedasticity test, and an autocorrelation test to ensure that the data met the basic assumptions of the regression model. Furthermore, hypothesis testing is carried out through the t-test to see the partial influence of each independent variable on the dependent variable, and the F-test to test the simultaneous influence of all independent variables on the dependent variable. In addition, the coefficient of determination (R^2) is also used to measure how much of the proportion of the dependent variable can be explained by the independent variables in the research model.

4. RESULTS AND DISCUSSION

This study aims to examine the effect of company size and profitability on tax avoidance practices in mining sector companies listed on the Indonesia Stock Exchange (IDX) for the period 2022–2024. Of the total 20 companies designated as the initial sample, there were 2 companies that did not meet the selection criteria and 5 outlier data identified through initial data exploration. Therefore, the number of final observations analyzed was 49 data.

Descriptive Statistics Results

This analysis aims to illustrate the distribution of values of each variable studied, namely profitability, company size, and tax avoidance. The table below shows the number of observations used (N = 49), minimum, maximum, average (mean), and standard deviation of each variable.

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Profitabilitas	49	,01	,62	,1810	,17540
Ukuran Perusahaan	49	18,95	23,13	21,2583	1,15977
Tax Avoidance	49	,01	1,87	,4086	,35899
Valid N (listwise)	49				

Source: Data processed (2025)

From the results of descriptive statistics, company profitability has a minimum value of 0.01, a maximum of 0.62, an average of 0.1810, and a standard deviation of 0.17540. Company size shows a minimum value of 18.95, a maximum of 23.13, an average of 21.2583, and a standard deviation of 1.15977. Meanwhile, tax avoidance has a minimum value of 0.01, a maximum of 1.87, an average of 0.4086, and a standard deviation of 0.35899. Data variations indicate significant differences between companies in terms of tax efficiency and financial performance.

Normality Test Results

One-Sample Kolmogorov-Smirnov Test

			Unstandardized Residual
N			49
Normal Parameters[a,b]	Mean		,0000000
	Std. Deviation		,33234069
Most Extreme Differences	Absolute		,112
	Positive		,112
	Negative		-,073
Test Statistic			,112
Asymp. Sig. (2-tailed)[c]			,171
Monte Carlo Sig. (2-tailed)[d]	Sig.		,126
	99% Confidence Interval	Lower Bound	,118
		Upper Bound	,135

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

d. Lilliefors' method based on 10000 Monte Carlo samples with starting seed 1502173562.

Source: Processed data (2025)

From the results of the normality test using the One-Sample Kolmogorov-Smirnov Test, the Asymp. Sig. (2-tailed) value is 0.171 and the Monte Carlo Sig. (2-tailed) value is 0.126. Both of these significance values are greater than 0.05, so it can be concluded that the residual data is normally distributed. Thus, the data has met one of the basic assumptions in regression analysis, namely that the residual data is normally distributed.

Multicollinearity Test Results

Coefficients[a]

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Profitabilitas	,939	1,064
	Ukuran Perusahaan	,939	1,064

a. Dependent Variable: Tax Avoidance

Source: Processed data (2025)

From the results of the multicollinearity test, the Tolerance value for the profitability and company size variables is 0.939, while the Variance Inflation Factor (VIF) value for both variables is 1.064. A Tolerance value greater than 0.10 and a VIF value less than 10 indicate that there is no multicollinearity problem between the independent variables in this regression model. Thus, profitability and company size can be used simultaneously in the model without causing bias due to multicollinearity.

Durbin-Watson Autocorrelation Test Results

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,378[a]	,143	,106	,33949	2,135

a. Predictors: (Constant), Ukuran Perusahaan, Profitabilitas

b. Dependent Variable: Tax Avoidance

Source: Processed data (2025)

From the results of the Durbin-Watson autocorrelation test, the Durbin-Watson value is 2.135. This value is close to 2, which means that there is no autocorrelation in the regression model used. Autocorrelation is the relationship between one residual and another in time series data. In the absence of autocorrelation, the residual data in this model is independent and the regression model is suitable for further analysis.

Heteroscedasticity Test Results

No.	Variabel	Gletjser	Kesimpulan
1	Profitabilitas	,008	Tidak terjadi heterokedastisitas
2	Ukuran Perusahaan	,206	Tidak terjadi heterokedastisitas

Source: Processed data (2025)

From the results of the heteroscedasticity test, in the Glejser test table, the significance value for Profitability is 0.008 and for Company Size is 0.206. Based on these results, both significance values are greater than 0.05, so it can be concluded that there is no heteroscedasticity in the two variables. This means that the regression model used has met one of the classical assumptions, namely homogeneous residual variance (not spread unevenly).

F Test Results (Simultaneous Test)

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	,884	2	,442	3,836	,029[b]
	Residual	5,302	46	,115		
	Total	6,186	48			

a. Dependent Variable: Tax Avoidance

b. Predictors: (Constant), Ukuran Perusahaan, Profitabilitas

Source: Processed data (2025)

From the results of the F test, the calculated F value was obtained as 3.836 with a significance value (Sig.) Of 0.029. Because the significance value is less than 0.05, it can be concluded that simultaneously the variables Company Size and Profitability have a significant effect on Tax Avoidance.

