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Can Firm Size Moderate a Company's Tax Avoidance in Retail Trading?

Abstract. Today, tax optimisation is part of the management practices of many corporations and is intended to leave more funds at the disposal of businesses that should rightfully be transferred to the government. Managers adopt tax avoidance tactics to boost post-tax profits to meet the shareholders' expectations. This study aims to assess the impact of profitability, leverage, and liquidity on tax evasion by companies in Indonesia's retail trading. Firm size is chosen as a moderating variable used to examine the effect of company resources on enhancing tax evasion measures. 21 retail trade companies served as the samples. 105 observational data points were collected over the research period from 2017 to 2021. This study utilised secondary data from the audited financial reports of all retail trading companies. The data analysis method uses Structural Equation Modeling (SEM) with a Partial Least Square (PLS) approach. The analysis showed that profitability, leverage and firm size have no significant effect on tax avoidance of retail trading companies listed on the IDX from 2017 to 2021. Firm size cannot moderate the impact of profitability and leverage on tax avoidance. Meanwhile, liquidity has a significant effect on tax avoidance. In addition, firm size can moderate the impact of liquidity on tax avoidance. Companies' efforts to avoid taxes may have a detrimental impact on their reputation. Based on this provision, companies should look for other ways to improve their financial situation without ceasing to pay taxes in full. Investors should consider the dangers and probable repercussions of tax-dodging strategies in highly liquid corporations. High-risk tax avoidance techniques may draw the attention of tax authorities and result in penalties or reputational harm. Investors should consider this risk before investing.

Keywords: profitability, leverage, liquidity, tax avoidance, firm size, retail trading companies.

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Чи впливає розмір фірми на ухилення від сплати податків у сфері роздрібно́ї торгівлі?

Анотація. Сьогодні практика оптимізації податків є частиною управління в багатьох компаніях і має на меті залишити більше коштів у їх розпорядженні, які по праву повинні бути передані уряду. Керівники застосовують тактику ухилення від сплати податків, щоб збільшити прибутки після сплати податків, і таким чином виправдати очікування акціонерів. Мета цього дослідження – оцінити вплив прибутковості, фінансового важеля та ліквідності на ухилення від сплати податків компаніями в сфері роздрібно́ї торгівлі в Індонезії. Розмір компанії обрано модеруючою змінною, яка використовується для вивчення впливу ресурсів компанії на посилення заходів щодо ухилення від оподаткування. Вибіркою дослідження є 21 компанія у сфері роздрібно́ї торгівлі. За період дослідження з 2017 по 2021 рік було зібрано 105 зразків даних спостереження. Дослідники використовували вторинні дані з перевірених фінансових звітів компаній роздрібно́ї торгівлі. Методом аналізу даних є моделювання структурними рівняннями (SEM) із підходом часткових найменших квадратів (PLS). Аналіз показав, що прибутковість, фінансовий важіль та розмір компанії не мають суттєвого впливу на ухилення від оподаткування компаній роздрібно́ї торгівлі, зареєстрованих на IDX з 2017 по 2021 рік. Розмір компанії не може зменшити вплив прибутковості та фінансового важеля на ухилення від сплати податків. Водночас ліквідність має значний вплив на ухилення від сплати податків. Крім того, розмір компанії може зменшити вплив ліквідності на ухилення від сплати податків. Зусилля компаній уникати сплати податків можуть мати згубний вплив на їх репутацію. Виходячи з цього застереження, компанії повинні шукати інші способи поліпшити своє фінансове становище, не припиняючи сплачувати податки в повному обсязі. Інвестори повинні враховувати небезпеки та ймовірні наслідки стратегій ухилення від сплати податків у високоліквідних корпораціях. Методи ухилення від сплати податків із високим ризиком можуть повернути увагу податкових органів і призвести до накладення штрафів чи судових позовів. Інвестори повинні враховувати цей ризик перед тим, як інвестувати.

Ключові слова: прибутковість, фінансовий важіль, ліквідність, ухилення від сплати податків, розмір компанії, компанії роздрібно́ї торгівлі.

INTRODUCTION

Today, tax evasion decisions are part of the management practices of many corporations and are intended to leave more funds at the disposal of businesses that should rightfully be transferred to the government. Managers adopt tax avoidance tactics to boost post-tax profits to meet the shareholders' expectations, particularly of risk-averse shareholders, and sometimes for their benefit. Duhoon & Singh (2023) state that the adoption of tax avoidance behaviour in an organization is influenced by (a) agency issues arising from the separation of management and shareholders, (b) social needs and (c) the legitimacy of tax avoidance decisions.

