

The Influence of Profitability and Leverage on Tax Avoidance with Company Size as a Moderation Variable

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Abstract

This study aims to analyze the effect of Profitability and Leverage on Tax Avoidance with Company Size as a Moderating Variable (Empirical Study of Manufacturing Companies in the Various Industries Sector Listed on the Indonesia Stock Exchange for the 2017-2021 period). The data source for this research uses secondary data in the form of financial reports published on the Indonesia Stock Exchange. In taking the sample for this study using a purposive sampling method and the samples used in this study were 12 companies. The data analysis technique used is hypothesis testing which is processed using the WarpPLS 7.0 application. Based on the results of this study it was found that Profitability has a significant negative effect on Tax Avoidance, Leverage has no effect on Tax Avoidance, Company Size does not moderate the effect of Profitability on Tax Avoidance, and Company Size does not moderate the influence of Leverage on Tax Avoidance.

Keywords: Profitability, Leverage, Company Size, Tax Avoidance.

INTRODUCTION

Tax is Wrong One source reception country which very important, along with other sources of revenue, namely oil and gas revenues or non-tax revenues. The government strives to continue to increase the revenue target from the tax sector. Tax revenues are influenced by a country's economic growth. This is because economic growth increases people's income and allows people to pay taxes financially.

According to Law no. 28 of 2007 concerning General Provisions and Tax Procedures (KUP), tax is defined as a contribution must to country Which owed by person personal or an agency that is coercive based on law, without receiving direct compensation and is used for state needs for as big as possible prosperity people. Because tax is a source of state income that finances all state development expenditure, so taxes play an important role in the life of the state, especially in the implementation of development.

The problems commonly faced in taxation are the lack of awareness and compliance of taxpayers in paying taxes and tax avoidance is also an obstacle that occurs in paying taxes, resulting in reduced state revenues. Many taxpayers still violate existing tax regulations.

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Phenomenon Which related in avoidance tax that is happen at the company big, Wrong the only one is case PT. Adaro Energy Tbk, suspected of committing tax evasion by making transfers pricing through children his company in Singapore. Matter That has done since 2009 until 2017, PT. Adaro Energy Tbk reported has arrange payment tax amount US\$ 125 Million or 1.75 trillion (with exchange rate Rp 14,000) more lower than what should be paid to the Indonesian government. PT. Adaro Energy Tbk exploits this loophole by selling coal at a cheaper price to Coaltrade Services International, then selling the coal to other countries at a higher price. As a result, the income tax imposed in Indonesia is lower (Sugianto, 2019).

Another tax avoidance phenomenon revealed in the Tax Justice Network report entitled The State of Tax Justice 2020: Tax Justice in the time of Covid-19 states that Indonesia is assumed to experience losses of up to US\$ 4.86 billion per year, equivalent to IDR 68.7 billion. Trillion (at an exchange rate of Rp. 14,149) due to avoidance tax company in Indonesia. Temporary the rest US\$ 78.83 million or around Rp. 1.1 trillion which came from individual taxpayers. Tax Justice Network findings state that in practice multinational companies shift their profits to countries that are considered to offer much lower tax rates and even no tax obligations, with the aim of not reporting how much profit is actually generated, so that the company can pay less tax than it should be. Meanwhile, for taxpayer's person personal which classified person rich hide assets and income declared abroad (Santoso, 2020).

Companies that are taxpayers have obligations for pay tax which big determined by profit clean ones obtained. Number of receipts country increase along with the amount of tax paid by the company. But for companies, taxes are burden which can reduce profit clean. Objective government to maximize state revenues from the tax sector is contrary to the objectives of the company as a taxpayer, where the company seeks to minimize its tax burden to generate greater income in order to prosper the owner and continue continuity life his company (Yoehana, 2013). There is difference objective the can give rise to company For evade taxes.