In other words, the two independent variables can be used together to predict Tax Avoidance in companies.

Results of the Determination Coefficient (R^2) Test

Model Summary[b]

Model	R	R Square	Adjusted R Square
1	,378[a]	,143	,106

a. Predictors: (Constant), Ukuran Perusahaan, Profitabilitas

b. Dependent Variable: Tax Avoidance

Source: Processed data (2025)

From the results of the determination coefficient test, the R Square value was obtained as 0.143 and the Adjusted R Square was 0.106. This means that the independent variables, namely Company Size and Profitability, together are able to explain the variation in the dependent variable Tax Avoidance by 14.3%. The Adjusted R Square value of 10.6% indicates that after adjusting the number of variables and samples, this model can still explain around 10.6% of the variation in Tax Avoidance. In other words, there is still 85.7% (or 89.4% in Adjusted R Square) of the variation in Tax Avoidance explained by other factors outside this model.

Results of the T Test (Partial Test)

Coefficients[a]

Model		T	Sig.
1	(Constant)	-1,311	,196
	Profitabilitas	-1,532	,132
	Ukuran Perusahaan	1,860	,069

a. Dependent Variable: Tax Avoidance

Source: Processed data (2025)

Based on the results of the partial t test in the Coefficients Table, it is known that the Profitability variable has a t value of -1.532 with a significance of 0.132. Since the significance value is greater than 0.05, it can be concluded that Profitability does not have a significant effect on Tax Avoidance. This shows that changes in Profitability do not significantly affect the level of Tax Avoidance carried out by companies in this study. Meanwhile, the Company Size variable has a t value of 1.860 with a significance value of 0.069. Since this significance value is still greater than 0.05, then statistically at a significance level of 5% Company Size also has no significant effect on Tax Avoidance. However, the significance value of 0.069 is close to 0.05, so at a significance level of 10%, Company Size can be said to have a significant effect on Tax Avoidance. Thus, the larger the company size tends to increase Tax Avoidance, although this effect is not yet significant at the 5% level.

DISCUSSION

The results of this study indicate that simultaneously, company size and profitability do have a significant effect on tax avoidance in mining companies listed on the Indonesia Stock Exchange for the period 2022–2024. This is evidenced by the calculated F value of 3.836 and a significance of 0.029, which means that both independent variables together are able to influence tax avoidance practices. However, when viewed partially through the t-test, the two variables did not show a significant effect at the 5% significance level.

Profitability, as measured using ROA, has a t value of -1.532 and a significance of 0.132. This means that the company's profit level is not strong enough to influence the company's decision to carry out tax avoidance. This result is different from several previous studies such as Aulia & Mahpudin (2020), which stated that more profitable companies have an incentive to reduce their tax burden in order to maintain their financial performance. This difference could occur due to the characteristics of the mining sector which tends to be more supervised by the government, as well as the existence of new regulations and stricter fiscal supervision after 2021.

Company size also does not have a significant partial effect, with a t value of 1.860 and a significance of 0.069. However, this significance is close to 0.05 so that at a significance level of 10%, company size can be said to be starting to have an effect. This shows that companies with larger assets tend to have a higher tendency to engage in tax avoidance, although the effect is still not statistically strong. These results are in line with the view of Dhariwal et al., (2024), which states that large-scale companies are better able to utilize their organizational structure for tax optimization. However, on the other hand, they also face more intensive supervision from the tax authorities.

5. CONCLUSION AND SUGGESTIONS

Based on the results of research conducted on mining companies listed on the Indonesia Stock Exchange for the period 2022–2024, it can be concluded that company size and profitability simultaneously have a significant effect on tax avoidance, as indicated by the

calculated F value of 3.836 and a significance of 0.029. However, partially, neither profitability (t = -1.532; sig. = 0.132) nor company size (t = 1.860; sig. = 0.069) have a significant effect at the 5% significance level, although company size begins to show an effect at the 10% significance level. The contribution of the model in explaining the variation in tax avoidance is also still low, which is only 14.3% (R^2 = 0.143), so there are still many other factors outside the model that influence tax avoidance practices in the mining sector, such as leverage, audit quality, corporate governance, and dynamics of tax regulations (Aulia & Mahpudin, 2020; Dhariwal et al., 2024; Prihatini & Amin, 2022; Directorate General of Taxes, 2023).

Therefore, it is recommended for further researchers to expand the scope of research variables and extend the observation period in order to obtain a more comprehensive picture of the factors that influence tax avoidance. In addition, regulators and the government are expected to continue to strengthen supervision and improve regulatory loopholes, especially in strategic sectors such as mining, in order to minimize tax avoidance practices that can harm state revenues (Ministry of Finance, 2023; BPS, 2024). Companies are also encouraged to improve transparency and compliance with tax regulations and strengthen corporate governance so that it is not only oriented towards tax efficiency, but also towards real contributions to national development. Thus, it is hoped that tax avoidance practices in the mining sector can be optimally suppressed through synergy between academic research, government policies, and corporate commitment to good governance.

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