Previous studies suggest that a company's likelihood to engage in tax avoidance is influenced by factors such as firm size, profitability, leverage, and liquidity (Abdullah, 2020; Fauzanet al., 2019; Irawati et al., 2020; Marito & Hutabarat, 2020; Prabowo & Sahlan, 2021; Putri & Putra, 2017; Rahmadani et al., 2020; Rahmadian et al., 2023; Sari et al., 2022; Sawitri et al., 2022; Silaban, 2020; Sunarsih et al., 2019).

Companies engage in tax avoidance to increase their earnings and, therefore, have higher business profitability. High profitability may allow businesses to avoid tax to lower their tax obligations. Enhancing financial performance is the primary motivation for businesses to engage in tax management (Prabowo & Sahlan, 2021).

Debt is also important in tax evasion, as businesses use debt to claim tax deductions. High amounts of debt can influence a company's tax avoidance behaviour since they increase the danger of financial troubles for the business, causing management to be cautious and lower the risk of engaging in such methods. Companies with higher leverage employ interest expenses on their liabilities to reduce the amount of income tax they must pay (Prabowo & Sahlan, 2021).

Companies that struggle with liquidity are more prone to underpay taxes and engage in tax avoidance. The corporation makes this effort to keep its cash on hand. High liquidity might also make it more difficult to lower net income and avoid paying taxes (Sari et al., 2022).

Tax avoidance is a reasonable effort to decrease the tax burden within the boundaries of the law (Silaban, 2020). Firm size is one of the variables that affects tax avoidance. A scale called "firm size" can classify businesses as either large or small in scope. The size of the organization can have an impact on how it handles tax avoidance. The number of operations correlates positively with the scale of the company. Corporations with larger total assets tend to be more profitable and, therefore, exploit existing loopholes to avoid taxes. This tax avoidance behaviour becomes more prevalent as the company's size increases (Prabowo & Sahlan, 2021).

Considering previous researchers' findings, this study aims to assess the impact of profitability, leverage, and liquidity on tax evasion by companies in Indonesia's retail trading. Firm size is chosen as a moderating variable used to examine the effect of company resources on enhancing tax evasion measures.

THEORETICAL BACKGROUND

The Impact of Profitability on Tax Avoidance

According to Silaban (2020), profitability refers to a business's capacity to generate profits from its sales, total assets, and equity. The profitability ratio is a quantitative measure employed to assess the overall effectiveness of a company's management team. It is given as a percentage and shows how much profit the business makes. In other words, it shows how well the business can turn a profit within a given time frame while considering its available resources, like sales, cash, capital, the number of staff, and more.

Several ratios are frequently used to gauge profitability. Dewi & Noviani (2017) state that these ratios are used to assess management performance, which is represented in returns on investment from business operations. In other words, they evaluate how effectively a corporation manages its liabilities and capital.

Return on Equity (ROE) is a profitability indicator to determine the proportion of return on investment made by shareholders in a company (Anwar, 2019). The formula for calculating ROE is as follows:

$$\text{Return on Equity} = \frac{\text{Net profit}}{\text{Total Equity}}$$

Tax avoidance is using lawful and reliable tactics by taxpayers to diminish their tax liability. These techniques exploit flaws or ambiguities in tax rules and regulations while remaining compliant with applicable tax provisions (Prabowo & Sahlan, 2021).

According to Pohan (2020), a method to assess tax avoidance involves computing the cash-effective tax rate by the utilisation of the following formula:

$$\text{Cash effective tax rate} = \frac{\text{Payment of taxes}}{\text{Profit before income tax}}$$

According to Prabowo & Sahlan (2021), the ability of a business to make a profit that can improve its quality is referred to as profitability. Profitability is distributed to shareholders through the payment of dividends and retention of earnings. High profitability ratios are a sign of effective management. The profitability of the

company will rise along with profits. A company's rising earnings motivates efforts to participate in tax avoidance.

The Impact of Leverage on Tax Avoidance

According to Rahmadani et al. (2020), leverage is utilising resources that lead to continuous expenses and burdensome outcomes. If the business uses outside funding sources, such as foreign capital, these fixed costs could take loan interest. If a corporation uses machines, depreciation charges for the machines are a fixed cost. A corporation must incur fixed costs in rental fees if it leases a fixed asset from another party.