According to Suandy in (Dewi & Noviri, 2017), tax avoidance carried out by companies uses several strategies to minimize the tax imposed, including: avoidance tax (*tax avoidance*) is effort For minimize *legal* tax debt by complying with applicable regulations, and evasion tax (*tax evasion*) is effort For reduce debt taxes illegally (*unlawfully*) by not complying with tax laws.

Tax avoidance carried out by companies is of course a policy taken by company leaders themselves, to try to reduce tax liabilities overall. Company among other things, namely fines and negative public perceptions of the company's reputation. However, on the other hand, tax avoidance *is* not expected by companies.

Several factors can influence the possibility of tax avoidance (*tax avoidance*) is changes to the tax system from *Official Assessment* become *Self Assessment* Which used by the Indonesian government for tax collection. Taxpayers are given confidence in calculating, paying and reporting their own tax obligations. The implementation of this taxation seems to open up opportunities for taxpayers to manipulate the amount of tax that must be paid in an effort to reduce company costs, including their tax burden (Stawati, 2020). Apart from that, there are several other factors that can influence companies to avoid tax (tax avoidance), including: Profitability, *Leverage*, and Company Size.

Profitability is the ability of a company to generate profits during a certain period at the level of sales and assets And capital share certain. Profitability consists from a

number of ratio indicators, Wrong the only one *returns of assets* (ROA). *Return of Assets* is a measure that shows how well the financial performance in a company is, increasingly its height mark ROA which achievable by a company, the company's financial performance the can be classified Good (Gusti Come on Light Empress & Alit Suardana, 2014). So it can be interpreted that the higher the level of company profitability so level Which influence action avoidance taxes (*tax avoidance*) are also getting higher. Research (Rahmadani et al., 2020) found that profitability has a positive and significant effect on tax avoidance, this is because when profits increase avoidance tax increase matter This caused its height mark ROA Careful tax avoidance planning will be carried out so that the tendency to avoid tax will increase and this will result in line with the research that has been carried out by (Olivia & Dwimulyani, 2019) which shows that profitability has a positive and significant effect on tax avoidance. This is different from research conducted by (Irawati et al., 2020) whose results show that profitability has no effect on tax avoidance because tax avoidance is a risky practice, so management will not take this opportunity to reduce investment risk. In addition, tax avoidance can also impose significant costs on companies, including cost Which paid to consultant tax, fine reputation and fines paid to the tax authority and research conducted by (Widodo & Wulandari, 2021) shows the results that profitability influential positive No significant matter This Because The company does not pay taxes efficiently or it could be said that the company prefers to comply with the applicable tax laws.

Another factor that indicates a company is carrying out tax avoidance is seen from the company's funding policy that is policy *leverage*. *Leverage* is level debt which Used by companies to meet company financing (Dewi & Noviari, 2017). In matter tax, if a company have if tax debt is high, the company will also have high debt. Therefore, companies try to avoid tax (*tax avoidance*). *Leverage* measurement uses the percentage of total debt to equity or company capital in a period which is also called *the Debt to Equity Ratio* (DER) (Saputra & Asyik, 2017). Results study done (Agustin et al., 2018) show that leverage with ratio *Debt to Equity Ratio* (DER) No has a significant positive effect on tax avoidance *in* companies, this shows that the greater or smaller the level of *leverage* in a company does not affect the size of tax avoidance in that company. These findings are in line with research (Yustrianthe & Fatniasih, 2021) Which Also the result shows that *leverage* has no effect on tax avoidance because No all debt will result burden flower And Not all expenses arising from debt can be used as deductions profit hit tax. However, different with results study conducted by (Harefa et al., 2021) shows that *leverage* with a DER ratio has a significant positive influence on tax avoidance. This is because the larger the debt, the smaller the taxable profit that will be paid because the tax incentives on debt interest are greater big.

