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Original Article

The Effect of Profitability, Leverage, Sales Growth, and Dividend Policy on Tax Avoidance

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Abstract

The main objective of this study was to explore how profitability, leverage, sales growth, and dividend policy impact tax avoidance, as measured by Cash Effective Tax Rate (CETR), while also considering company size as a controlling factor. Secondary data was utilised in a quantitative research approach. The scope of the study included all mining companies listed on the Indonesia Stock Exchange (IDX) between 2021 and 2023. The secondary data was collected from either www.idx.co.id or the companies' official websites. The sampling technique involves purposive selection based on specific criteria to gather 11 sample firms, with Multiple Linear Regression analysis conducted using Eviews 12 software. The study findings indicate that profitability and dividend policy impact tax avoidance, whereas leverage and sales growth do not influence tax avoidance in the mining sector between 2021 and 2023. The study suggests monitoring thriving businesses to verify their compliance with tax regulations. Using debt and boosting sales may not always indicate an intention to evade taxes. Therefore, it is crucial for a company to ensure its dividend policy aligns with tax laws in order to prevent excessive tax avoidance.

Keywords: Tax Avoidance, Profitability, Leverage, Sales Growth, Dividend Policy, Company Size.

1. Introduction

The primary source of income for the government is taxes, which are used to fund government expenses. In Indonesia, taxes make up around 80% of the total revenue collected by the state. According to the Law on General Provisions and Tax Procedures (UU KUP) number 28 of 2007 Article 1 verse 1, tax is a compulsory payment to the government from individuals or entities, mandated by law and not for personal gain, but for the benefit of the public. The government encounters multiple obstacles in gathering taxes in order to increase revenue efficiency.

Taxes are the main source of income for the government, enabling it to effectively manage the country's economy (Feni, 2024). However, for companies, taxes are seen as a company burden that reduces revenue in a period, which has an impact on reducing the net profit earned. So as to maximize profits, the company makes efforts to reduce the tax burden that must be paid.

Tax avoidance involves businesses reducing their tax bills by exploiting loopholes in tax legislation. While it is technically legal, it can have a substantial financial impact on the government. This practice is carried out by utilizing loopholes in tax regulations, engineering transactions, or taking advantage of differences in tax systems between countries. As a result, the country's tax revenue can be reduced, which in turn can hamper the government in its efforts to run the country's economy (Khotimah et al., 2024).

Research by Razif and Rasyidah (2020) mentions that the opportunity for tax avoidance is also caused by one of the factors of Indonesia's policy of adhering to the self-assessment system. Taxpayers are entrusted with the responsibility to calculate, disburse, and notify their tax obligations through the self-assessment system, which is one of the reasons companies manipulate the amount of tax according to their wishes. Other factors that encourage tax avoidance practices consist of profitability, leverage, sales growth, and dividend policy.

Profitability is a picture that determines the organization's financial accomplishment in obtaining maximum profit. High profitability leads to greater profits, improving the organization's performance (Lukito & Sandra, 2021). In addition, profit serves as the basis for taxation because as profit increase, the tax obligation that the organization must pay also rises (Eksandy & Milasari, 2019). When profits increase, this leads organizations to often participate in tax avoidance activities.

Leverage is a description of how much debt the company uses and what is the composition of the entity's debt and capital used by the entity to finance investment. As the funding from third parties increases, the interest expense that arises will also increase. Increased interest expense will reduce pre-taxable profit, which will lessen the tax liability that the entity required to pay. The high level of leverage can be assumed as the entity's effort to implement tax avoidance strategies, by maximizing the benefits of interest expense as a tax deduction that must be paid by the entity (Prabowo & Sahlan, 2022).

Sales growth is the change in sales in the financial statements per year, which can describe the prospects and future sales of the organization (Susanti, 2018). Sales growth impacts tax avoidance because it is known that if sales are more significant, profitability will be greater. It can be concluded that sales growth can also affect activities on tax avoidance practices.