Leverage is a tool businesses use to increase shareholder profits. On the other hand, there is a possible drawback of fixed expenses when assets and cash are used to produce larger returns. Leverage expansion will also increase the risk or revenue stream for common shareholders. Leverage analysis examines how using fixed assets and outside finance sources affects returns and risks (Silaban, 2020).

According to Saadah (2020), the leverage indicator is the Debt-to-Equity Ratio, which reflects the ratio of money financed by debt in relation to equity.

$$\text{Debt-to-Equity Ratio} = \frac{\text{Total Debt}}{\text{Total Equity}}$$

According to Prabowo & Sahlan (2021), a corporation's operational expenses may be financed by sources other than its shareholders or capital, such as debt or outside investors who lend the company money. The company's debt, particularly interest expenses, will consistently impose a heavy burden. The cost of interest increases with the amount of debt a corporation has. The company's profitability may be drastically lowered as a result. Because of the high level of leverage, attempts will be made to minimise the profit from interest charges as a tax-deductible that the corporation must pay to engage in tax avoidance.

The Impact of Liquidity on Tax Avoidance

According to Sari et al. (2022), liquidity is the capacity of a firm to meet its short-term financial obligations promptly. The amount of the company's current assets, which comprise cash, securities, receivables, and inventories, indicates its liquidity. These are resources that can be quickly turned into money.

Liquidity refers to a company's ability to utilise its easily accessible current assets to meet its financial obligations promptly (Hanifah, 2022).

According to Saadah (2020), current assets are a company's assets that can be turned into cash quickly, usually within a year. Examples of current assets are cash, bank accounts, securities, accounts receivable, inventories, prepaid costs, accrued revenue, loans, and other current assets. The following formula is used to get the current ratio:

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Debts}}$$

According to Sari et al. (2022), a company's overall financial situation and profitability are better the more

liquid it is. However, it also raises the risk attached to the available financial options. This is because a company with a high liquidity ratio demonstrates its ability to meet its short-term liabilities. This shows that the business has a strong financial standing and would be able to sell its assets readily. As a result, the company seeks to decrease costs by engaging in tax avoidance.

The Impact of Firm Size on Tax Avoidance

The firm size is a contextual variable that measures the level of interest in a company's goods or services (Dewi & Noviani, 2017).

According to Saadah (2020), the following formula for calculating firm size is the natural logarithm of the company's total assets:

$$\text{Firm Size} = \ln \text{Total Assets}$$

According to Prabowo & Sahlan (2021), the quantity of operations carried out directly correlates with a company's size. As a result, it will make it possible for businesses to use already-existing tax avoidance loopholes. There is a positive correlation between the size of a corporation and the extent of tax avoidance. This is because companies with more total assets tend to be more lucrative and, as a result, work to reduce their tax liabilities.

Profitability is a measure that evaluates the efficiency of a company's management team in creating profits from different operational operations. The amount of tax that must be paid increases with the amount of profit earned, yet many businesses seek high profits at low tax rates; therefore, the more profitable a business is, the more sophisticated its tax planning is and the more tax it will generate (Prabowo & Sahlan, 2021).

According to Prabowo & Sahlan (2021), compared to small businesses, huge corporations are more reliable and capable of making profits, which allows them to increase

both the quantity and quality of profits. This undoubtedly catches the eye of investors who are interested in funding profitable businesses and the tax authorities. Large corporations with a track record of generating substantial profits will consequently attract the scrutiny of tax authorities. There is a positive correlation between the size of a corporation and the extent of tax avoidance.

According to Dewi & Noviani (2017), major organisations typically need larger funds to carry out their operational tasks to boost the company's output. Many companies finance their corporate assets using debt. Large businesses typically find it simpler to borrow money in the form of debt from other parties. Therefore, the degree of leverage escalates with the size of the company.

Large companies typically seek high income since they require more capital than small companies. Companies attempt to shift profits from the current period to the following period more frequently as liquidity increases on the theory that tax payments will be high if the company is doing well. Large and consistent profits frequently inspire businesses to avoid taxes (Hanifah, 2022).

RESEARCH METHODOLOGY

Based on the conclusions of previous studies, we make the following assumptions, which are the hypotheses of this study. In particular, the following factors are expected to influence tax avoidance in IDX-listed retail trading companies:

- H₁: Profitability affects tax avoidance;
- H₂: Leverage affects tax avoidance;
- H₃: Liquidity affects tax avoidance;
- H₄: Profitability affects tax avoidance through firm size;
- H₅: Leverage affects tax avoidance through firm size;
- H₆: Liquidity affects tax avoidance through firm size;
- H₇: Firm size affects tax avoidance.