Company size is a scale that can classify company become company big and small based on various aspects such as: total company assets, share market value, average sales level and number of sales. Company size shows the stability and ability of the company to carry out its economic activities. Company size is also thought to have an influence how company fulfil obligation taxation and is a factor that can result in tax avoidance (*tax avoidance*). Company scale big will own many sources Power which can utilized for objective certain. The more the larger the size of the company, the more complex the transactions the company will carry out. So this causes companies to use existing loopholes in carrying out tax avoidance strategies in every transaction (Silvia, 2017). Whereas company scale small No in a way optimal for managing its tax burden due to a lack of experts in taxation. The results of research on the influence of company

size on tax avoidance *by* (Rima & Destriana, 2021) show that company size has no effect on tax *avoidance*. Because, the size of the company does not influence the company to avoid tax, so it is good company big nor small own opinion that tax is something that is burdensome for every company. Contrary to the results of research by (Siti Sarpingah, 2020), it is stated that company size has a significant negative effect on tax avoidance, *meaning* that the smaller the company size, the lower the tax avoidance will be. Whereas, research conducted by (I. Hidayat & Maulidiyah, 2022) shows that company size has an effect on tax avoidance.

Based on explanation on so can made research *gaps* as as follows:

Table 1. Research Research Gap

Research Gap	Researcher	Findings
There is differences in Profitability versus Avoidance research results Tax (<i>Tax Avoidance</i>)	Rahmadani, Muda & Abubakar (2020)	Significant positive influence
	Olivia & Dwimulyani (2019)	Significant positive influence
	Irawati, et al (2020)	No influential
	Widodo & Wulandari (2021)	Not influential positive significant
There are research results differences <i>Leverage</i> against Tax <i>Avoidance</i>	Agustin, et al (2018)	No significant positive effect
	Yustrianthe & Fatniasih (2021)	No influential
	Harefa, et al (2021)	Significant positive effect
There is differences in research results on Company Size on Avoidance Tax (<i>Tax Avoidance</i>)	Rima & Destriana (2021)	No influential
	Siti Sarpingah (2020)	Influential significantly negative
	Hidayat & Maulidiyah (2022)	Influential

Source: Data processed by the author (2022)

Based on the table above, it can be seen that the factors that influence tax avoidance *still* contain inconsistent results from previous research regarding profitability, *leverage* and company size. The difference between this research and previous research is that this research uses companies Manufacture Sector Miscellaneous Industry Which registered in Exchange Indonesian Effect (IDX) which allow for get Lots opportunities for companies to avoid tax. This research will use data from the last year, namely 2017-2021.

This research aims to analyze and obtain empirical evidence regarding the relationship between profitability and tax avoidance. The main objective of this research is to explore the extent to which profitability plays a role in influencing tax avoidance practices.

RESEARCH METHOD

This research aims to obtain empirical evidence and provide an overview of the factors that influence tax avoidance. There are three types of variables in this research, namely the dependent variable (tax avoidance), the independent variable (profitability and leverage), and the moderating variable (company size).

The research object involves Manufacturing Companies in the Various Industrial Sectors listed on the Indonesia Stock Exchange (BEI) in the period 2017 to 2021.

The research method used is quantitative, with the aim of finding out the relationship between two or more variables. The research plans and stages are arranged in a table which includes activities such as preparation of proposals, proposal seminars, data collection, data processing and analysis, as well as preparation of final reports/final assignments.

The research data source is secondary, using financial reports of manufacturing companies in various industrial sectors listed on the IDX for the 2017-2021 period. The research population includes manufacturing companies in various industrial sectors listed on the IDX during that period, with samples selected using purposive sampling techniques with certain criteria.

The types of variables used in this research include the dependent variable (tax avoidance), the independent variable (profitability and leverage), and the moderating variable (company size). Operational definitions are provided for each variable, including calculation formulas for each indicator.

The data analysis method uses Partial Least Square (PLS) as a Structural Equation Modeling (SEM) completion technique. The analysis process involves descriptive statistical analysis, evaluation of the measurement model (outer model), and evaluation of the structural model (inner model). Hypothesis testing is carried out through path analysis with a significance level of 5%.