The dividend policy is an indicator of an organization's ability in returning the capital invested by investors (Ratnandari & Kusumawati, 2023). The higher level of dividends paid out by the organization illustrates that the company's financial accomplishment is increasing. The research by Solikin and Slamet (2022) said that companies that pay dividends to shareholders need a lot of cash to give to shareholders, at the same time companies must maintain their cashflows. However, companies tend to practice tax avoidance when dividend policy and high taxes make the company's finances heavy.

Company size is an indicator used to assess organizations size. Large companies generally have a better ability to achieve and maintain stable profits in comparison to small organizations. When an entity with great profits tends to implement tax avoidance, the amount of profit increases the tax burden owed. If the organization's size is smaller, then they cannot control the tax payable optimally because of the shortage of specialist in the field of taxation Pratomo and Rana (2021).

The mining sector has a large contribution to the economy, especially in Indonesia, which is rich in natural resources. The high revenue generated by this sector makes it one of the main contributors to taxes. But even though this sector generates impressive economic value, its tax contribution is very low. Based on Nihayah & Oktaviani (2022) mining is one of the sectors prone to corruption. PricewaterhouseCoopers (PwC) Indonesia revealed that in 2020, just 30% of 40 mining companies actually followed through with tax transparency reporting. One notable instance of tax evasion took place in 2019 involving PT Adaro Energy Tbk, which supposedly utilised a transfer pricing tactic to shift profits to jurisdictions with lower tax rates, ultimately resulting in the company underpaying US$ 125 million in tax to Indonesia.

Various studies have analyzed the factors that influence tax avoidance but show inconsistent results regarding the relationship between profitability, leverage, sales growth and dividend policy on tax avoidance. In addition, many previous studies have not used company size as a control variable while company size can affect the level of transparency and tax strategies used. Therefore, this study seeks to fill the existing gap by analyzing how profitability, leverage, sales growth and dividend policy affect tax avoidance in the mining sector by considering company size as a control variable. Through this research, it is hoped that it can contribute to the government and other stakeholders in making more effective policies and can understand the factors that can affect tax strategies.

2. Literature Review

2.1. Agency Theory

Jensen & Meckling, in 1976, first proposed agency theory regarding the contractual relationship within management (agent) and shareholders (principal). The principal assigns the agent to complete various tasks in the interest and on behalf of the principal. Thus, the principal will give the agent the power to make decisions that are considered favorable to the principal. As direct managers, agents have greater access to information and company prospects than the principal. The agent, who is responsible for the management of the company, must convey information related to the company's situation. However, sometimes the information provided does not reflect the true state of the company.

This difference in interest triggers agency conflicts between agents and principals (Sakdiah, 2019). Information asymmetry occurs when information is not given from the agent to the principal (Riezky, 2019). This condition allows management to take actions that benefit themselves, including carrying out excessive tax avoidance practices.

2.2. Tax Avoidance

According to (Mahdiana & Amin, 2020), tax avoidance is an obstacle to tax collection that reduces state revenue. Tax avoidance is an approach companies use to decrease their tax liabilities by utilizing loopholes in tax regulations. Although technically legal and not against the regulation, tax avoidance is undesirable for the government. It reflects the agent's self-interest, which triggers earnings manipulation and information asymmetry. This is consistent with agency theory, which says that agency problems are caused by information asymmetry or the existence of information different from the actual conditions (Gazali et al., 2020). The proxy used is the effective tax rate, also known as the *Cash Effective Tax Rate* (CETR). By using CETR, the company can find out how the company's attempts to decrease its tax obligations because the greater percentage of CETR implies a smaller level of corporate tax avoidance (Lestari, 2023).

2.3. Profitability

Profitability is the ability that reflects the organization's financial performance to obtain maximum profit. Profitability is calculated using ROA to determine the organization's ability to efficiently manage its resources. Companies with high ROA tend to generate large profits, directly implying an increase in tax burden (Eksandy & Milasari, 2019).

