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the Effect of Profitability and *Leverage* on *Tax Avoidance* in Manufacturing Companies Listed on the Indonesia Stock Exchange (Food and Beverage Industry Sub-Sector for the 2019-2023 Period)

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Abstract
This study is to find out how much profitability and leverage affect tax avoidance in manufacturing companies in the food and beverage sub-sector listed on the Indonesia Stock Exchange (IDX) for the 2019-2023 period. The sampling technique in this study uses purposive sampling. Based on the criteria that have been determined, as many as 18 companies were obtained. The analysis method used is multiple linear regression with t test (Partial), F test (Simultaneous) and R-Square test (Coefficient of Determination). The results of the study partially show that profitability does not have a significant effect on tax avoidance, leverage also does not have a significant effect on tax avoidance and simultaneously profitability and leverage have no effect on tax avoidance.

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1. INTRODUCTION

During the Covid-19 pandemic since the beginning of 2020, the government has provided tax incentives for both micro enterprises (MSMEs) and macro businesses (Tbk companies) to reduce their income tax burden. A strategy that can be carried out to optimize the efficiency of the tax burden legally and safely for taxpayers, without violating tax provisions, is through tax avoidance (Ariska et al., 2020). Taxes have an important role to fulfill all aspects of government financing and state development. In practice, the government often faces challenges in the form of tax *avoidance*. Tax avoidance is an activity carried out to reduce tax obligations by taking advantage of loopholes in tax regulations, so that they remain within the legal limits (Sardju, 2022).

This phenomenon is exacerbated by a report from *the Tax Justice Network* which shows that Indonesia suffers losses of USD 4.86 billion every year due to tax evasion, equivalent to Rp 68.7 trillion (www.pajakku.com).

Profitability and *leverage* are two factors that can affect the tendency of companies to do *tax avoidance*. Profitability reflects the efficiency of the company in generating profits. The higher the profitability ratio, the better the company's ability to achieve profits (Wahyuni et al., 2019). In this study, profitability is measured using the *Net Profit Margin* (NPM) ratio. On the other hand, *Leverage* shows the extent to which a company's assets are financed by debt, which is measured using *the Debt to Equity Ratio* (DER). which serves to assess the company's ability to meet its obligations, indicated by the proportion of its own capital used to pay off the company's debts (Kurniawan & Hermato, 2021).

Previous research has shown various results related to the influence of profitability and *leverage* on *tax avoidance*. Research by (Matanari & Sudjiman, 2022) on companies in the food and beverage sub-sector for the 2018-2020 period shows that profitability has a positive effect on *tax avoidance*, while *leverage* has no effect. On the contrary, research (Rahmawati et al., 2023) in the 2019-2021 period revealed that *leverage* had a positive effect on *tax avoidance,* while profitability had no effect.

This study offers scientific novelty by using profitability variables measured by *Net Profit Margin* (NPM) and *leverage* with *Debt to Equity Ratio* (DER). This approach is different from previous studies that generally use *Return on Assets* (ROA) and *Return on Equity* (ROE) as profitability indicators. In addition, this study also includes the latest data for the 2019-2023 period on the food and beverage sub-sector.

Profitability is a ratio that shows the company's ability to generate profits from operational activities or in terms of managing company assets. Profitability Ratio to assess a company's ability to seek profits or profits in a certain period (Supiyanto et al., 2023). *Net Profit Margin* (NPM) is a measure of the profitability ratio that measures the Company's ability to generate net profit compared to the amount of net sales owned by the company (Siswanto, 2021).

Leverage is a ratio to measure how much debt is used in a company's spending. *Debt to Equity* Ratio (DER) is a measure of *leverage* that reflects a company's level of financial risk. The greater the DER value, the higher the risk of the company facing potential bankruptcy (Siswanto, 2021).

Tax avoidance is an effort to reduce taxes that do not violate tax laws and can be justified, especially through tax planning (Susanti, 2019). The tax *avoidance variable* is calculated through the CETR *(Cash Effective Tax Rate)* in the company, namely the cash incurred for tax costs divided by profit before tax. CETR aims to identify tax avoidance rates for companies. The larger the CETR identifies that the lower the tax avoidance rate in a company. CETR describes all tax avoidance activities that can reduce tax payments to tax authorities (Wulandari et al., 2023).

This study aims to identify and analyze the influence of profitability and *leverage* on *tax avoidance* in manufacturing companies in the food and beverage sub-sector listed on the Indonesia Stock Exchange (IDX) for the 2019-2023 period. This research is expected to contribute both academically and practically.

2. METHOD

This study uses a quantitative approach with the aim of analyzing the influence of profitability and leverage on *tax avoidance* in manufacturing companies in the food and beverage sub-sector listed on the Indonesia Stock Exchange for the 2019-2023 period. The data used is secondary data obtained from the company's annual financial statements published on the official website of the Indonesia Stock Exchange (IDX) www.idx.co.id, with a sampling technique using purposive *sampling* based on certain criteria. This study has 2 independent variables, namely profitability measured using *Net Profit Margin* (NPM) and *leverage* measured using *Debt to Equity Ratio* (DER). And there is 1 dependent variable which is measured using *the Cash Effective Tax Rate* (CETR).

The data analysis technique was carried out through classical assumption tests (normality, multicollinearity, heteroscedasticity, and autocorrelation) and multiple regression analysis with hypothesis testing using the t test (partial) and F test (simultaneous). Data processing is carried out using SPSS software version 30.