In this research, the dependent variable (tax avoidance) is measured using Cash Effective Tax Rates (CETR), while the independent variables (profitability and leverage) and the moderating variable (company size) have their own operational definitions and calculation formulas. All these variables were tested using various evaluation methods including convergent validity, discriminant validity, and reliability tests. Structural analysis includes assessment of the coefficient of determination (R²) and Cross-Validated Redundancy (Q²). Hypothesis testing is used to determine the influence of independent variables on the dependent variable.

RESULTS AND DISCUSSION

1. Analysis Descriptive statistics

Descriptive statistical analysis is a statistical method used to analyze data by describing or describing generally the characteristics of each research variable which seen from mark average (*mean*), maximum, minimum and standard deviation. Results analysis statistics descriptive can seen in table below this:

Table 2. Statistics Descriptive

	N	Minimum	Maximum	Mean	Std. Deviation
CETR	60	0.002	8,445	0.537	1,134
ROA	60	0,000	0.716	0.073	0.110
DER	60	0.003	3,129	0.806	0.728
SIZE	60	24,217	33,537	29,037	1,815

Source: Output WarpPLS Processed by Researchers (2023)

Based on table 4.3 above, it can be explained that the results of descriptive statistics with a sample size of 60 companies are as follows:

a. Variable Avoidance Tax

The tax avoidance variable proxied by *cash effective tax rates* (CETR) has the smallest (minimum) value amounting to 0.002 from the company Happy Perfect Tbk (STAR) in year 2020, And greatest value (maximum) as big as 8,445 from company Voxels Electric Tbk (VOKS) in 2020. The standard deviation value of tax avoidance is 1.134 and the average value (mean) is 0.537.

b. Profitability Variable

The profitability variable which is proxied by *return on assets* (ROA) has the smallest (minimum) value of 0.000 from the Selamat Selamat Tbk (STAR) company in 2018, and the largest (maximum) value of 0.716 from the Multi Prima Sejahtera Tbk (LPIN) company in 2017. The standard deviation value of profitability is 0.110 and the average value (mean) is 0.073.

c. Leverage Variable

Variable *leverage* Which proxied by *debt to equity ratio* (DER) has the smallest (minimum) value of 0.003 from the Selamat Selamat Tbk (STAR) company in 2019, and the largest (maximum) value of 3.129 from the Sat Nusa Persada Tbk (PTSN) company on 2018. Standard value the *leverage* deviation is 0.728 and the average value (mean) is 0.806.

d. Company Size Variable

The company size variable proxied by SIZE has the smallest (minimum) value of 24,217 from the company Multi Prima Sejahtera Tbk (LPIN) in 2019, and the largest (maximum) value of 33,537 from the company Astra International Tbk (ASII) in 2021. Standard value the company size deviation is 1.815 and the average value (mean) is 29.037.

2. Measurement Model Testing (Outer Model)

The measurement model (*outer model*) is carried out to determine whether the research variables are suitable for use for valid and reliable measurement. In this stage, convergent validity tests, discriminant validity tests and *composite reliability* tests are carried out.

a. Test Validity Convergent (*Convergent Validity*)

Validity test convergent relates to the principle that construct measurement (variable manifest) must own level correlation which tall. To assess the convergent validity test, it can be seen from the *loading factor value* of each construct indicator. The *loading factor* value must be greater than 0.7 and mark *average variance extract* (AVE) must more big of 0.5. The following are the results of convergent validity testing:

Table 3. Loading Factor Values

	ROA	DER	CETR	SIZE	SIZE* ROA	SIZE*DER
ROA	1,000	0,000	0,000	0,000	0,000	0,000
DER	0,000	1,000	0,000	0,000	0,000	0,000
CETR	0,000	0,000	1,000	0,000	0,000	0,000
SIZE	0,000	0,000	0,000	1,000	0,000	0,000
SIZE*ROA	0,000	0,000	0,000	0,000	1,000	0,000
SIZE*DER	0,000	0,000	0,000	0,000	0,000	1,000

Source: Processed WarpPLS output by Researchers (2023)

Based on table 4.4 show that mark factor loading From each variable in this research, the result was that all variables obtained a loading factor value of 1 or greater than 0.7. This value meets the requirements of *the reliability indicator* so it can be interpreted that the data is valid.