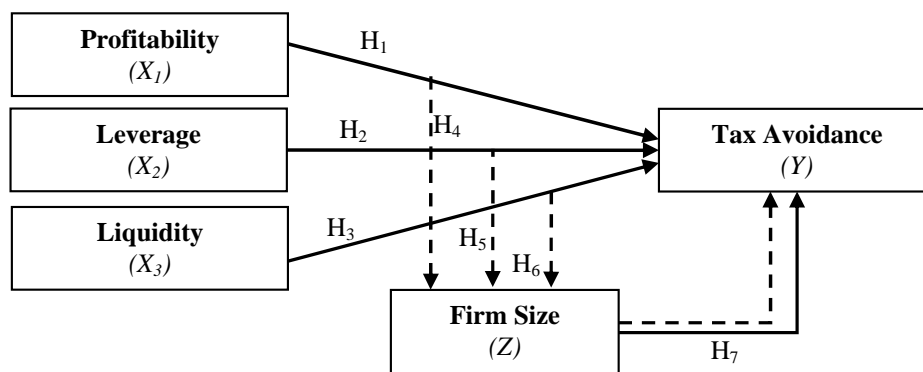


Figure 1. Research Conceptual Framework

This study's population comprises all the retail trade industry companies listed on the IDX between 2017 and 2021. Purposive sampling was used as the sampling strategy in this investigation. Obtaining a representative sample based on predetermined criteria is the goal of the sampling technique known as purposeful sampling. In this study, 21 retail trade enterprises served as the samples. 105 observational data points were collected

over the research period from 2017 to 2021.

The study's methodology is quantitative. According to Elfrianto & Lesmana (2022), the quantitative research method is a positivist-based approach that studies specific populations or samples. This method involves collecting data using research instruments and analysing it quantitatively and statistically to test proposed hypotheses.

This study uses quantitative data as the primary data type, with secondary data serving as the source of information. Secondary data refers to information that is obtained from pre-existing sources. This study utilised secondary data from the audited financial reports of all retail trading companies listed on the IDX for 2017 to 2021.

According to Ghozali (2020), a multivariate statistical method called partial least squares (PLS) analysis compares numerous dependent and independent variables.

The measurement model (outer model) specifies the relationship between each indicator block and constructs or other latent variables. The measurement model's design specifies the type of indicators for each latent

construct, whether reflexive or formative, based on the operational description of the variable. The outer model's assessment sometimes called the measurement model evaluation, is conducted to ascertain the reliability and validity of the model. The outer model with reflexive indicators is evaluated using convergent and discriminant validity for the latent construct forming indicators, composite reliability and Cronbach's Alpha for the block indicators. The idea of convergent validity states that a construct's gauges, or manifest variables, should have a high degree of correlation.

This study uses the following regression equation and formula to ascertain the relationship between independent variables:

$$Y_i = \alpha_i + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon_i \tag{1}$$

$$Y_i = \alpha_i + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 (X_1 Z) + \beta_5 (X_2 Z) + \beta_6 (X_3 Z) + \theta_i \tag{2}$$

Where:

- Y_i = Tax Avoidance
- ε_i and θ_i = Error Terms
- α_i = Constant
- $\beta_1 - \beta_6$ = Variable Regression Coefficient
- X_1 = Profitability
- X_2 = Leverage
- X_3 = Liquidity
- Z = Firm size

ANALYSIS RESULTS

The variables of profitability, liquidity, leverage, firm size, and tax avoidance are described in this study and are shown in Table 1.

Table 1. Descriptive Statistics Results

| Information | N | Minimum | Maximum | Means | Standard Deviation |
|---------------|-----|---------|---------|--------|--------------------|
| Profitability | 105 | -2.194 | 3.384 | 0.018 | 0.560 |
| Leverage | 105 | -2.797 | 23.416 | 2.089 | 3.709 |
| Liquidity | 105 | 0.021 | 12.841 | 2.176 | 2.413 |
| Size | 105 | 22.837 | 30.945 | 28.303 | 1.743 |
| Tax Avoidance | 105 | -3.606 | 3.784 | 0.205 | 0.728 |

a) R-Square

The outcomes of the R Square test are displayed in Table 2.