3. RESULTS AND DISCUSSION

The Effect of Profitability on *Tax Avoidance*

Coefficients[a]

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	.220	.019		11.657	<.001
	Profitabilitas (NPM)	-.132	.100	-.170	-1.322	.191
	Leverage (DER)	.021	.019	.142	1.100	.276

a. Dependent Variable: Tax Avoidance (CETR)

Based on the table above, the profitability variable measured by *Net Profit Margin* (NPM) shows a *calculated* t-value of -1.322 with a significant number of 0.191 greater than the siniculation level of 0.05. This can also be seen from the t-value *of the t-count* < *t table* with df = n-k = 67-3 = 64 (1.997) with the t-value *calculated* < t *table* because -1.322 < 1.997, meaning that H_0 is accepted and H_1 is rejected. Thus, it can be concluded that there is no significant influence between profitability variables on *tax avoidance*. So H_1 which states that "the higher the profitability, the lower *the tax avoidance*", **H_1 is rejected**

This means that the higher the profit that the company has, the lower the CETR. The lower the CETR indicates the higher *the tax avoidance* . This is because companies with high profits will have an impact on increasing the company's tax burden. The tax burden is one of the burdens on the company and must be paid by the company. Therefore, companies want to get maximum profits, so the company will look for all ways to minimize the tax burden.

The results of this study are also supported by research from (Rahmawati et al., 2023), (Apriliyani & Kartika, 2021), (Faizah, 2022) and (Lia, 2022) which also state that profitability has no effect on *tax avoidance.*

However, the results of this study are also not supported by research (Bani Akbar Khatami et al., 2021) and (Kasir, 2022) which state that profitability affects *tax avoidance.*

The Effect of *Leverage* on *Tax Avoidance*

Coefficients[a]

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	.220	.019		11.657	<.001
	Profitabilitas (NPM)	-.132	.100	-.170	-1.322	.191
	Leverage (DER)	.021	.019	.142	1.100	.276

a. Dependent Variable: Tax Avoidance (CETR)

Based on the table above, *the leverage* variable measured by *Debt to Equity* (DER) shows a calculated t-value of 0.100 with a significant number of 0.276 greater than the significance level of 0.05. This can also be seen from the t *calculation* < t *table* with df = n-k = 67-3 = 64 (1.997) with the t value *calculated* < t *table* because 0.100 < 1.997, meaning that H_0 is accepted and H_2 is rejected. Thus, it can be concluded that there is no significant influence between *leverage* variables on *tax avoidance.* So H_2 which states that "the higher the *leverage*, the higher the *tax avoidance*", **H_2 is rejected**

The higher the company's debt level, the more conservative the management will be in reporting the company's finances or operations. It can also be said that the amount of debt does not guarantee the company to be more careful in making decisions. It also shows that the director does not neglect to supervise the company's operations and only focuses on the management's ability to repay loans and pay interest.

The results of this study are also supported by research (Ariska et al., 2020) and (Susanti, 2019) which also states that *leverage* has no effect on *tax avoidance.*

However, the results of this study are also not supported by research (Elda Sagittarius & Siti Nuridah, 2022) and (Oktamawati, 2017) which state that *leverage* affects *tax avoidance.*

Pengaruh Simultan Profitabilitas Dan *Leverage* Terhadap *Tax Avoidance*

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.011	2	.006	2.243	.114[b]
	Residual	.162	64	.003		
	Total	.173	66			

a. Dependent Variable: Tax Avoidance (CETR)

b. Predictors: (Constant), Leverage (DER), Profitabilitas (NPM)

Based on the table above, it can be explained that the value of the F coefficient is 2.243 and the significance value is 0.114 > 0.05, thus the profitability measured by *the Net Profit Margin* (NPM) and *the leverage* measured by *the Debt to Equity* Ratio (DER) do not have a significant effect on the tax avoidance proxied by *the Cash Effective Tax Rate* (CETR). **H_3 rejected**

This means that the profitability that is proxied *by the Net Profit Margin* (NPM) and *the leverage* that is proxied by the Debt *to Equity Ratio* (DER) owned by a company may not be the main determinants in the management's decision to carry out *tax avoidance.*

The results of this study are in line with research conducted by (Apriani et al., 2024) and (Azzahra et al., 2022) which stated that simultaneously profitability and *leverage* together have no effect on *tax avoidance.*

However, the results of this study are also not supported by research (Rahmawati et al., 2023) which states that Profitability and *Leverage* together affect *tax avoidance.*

4. CONCLUSION

Based on the results and discussions that have been described, the conclusions drawn in this study are:

1. Profitability does not have a significant impact and is negative on *tax avoidance* in manufacturing companies in the food and beverage sub-sector for the 2019-2023 period. Because companies that have high profits will not have an impact on increasing the company's tax burden or do not affect the level of company activity in *tax avoidance*.
2. *Leverage* has no significant effect and is positive on *tax avoidance* in manufacturing companies in the food and beverage sub-sector for the 2019-2023 period. Because companies that have more debt will not affect the profit before tax will be reduced. Therefore, the level of debt does not affect the company's behavior in *tax avoidance*.
3. Profitability and leverage of a company simultaneously do not have a significant effect on *tax avoidance*. This means that the two independent variables together do not have a strong enough influence to explain or predict *tax avoidance*.

5. SUGGESTION

Based on the conclusions and research that has been carried out, there are several suggestions in this study, including:

1. For future researchers, it is recommended to add other variables that may be more relevant. This can provide deeper insights into the factors that influence *tax avoidance behavior.*
2. For companies, although profitability and *leverage* do not show a significant influence on *tax avoidance*, companies should develop a more transparent tax policy and comply with applicable regulations, in order to minimize legal risks.
3. For investors or potential investors, it is recommended that you should not only rely on the company's profitability or *leverage* to evaluate tax risks. Therefore, it is necessary

to consider tax management policies and corporate policies more comprehensively in analyzing their investment decisions, so as not to be affected by potential risks related to *tax avoidance.*

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