The convergent test can also be seen from the *Average Variance Extracted value (AVE)*, if If mark AVE > 0.50 so construct has good *convergent validity*. The following are the results of the *Average Variance Extracted (AVE)* value as follows:

Table 4. Average Values Variance Extracted (AVE)

ROA	DER	CETR	SIZE	SIZE*ROA	SIZE*DER
1,000	1,000	1,000	1,000	1,000	1,000

Source: Outputs WarpPLS Processed by Researcher (2023)

Based on table 4.5, it can be seen that the *Average Variance Extracted value (AVE)* from variable profitability Which proxy with ROA (X 1), *leverage* which is proxied by DER (X 2), *tax avoidance* proxy with CETR (Y), And size company Which proxied with SIZE (Z), each every variable obtain mark AVE is 1. So, this value meets the provisions of *convergent validity*, namely by having an AVE value greater than 0.50. So it can be interpreted that the results of the convergent validity test *have* met the regulatory requirements and it can be stated that the data is valid.

b. Discriminant Validity Test

The discriminant validity test can be seen based on the *cross loading value* for each variable which must be > 0.70. To be able to meet the criteria for the discriminant validity test, *the cross loading* value must be greater than the values of the other variables.

Table 5. Values Cross Loading

	ROA	DER	CETR	SIZE	SIZE* ROA	SIZE* DER
ROA	1,000	-0.105	-0.148	-0.145	-0.828	0.127
DER	-0.105	1,000	0.169	0.214	0.068	-0.452
CETR	-0.148	0.169	1,000	-0.078	0.085	-0.109
SIZE	-0.145	0.214	-0.078	1,000	0.115	-0.492
SIZE*ROA	-0.828	0.068	0.085	0.115	1,000	-0.171
SIZE*DER	0.127	-0.452	-0.109	-0.492	-0.171	1,000

Source: Outputs WarpPLS Processed by Researcher (2023)

Based on table 4.6, it shows that each variable in the research this own mark *cross loading* more big than other variables. So it can be concluded that the results of the discriminant validity test *have* met the regulatory requirements and it can be stated that the data is valid.

c. Reliability Test (Reliability Validity)

This reliability test was carried out to prove the consistency, accuracy and precision of the instrument in measuring the construct. The reliability test can be measured by two criteria, namely *composite reliability* and *Cronbach's alpha* with

a value greater than 0.70. The following are the results of *the composite reliability* and *Cronbach's alpha values* in this research:

Table 6. Test Composite Reliability

	Composite Reliability	Cronbach's Alpha
ROA	1,000	1,000
DER	1,000	1,000
CETR	1,000	1,000
SIZE	1,000	1,000

Source: Outputs WarpPLS Processed by Researcher (2023)

Based on table 6, can seen that mark *composite reliability* and *Cronbach's alpha* own mark 1 Which It means lower mark it has fulfil condition provision that is must more big from 0.7. So it can be concluded that all variables are declared reliable.

3. Testing Model Structural (Inner Model)

Evaluation model structural (*inner models*) that is explain the influence of the independent latent variable on the dependent latent variable with two stages that is coefficient determination (R^2) and *cross-validated redundancy* (Q^2).

a. Coefficient Determination (R^2)

The coefficient of determination (R^2) is used to show how much far contribution variable latent independent capable explains the dependent latent variable. The coefficient of determination (R^2) can be seen from the *R-Square value* (R^2).