Companies are likely to engage in tax evasion in order to boost their profits. The higher an entity's return on assets, the more inclined they will be to engage in tax avoidance tactics. In a study by Mahdiana and Amin (2020) which says profitability plays a role in reducing tax avoidance, which is supported by the theories mentioned in the cited explanation. The research presented in this study has led to the development of certain hypotheses:

H1: Profitability affects tax avoidance

2.4. Leverage

Leverage is a scale that companies use to measure how much debt is used to finance their operations. The leverage ratio emphasizes the level of debt incurred, the financial risk, and the organization's ability to repay the debt. Leverage creates a fixed burden in the shape of interest, which can be utilized to decrease taxable income and decrease the company's tax burden. (Wahyuni et al., 2021). Companies with high levels of debt can experience more significant financial pressure, thus encouraging them to be more assertive in minimizing taxes to increase cash flow. Study by (Prabowo & Sahlan, 2022) found that leverage affects tax avoidance. According to the explanation referenced, the hypotheses formulated in this study are:

H2: Leverage affects tax avoidance

2.5. Sales Growth

Sales growth is the change in sales in the annual financial statements that can show the sales and future prospects of the company (Susanti, 2018). In case there is a rise in sales, the amount of profit generated would also be higher. Therefore, it is possible to infer that an increase in sales could impact the manner in which tax avoidance strategies are carried out. This conclusion is supported by findings from the aforementioned research investigation (Wisnu & Yuniarwati, 2023), which says sales growth impacts tax avoidance. From this explanation, the hypothesis proposed is**:**

H3: Sales growth affects tax avoidance

2.6. Dividend Policy

Dividend policy refers to the organization's strategy to distribute dividends to shareholders either in cash or retained earnings, which will be used to enlarge the organization's capital. Just as taxes owed must be paid using company cash, dividend distribution affects the company's cash resources. In this study, dividend policy decisions were distributed in cash to shareholders. Research (Lestari, 2023) states that when the manager decides to distribute dividends, it will indirectly reduce some money, but at the same time the manager must also maintain the company's cashflows to remain healthy. This condition encourages companies to minimize tax costs to maintain company cash. This is in line with the study (Solikin & Slamet, 2022), which says that dividend policy has an impact on tax avoidance because dividend distribution has an impact on reducing corporate cash. From this explanation, the hypothesis proposed is**:**

H4: Dividend policy distributed in the form of cash dividends affects tax avoidance

2.7. Control Variable

The dimensions of a company refer to its magnitude, which can be gauged using metrics like overall assets, total revenue, workforce size, or market value. This research gauges company size by employing the natural logarithm of total assets (Ln Total Assets). Company size serves as a control factor to mitigate any potential distortions in the study findings, guaranteeing that the correlation between the autonomous variables and tax evasion remains unaffected by variations in company magnitude.

2.8. Conceptual Framework

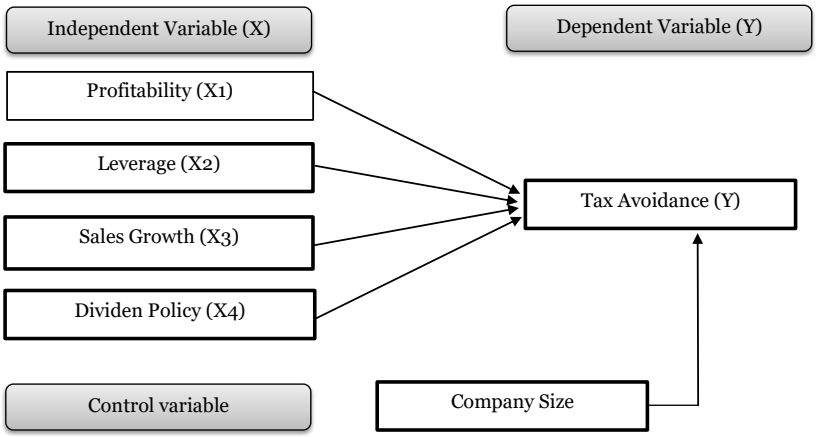


Figure 1. Conceptual Framework
Source: 2025

3. Methods

3.1. Data Type and Source

The research was conducted using a quantitative methodology, specifically an explanatory research design, to examine the relationships between various research variables. Secondary data from the financial reports of mining companies listed on the IDX and the company's official website for the years 2021-2023 was used as the primary source of information.