Table 2. Adjusted R-Square (R²)

| Information | R Square | R-Square Adj |
|---------------|----------|--------------|
| Tax Avoidance | 0.212 | 0.155 |

The output results indicate that the R-Square value obtained is 0.212, which means that 21.2% of the variability in the tax avoidance construct can be explained by the constructs of profitability, leverage, liquidity, firm size, and their interactions. Thus, the model is of medium strength in identifying the endogenous latent variables in the structural model. Furthermore, this study does not account for the remaining 78.8% of the variation, which is attributed to other variables.

b) Direct Influence

The impact of the independent variable on the dependent variable is evident in Table 3.

Table 3. Output Path Coefficients

| | Original Sample (O) | T-Statistics | P Values |
|-------------------------------|---------------------|--------------|----------|
| Profitability → Tax Avoidance | 0.024 | 0.199 | 0.842 |
| Leverage → Tax Avoidance | -0.050 | 0.362 | 0.718 |
| Liquidity → Tax Avoidance | 0.228 | 2.194 | 0.029 |
| Firm size → Tax Avoidance | 0.097 | 0.911 | 0.363 |

The liquidity variable exerts a positive and statistically significant impact on tax avoidance. The liquidity coefficient has a value of 0.228, indicating a positive relationship with t-count (2.194) > t-table (1.96) and Prob (0.029) < α (0.05). Consequently, liquidity exerts a favourable and substantial impact on the practice of tax avoidance. An increment of one unit in the liquidity ratio will lead to a corresponding increment of 0.228 units in the tax avoidance ratio. However, the profitability, leverage, and firm size variables do not impact tax avoidance.

c) Indirect Influence

The impact of an independent variable on a dependent variable, with firm size as a moderating variable is evident in Table 4.

Table 4. Output Path Coefficients

| | Original Sample (O) | T-Statistics | P Values |
|---|---------------------|--------------|----------|
| Profitability → Firm Size → Tax Avoidance | 0.047 | 0.218 | 0.827 |
| Leverage → Firm Size → Tax Avoidance | -0.017 | 0.118 | 0.906 |
| Liquidity → Firm Size → Tax Avoidance | -0.356 | 2.642 | 0.008 |

The variable liquidity moderated by firm size negatively and significantly affects tax avoidance. It is known that the value of the moderating coefficient of liquidity or the effect of firm size (Z) in moderating the effect of the liquidity variable (X₃) on tax avoidance is -0.356, which is negative with t-count (2.642) > t-table (1.96) and Prob (0.008) < α (0.05). This means that an increase in one unit of liquidity moderated by firm size decreases 0.356 units in the tax avoidance ratio. The findings indicate that firm size as a moderating variable does not impact the connection between profitability, leverage and tax avoidance.

d) Hypothesis Test

Hypothesis 1. The path coefficient value is 0.024, and the probability value is 0.842 > a significance level of 0.05 (5%). The findings of this study refute H₁, which states that profitability has an impact on tax avoidance. The results indicate that there is minimal correlation between profitability and tax avoidance. A tax rate is levied on the same corporate profits for companies that operate less efficiently, while organizations with great profitability can run their operations effectively. As the complies with tax regulations and fulfils its tax obligations, reducing corporate tax avoidance directly leads to increased profitability. This will influence the stock prices of publicly traded corporations with high profitability. The company's reputation may suffer, and stock prices may drop due to managers' attempts to avoid taxes. Hence, firms refrain from engaging in tax avoidance despite their elevated profitability. This conclusion is confirmed by the research results by Irawati et al. (2020) and Silaban (2020).

Hypothesis 2. The path coefficient value is -0.050, and the probability value is 0.718 > a significance level of 0.05 (5%). The findings of this study refute H₂, which states that leverage has an impact on tax avoidance. These data corroborate the claim that leverage has minimal or negligible influence on tax avoidance. Companies that rely on debt to fund their operations will have a high debt ratio and pay even higher interest costs. When a company has a high debt ratio and cannot show consistent profitability, investors and creditors may perceive the company negatively, potentially reducing future funding opportunities. Other studies show that management will practise prudence and avoid excessive debt to minimise tax obligations (Irawati et al., 2020; Khasanah & Afiqoh, 2023).

Hypothesis 3. The path coefficient value is 0.228, and the probability value is 0.029 < a significance level of 0.05 (5%). The findings of this study confirm the validity of H₃, which states that liquidity impacts tax avoidance. Thus, tax avoidance and liquidity value are positively correlated. In particular, tax avoidance rises as liquidity value does. Tax avoidance, on the other hand, reduces when liquidity value increases. In order to use available funds for boosting sales, businesses require money to secure appropriate working capital and sustain liquidity. Companies strive to control earnings more often to minimize tax payments as liquidity increases. Companies that have high liquidity often avoid paying taxes. This study aligns with the studies undertaken by Khairunnisa (2020), Abdullah (2020), Hanifah (2022), Rahayu et al. (2022), and Khasanah & Afiqoh (2023).