Table 7. Results Test Coefficient Determination (R^2)

	Mark <i>R-Square</i> (R^2)	Mark <i>Adjusted R</i>²
CETR	0.219	0.162

Source: Outputs WarpPLS Processed by Researcher (2023)

Based on table 4.8, it can be seen that the *R-Square* (R^2) value is 0.219, indicating that the model is weak. This means that tax avoidance (Y) can be explained by the variables profitability (X_1), *leverage* (X_2) and company size (Z) of 21.9%, while the remaining 78.1% is influenced by other variables not examined in this research.

b. Cross-Validated Redundancy (Q^2)

Q value ² used to measure how well the structural model observation results are and can also estimate the parameters. If the Q value ^{is 2} > than 0, then the model has *predictive relevance*.

Table 8. Mark Cross Test Validated Redundancy (Q^2)

	Q2
CETR	0.239

Source: Outputs WarpPLS Processed by Researcher (2023)

Based on table 4.9 show that mark avoidance tax (Y) Which proxied CETR own mark Q^2 as big as 0.239. Matter it means that mark avoidance tax own mark *predictive relevance* because the value of $Q^2 > 0$.

4. Hypothesis test

Hypothesis testing in this research was carried out by means of influence testing direct and test influence No direct. Test influence directly used to see the effect of profitability on tax avoidance and the effect of *leverage* on tax avoidance. Meanwhile, the indirect effect test is used to determine the moderation of company size on the effect of profitability on tax avoidance and the moderation of company size on the effect of *leverage* on avoidance Tax. Test influence direct and test influence No It can be seen directly from the *path coefficient value* and *p-value*. Following are the results of the hypothesis test influence direct and influence No direct in this research:

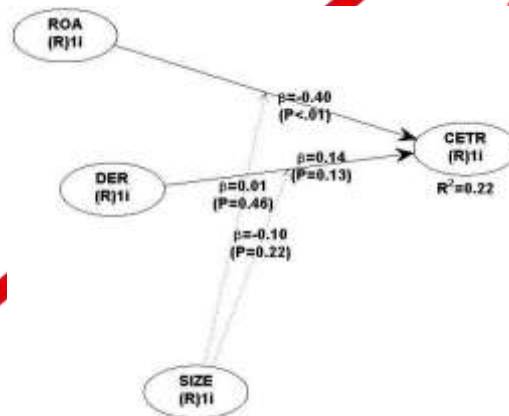


Figure 1. Hypothesis Testing

Source: Outputs WarpPLS Processed by Researcher (2023)

Based on Figure 1, it can be seen that the results of testing the first hypothesis, namely profitability (ROA) against tax avoidance (CETR), obtained a *p-value* of <0.001 with a *path coefficient value*. As big as -0.403 . Matter this show that profitability has a significant negative effect on tax avoidance so that H 1 rejected.

Testing the second hypothesis, namely *leverage* (DER) on tax avoidance (CETR), obtained a *p-value* of 0.130, with a *path coefficient value* of 0.140. This shows that *leverage* has no effect on tax avoidance so H 2 rejected.

Testing hypothesis third that is moderation size company (SIZE) on influence profitability to avoidance tax obtain the *p-value* is 0.455, with a *path coefficient value* of 0.015. This shows that company size cannot moderate the effect of profitability on tax avoidance so that H 3 is rejected.

Testing the fourth hypothesis, namely the moderation of company size (SIZE) on the effect of *leverage* on tax avoidance, obtains value *p-value* as big as 0.217, with mark *path coefficient* as big as -0.098 . This shows that company size cannot moderate the effect of *leverage* on tax avoidance so that H 4 is rejected.

5. Discussion

a. Influence Profitability to Avoidance Tax

Based on the test results on the hypothesis, it shows that the significance value is $<0.001 <0.05$ with a *path coefficient value* of -0.403 . So it can be stated that the research results on the hypothesis in this study which states that profitability has a significant positive effect on tax avoidance (H 1) is rejected.

This can show that the better the company's profitability, the more mature the company's tax planning will be so that a company's ability to manage its capital is good and can produce optimal profits, this is because if a company has a level of profitability which is high, so the trend of the company to do tax avoidance will be more decrease because the company is able to pay the tax burden owed.