3.2. Operational Definitions and Measurement

The factors considered in this study include dependent, independent, and control variables. Tax avoidance is measured using the Cash Effective Tax rate (CETR) as the dependent variable. A company is deemed to be engaging in tax avoidance when the CETR is below 25%, with lower CETR values indicating higher levels of tax avoidance. If the CETR is more than 25% or the *Cash Effective Tax rate* (CETR) value is higher, it can be said that the tax avoidance rate is getting smaller. Independent variables are variables that aim to influence or explain dependent variables. This study's independent variables consist of Profitability, Leverage, Sales Growth, and Dividend Policy. Control variables are variables that are kept constant to prevent external factors that not part of the study, from influencing the relationship within independent and dependent variables to avoid biased outcomes. This study utilizes organization's size as a control variable.

Table 1. Variable Proxy

Variable	Proxy	Source
Tax Avoidance (Y)	$\text{CETR} = \frac{Payment\ of\ income\ taxes}{Earnings\ Before\ Interest\ and\ Tax}$	(Susanti, 2018)
Profitability (X1)	$Return\ On\ Assets = \frac{Net\ Profit\ After\ Tax}{\text{Total Assets}}$	(Saputra et al., 2019)
Leverage (X2)	$Debt\ to\ Equity\ Ratio = \frac{Liabilities}{\text{Total Equity}}$	(Fauziah & Kurnia, 2021)
Sales Growth (X3)	$Sales\ Growth = \frac{\text{Sales (t)} - \text{Sales(t} - 1)}{Sales\ (t-1)}$	(Permata et al., 2018)
Dividen Policy (X4)	$Dividen\ Payout\ Ratio\ = \frac{\text{Total Dividend}}{Net\ Income}$	(Lestari, 2023)

Variable	Proxy	Source
Size (control variable)	*Size* = Ln (total assets)	(Darmayanti & Merkusiawati, 2019)

3.3. Population and Sample

This research focuses on mining companies that are publicly listed on the Indonesia Stock Exchange (IDX) between 2021-2023. The sample of 11 companies was chosen through purposive sampling. Secondary data from www.idx.co.id was utilised for this study. The selection criteria for the sample are as follows:

1. Mining companies registered on the IDX for the 2021-2023 period.
2. Mining companies using rupiah currency for the 2021-2023 period.
3. Mining companies that are not delisted from the IDX for the 2021-2023 period.
4. Mining companies that distribute dividends in cash for the 2021-2023 period.

3.4. Data Analysis Techniques

This study employs a data analysis method that involves using a tool called E-views 12. Various tests are carried out in this study, including descriptive statistical tests and classical assumption tests like multicollinearity, heteroscedasticity, and autocorrelation tests. Hypothesis testing in this study is done using methods such as T-test and Determination Coefficient Test (R^2).

$$\mathbf{CETR = \alpha + \beta_1 ROA + \beta_2 DER + \beta_4 SG + \beta_5 DPR + \beta_3 SIZE + \varepsilon}$$

Description:

CETR = Tax Avoidance
α = Constant
β = Coefficient
ROA = Profitability
DER = Leverage
Sales Growth = Sales Growth
DPR = Dividend Policy
SIZE = Company Size
ε = error

4. Results and Discussion

4.1. Research Results

4.1.1. Descriptive Statistical Test

Table 2. Descriptive Statistical Test Results

	LOG_CETR	ROA	DER	SALES_G...	DPR	SIZE
Mean	-1.313166	0.127962	0.756366	-0.167929	0.363316	28.42983
Median	-1.316701	0.131997	0.581478	-0.140209	0.207907	28.88642
Maximum	0.933422	0.340600	2.330091	0.729277	2.039972	31.44563
Minimum	-3.694592	0.010575	0.058699	-0.624409	0.000500	20.71227
Std. Dev.	0.965413	0.089015	0.590811	0.280633	0.466054	2.728283
Skewness	-0.293750	0.440807	1.100931	0.656595	2.399407	-1.804386
Kurtosis	3.395404	2.287079	3.418484	4.414666	8.563443	5.995071
Jarque-Bera	0.689563	1.767563	6.907070	5.122903	74.22321	30.24132
Probability	0.708375	0.413217	0.031634	0.077193	0.000000	0.000000
Sum	-43.33447	4.222741	24.96009	-5.541655	11.98944	938.1845
Sum Sq. Dev.	29.82473	0.253560	11.16983	2.520155	6.950593	238.1929
Observations	33	33	33	33	33	33