Nevertheless, this research contradicts the findings of Sari et al. (2022), Rahmadian et al. (2023) and Marito & Hutabarat (2020).

Hypothesis 4. The path coefficient value is 0.047, and the probability value is $0.827 >$ a significance level of 0.05 (5%). The findings of this study refute H_4 , which states that profitability impacts tax avoidance through firm size acting as a moderating variable. Thus, profitability does not influence tax avoidance when considering firm size as a moderating variable. Both large and small, very profitable businesses may use tax avoidance strategies. The corporation's proficiency in utilising equity to generate profits is exemplified by its profitability, as assessed by Return on Equity (ROE). The ROE value acquisition increases together with the company's profit margin. If a corporation makes much money, its tax burden will increase proportionately to its earnings. Both big and small businesses will likely engage in tax avoidance. This study aligns with the research undertaken by Silaban (2020) and Rahmadian et al. (2023).

Hypothesis 5. The path coefficient value is -0.017, and the probability value is $0.906 >$ a significance level of 0.05 (5%). The findings of this study refute H_5 , which states that leverage has an impact on tax avoidance through firm size acting as a moderating factor. Thus, when business size is taken into account, leverage does not have any impact on tax avoidance. Instead of exploiting tax law loopholes to avoid taxes, major corporations often rely on capital from creditors and shareholders to develop their firms. Major corporations are less inclined to participate in tax avoidance as it could lead to increased tax liabilities and harm their public image. This study aligns with the research undertaken by Silaban (2020) and Rahayu et al. (2022).

Hypothesis 6. The path coefficient value is -0.356, and the probability value is $0.008 <$ a significance level of 0.05 (5%). The findings of this study confirm the validity of H_6 , which states that firm size can moderate liquidity on tax avoidance. Large corporations with significant liquidity can meet short-term debt obligations and keep their finances in good shape. These businesses have no issues with cash flow and have no trouble paying their bills, including taxes. Companies with considerable liquidity can pay down tax obligations more rapidly without affecting business operations. Companies with limited liquidity frequently postpone or ignore their tax obligations. This study aligns with the research undertaken by Rahmadian et al. (2023). Nevertheless, this research contradicts the findings of Rahayu et al. (2022) and Hanifah (2022).

Hypothesis 7. The path coefficient value is 0.097, and the probability value is $0.363 >$ a significance level of 0.05 (5%). The findings of this study refute H_7 , which states that firm size impacts tax avoidance. From these results, a company's size does not substantially impact tax avoidance. Tax avoidance practices continue no matter how big or small a company is. Large corporations are not the only ones who can participate in tax avoidance; medium- and small-sized businesses can also do so. However, these activities have a negligible effect on state revenue. This study aligns with the research undertaken by Rahmadani et al. (2020).

CONCLUSION

Research Findings

This study was conducted to examine the impact of profitability, leverage, and liquidity on tax avoidance while considering firm size as a moderating factor.

The analysis results showed that profitability, leverage and firm size have no significant effect on tax avoidance of retail trading companies listed on the IDX from 2017 to 2021. Firm size cannot moderate the impact of profitability and leverage on tax avoidance. Meanwhile, liquidity has a significant effect on tax avoidance. In addition, firm size can moderate the impact of liquidity on tax avoidance.

Research Limitations and Recommendations

a) In this study, the analysis model is of medium strength in identifying the endogenous latent variables. In particular, only 21.2% of the variability in the tax avoidance construct can be explained by the constructs of profitability, leverage, liquidity, firm size, and their interactions. This study does not account for the remaining 78.8% of the variation attributed to other variables.

b) Although there are many similar studies, but the results may differ. This indicates that companies in different countries and industries may have other management practices. Thus, in subsequent studies, researchers can change the set of variables and obtain different results to understand the factors influencing tax avoidance comprehensively.

c) Companies' efforts to avoid taxes may have a detrimental impact on their reputation. Based on this provision, companies should look for other ways to improve their financial situation without ceasing to pay taxes in full. Thus, companies with sound management will operate in compliance with tax laws.

d) Investors should consider the dangers and probable repercussions of tax-dodging strategies in highly liquid corporations. High-risk tax avoidance techniques may draw the attention of tax authorities and result in penalties or reputational harm. Investors should consider this risk before investing.

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