The results of this research are in line with research conducted by (Suyanto & Kurniawati, 2022) and (W. W. Hidayat, 2018) states that profitability has a negative effect on tax avoidance. However, this research is not in line with research conducted by (Wahyuni & Wahyudi, 2021) and (Mahdiana & Amin, 2020) stating that profitability has a positive effect on tax avoidance.

b. The Effect of Leverage on Tax Avoidance

Based on the test results on the hypothesis, it shows that the significance value is $0.130 > 0.05$ with a *path coefficient value* of 0.140. So it can be stated that the research results on the hypothesis in this study which states that *leverage* has a significant positive effect on tax avoidance (H_2) is rejected.

This shows that the higher or lower the level of *leverage* in a company has no effect on tax avoidance carried out by the company. This is because the company does not use the debt to reduce the tax burden owed and the company becomes more careful about the debt it has because the debt it has will give rise to burden flower which can cause amount the debt that the company must pay becomes increasingly large. As a result, the company will experience losses if it is unable to pay off its debts. However, in the companies that were sampled in the research this own debt period long which small so that the interest burden on the resulting long-term debt is also low so it is a burden flower No give influence against tax avoidance.

The results of this research are in line with research conducted by (Manurung, 2020) and (Putri & Putra, 2017) which stated that *leverage* has no effect on tax avoidance. However, this research is not in line with research conducted by (Walidayni, 2022) and (Apriliyani & Kartika, 2021) which states that *leverage* has a positive effect on tax avoidance.

c. The Moderated Effect of Profitability on Company Size on Tax Avoidance

Based on the results of hypothesis testing, it shows that the significance value is $0.455 > 0.05$ with a *path coefficient value* of 0.015. So it can be stated that the research results on the hypothesis in this study which states that company size moderates the effect of profitability on tax avoidance (H_3) is rejected.

Matter this show that company which own If profitability is high, the company's ability to earn profits and assets will be better. Large companies will find it easier to generate profits, therefore companies are less likely to engage in tax avoidance and will be more likely to comply with their tax obligations. The larger the company size, the company's operations in generating profits will increase and the tax burden will also increase.

d. The Moderated Effect of Leverage on Company Size on Tax Avoidance

Based on the results of testing the hypothesis, it shows that the significance value is $0.217 > 0.05$ with a *path coefficient value* of -0.098. So it can be stated that the research results of the hypothesis in this study which states that company size moderates the effect of *leverage* on tax avoidance (H_4) is rejected. Matter This show that big small size something The company is often associated with the size of the debt the company has. So companies that have a high level of *leverage*

will certainly not avoid tax, this is because as company debt increases, company management becomes more careful in taking risks to avoid tax when carrying out financial reporting.

CONCLUSION

Based on the results of the first hypothesis test, profitability has a significant negative effect on tax avoidance in Manufacturing Companies in the Various Industrial Sector for the 2017-2021 period. This is because if a company has high profitability, the company's tendency to avoid taxes will decrease because the company is able to pay the tax burden owed.

In the results of the second hypothesis test, leverage has no effect on tax avoidance in Manufacturing Companies in the Various Industrial Sector for the 2017-2021 period. This is because the company does not use the debt to reduce the tax burden owed. However, companies are becoming more careful about the debt they have because the debt they have will give rise to interest charges which can cause the amount of debt the company has to pay to become even greater.

In the results of the third hypothesis test, company size cannot moderate the effect of profitability on tax avoidance in Manufacturing Companies in the Various Industrial Sector for the 2017-2021 period. This is because a company that has high profitability means the company's ability to earn profits and its assets will be better. So it is easier for large companies to generate profits and is less likely to engage in tax avoidance and will be more likely to comply with their tax obligations.

In the results of the fourth hypothesis test, company size cannot moderate the effect of leverage on tax avoidance in Manufacturing Companies in the Various Industrial Sector for the 2017-2021 period. This is because the size of a company is often related to the size of the debt the company has. So, with increasing company debt, company management becomes more careful in taking risks to avoid taxes when carrying out financial reporting.

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