Source: Data Processed 2025

Analysis of the panel data reveals that there are 33 observations in total. The average value of the CETR variable, which represents tax avoidance, is -1.313166. PT Elnusa Tbk has the highest value of 0.933422, whereas PT Golden Eagle Energy Tbk has the lowest value of -3.694592, with a standard deviation of 0.965413. A lower CETR value indicates higher tax avoidance activity, while a higher CETR value suggests lower tax avoidance activity.

In terms of profitability (ROA), PT Radiant Utama Interinsco Tb has the minimum value of 0.010575, and PT Golden Eagle Energy Tbk holds the maximum value of 0.340600. The average ROA value is 0.127962, with a standard deviation of 0.089015 (or 8.9%). Entities with high ROA are generally more adept in tax management due to their enhanced resources for tax planning.

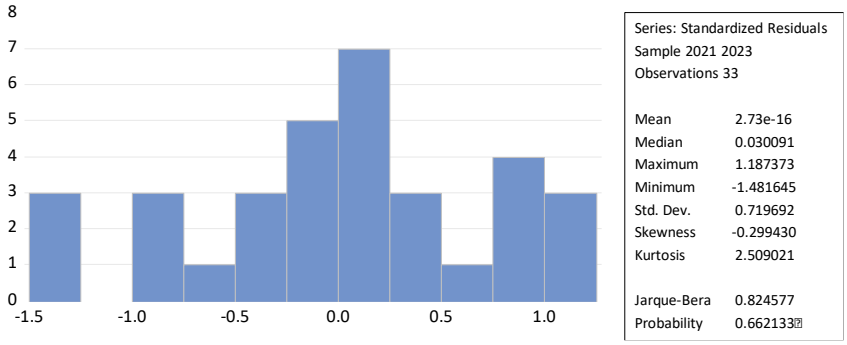
PT Dana Brata Luhur Tbk holds a minimum DER value of 0.058699, while PT Sumber Global Energy Tbk holds the maximum value of 2.330091. The average DER value is 0.756366 with a standard deviation of 0.590811, equivalent to 59.08%. A higher DER value results in increased interest expenses, potentially reducing tax avoidance for the entity.

PT Cita Mineral Investindo Tbk owns the minimum sales growth value of -0.421724, whereas PT Sumber Global Energy holds the maximum value of 1.662473. The average sales growth value is 0.354696 with a standard deviation of 0.512983, equal to 51.29%. Higher sales growth values can lead to increased tax burdens, indicating possible tax avoidance practices by the company.

PT Radiant Utama Interinsco Tbk has a minimum dividend policy value of 0.000500, whereas PT Bukit Asam Tbk has a maximum value of 2.039972. On average, the dividend policy value is 0.363316, with a standard deviation of 0.466054 (46.60%). A lower DPR value from a company may suggest that it is employing tax avoidance strategies to preserve cash reserves.

4.1.2. Normality Test

Table 3. Normality Test Results



Source: Data Processed 2025

The One-Sample Kolmogorov-Smirnov test is utilised to assess the normality of the data. When the p-value obtained from the test exceeds the predefined significance level of 0.05, it can be inferred that the data conforms to a normal distribution. In the table of normality test results above, with the p-value of 0.662133 which means that the data is distributed normally.

4.1.3. Multicollinearity Test

Table 4. Multicollinearity Test Result

	ROA	DER	SALES_G...	DPR	SIZE
ROA	1.000000	-0.384821	0.485588	0.300041	-0.285366
DER	-0.384821	1.000000	0.130677	-0.214135	0.215804
SALE...	0.485588	0.130677	1.000000	-0.325808	-0.247084
DPR	0.300041	-0.214135	-0.325808	1.000000	0.077716
SIZE	-0.285366	0.215804	-0.247084	0.077716	1.000000

Source: Data Processed 2025

According to the results of the multicollinearity test, it was found that the correlation values of all possible combinations of the 5 independent variables are not greater than 0.85. Additionally, upon reviewing the table, it can be seen that the correlation values of all these combinations are below 0.85. As a result, it can be inferred that there is no evidence of multicollinearity in the data.

4.1.4. Heteroscedasticity Test

Table 5. Heteroscedasticity Test Results

Dependent Variable: ABS_RES
Method: Panel Least Squares
Date: 01/18/25 Time: 09:04
Sample: 2021 2023
Periods included: 3
Cross-sections included: 11
Total panel (balanced) observations: 33

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.710717	0.903068	-0.787003	0.4381
ROA	-0.116156	1.408795	-0.082450	0.9349
DER	-0.275100	0.159670	-1.722921	0.0963
SALES_GROWTH	0.095326	0.231657	0.411497	0.6840
DPR	0.046213	0.216225	0.213726	0.8324
SIZE	0.050658	0.030799	1.644765	0.1116

Source: Data Processed 2025

According to research by Oktamawati (2017) heteroscedasticity testing was implemented to determine whether there was a difference in the variance of residuals between observations in the regression model. If the significance value is more than 5% or 0.05, it indicates that there are no symptoms of heteroscedasticity. The outcomes of the table above show that every independent variable has a probability value above 0.05, so it can be concluded that there is no heteroskedasticity symptom.

4.1.5. Autocorrelation Test

Table 6. Autocorrelation Test Results

R-squared	0.444267	Mean dependent var	-1.313166
Adjusted R-squared	0.341353	S.D. dependent var	0.965413
S.E. of regression	0.783501	Akaike info criterion	2.512877
Sum squared resid	16.57459	Schwarz criterion	2.784969
Log likelihood	-35.46247	Hannan-Quinn criter.	2.604428
F-statistic	4.316892	Durbin-Watson stat	1.510047
Prob(F-statistic)	0.005144		

Source: Data Processed 2025

The autocorrelation test seeks to determine if there is is a correlation within the residuals of the current period and those of the previous period in the linear regression model.This can be done with the Durbin-Watson test, it is said that there is no autocorrelation if the value of DU<DW<(4-DU). The Durbin-Watson value (DW) is obtained as 1.510047 to obtain the DU value, it can b from the Durbin-Watson table (n = 33; α = 0.05; k = 5) of 1.8128. Thus, there is a positive autocorrelation due to DW<DL or 1.510047 < 1.8128 value.

4.1.6. Multiple Linear Regression

Table 7. Multiple Linear Regression Result

Dependent Variable: LOG_CETR
Method: Panel Least Squares
Date: 01/18/25 Time: 08:53
Sample: 2021 2023
Periods included: 3
Cross-sections included: 11
Total panel (balanced) observations: 33

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.366935	1.603320	0.228860	0.8207
ROA	-7.685896	2.501194	-3.072890	0.0048
DER	-0.122707	0.283481	-0.432858	0.6686
SALES_GROWTH	-0.003038	0.411288	-0.007387	0.9942
DPR	0.850371	0.383889	2.215150	0.0354
SIZE	-0.032067	0.054681	-0.586436	0.5625

Source: Data Processed 2025

The table above indicates that the equation of multiple linear regression in this study is:

LOG_CETR = 0.366935 - 7.685895*ROA - 0.1227072*DER - 0.003038*SALES_GROWTH + 0.850370*DPR - 0.0320671611925*SIZE

The explanation of the panel data regression equation above are:

a) A constant value of 0,366935 shows that if the variables of profitability, leverage, sales growth, and dividend policy are of constant value, then tax avoidance is valued at 0,366935.
b) -7.685895 is the coefficient value of profitability, which means that every time one unit of profitability increases, assuming that other variables have a constant value, tax avoidance will enlarge by -7.685895.
c) 0.1227072 is the value of the coefficient of leverage, which means that every time one unit of leverage increases, assuming that other variables remain constant, tax avoidance will enlarge by 0.1227072
d) -0.003038 is the coefficient value of sales growth which indicates that every one unit enlargement of sales growth assuming that other variables have a constant value, tax avoidance will enlarge by -0.003038.
e) 0.850370 is the coefficient value of dividend policy, which indicates that every one unit enlargement in dividend policy with the assumption that other variables are constant, tax avoidance will increase by 0.850370.

4.1.7. Partial Test (T-Test)

Table 8. Partial Test Result

Dependent Variable: LOG_CETR
Method: Panel Least Squares
Date: 01/18/25 Time: 08:53
Sample: 2021 2023
Periods included: 3
Cross-sections included: 11
Total panel (balanced) observations: 33

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.366935	1.603320	0.228860	0.8207
ROA	-7.685896	2.501194	-3.072890	0.0048
DER	-0.122707	0.283481	-0.432858	0.6686
SALES_GROWTH	-0.003038	0.411288	-0.007387	0.9942
DPR	0.850371	0.383889	2.215150	0.0354
SIZE	-0.032067	0.054681	-0.586436	0.5625

R-squared	0.444267	Mean dependent var	-1.313166
Adjusted R-squared	0.341353	S.D. dependent var	0.965413
S.E. of regression	0.783501	Akaike info criterion	2.512877
Sum squared resid	16.57459	Schwarz criterion	2.784969
Log likelihood	-35.46247	Hannan-Quinn criter.	2.604428
F-statistic	4.316892	Durbin-Watson stat	1.510047
Prob(F-statistic)	0.005144		

Source: Data Processed 2025

The table 8 above can be explained as follows:

a. The outcomes of the t-test on the ROA variable (X1) were obtained with a t statistic of 3.728282 > t table, which was 2.039513, and a sig. 0.0048 < 0.05, then the ROA variable affects CETR (Tax Avoidance).
b. The t-test outcomes on the DER variable (X2) were obtained as t statistic of 0.432858 < t table, which was 2.039513, and the sig. value was 0.6686 > 0.05, so the DER variable did not impact CETR (Tax Avoidance).
c. The outcomes of the t-test on the Sales Growth variable (X3) were obtained with a t statistic of 0.007387 < t table, which was 2.039513, and a sig. 0.9942 > 0.05, so the Sales Growth variable has no impact on CETR (Tax Avoidance).
d. The results of the t-test on the DPR variable (X4) were obtained with a t statistic of 2,215150 > t table, which is 2.039513, and a sig. 0.0151 < 0.05, then the DPR variable affects CETR (Tax Avoidance).

4.1.8. Determination Coefficient Test (R^2)

Table 9. Determination Coefficient Test Results (R^2)

R-squared	0.444267	Mean dependent var	-1.313166
Adjusted R-squared	0.341353	S.D. dependent var	0.965413
S.E. of regression	0.783501	Akaike info criterion	2.512877
Sum squared resid	16.57459	Schwarz criterion	2.784969
Log likelihood	-35.46247	Hannan-Quinn criter.	2.604428
F-statistic	4.316892	Durbin-Watson stat	1.510047
Prob(F-statistic)	0.005144		

Source: Data Processed 2025

The R-squared value of 0.341353, or 34.13%, indicates that the variables ROA, DER, Sales Growth, and DPR can account for 34.13% of the variation in the CETR variable in the Indonesian mining sector. The remaining 65.87% is explained by other factors not included in the study.

4.2. Discussion

4.2.1. The Effect of Profitability on Tax Avoidance

According to the t-test outcomes, it is known that profitability affects tax avoidance. Profitability describes the organization's capacity to generate profits so that the greater the profitability, the tax liability the organization must pay also rises. This motivates organizations to practice tax avoidance because companies with high profitability have more resources to participate in tax avoidance actions.

This is aligned with the agency theory, where management as a direct manager, has wider access to information and has power in making decisions. Management will tend to make decisions that benefit themselves and can even carry out excessive tax avoidance activities. This research is in line with Sawitri et al. (2022) explaining that profitability affects tax avoidance.

4.2.2. The Effect of Leverage on Tax Avoidance

Based on the results of the t-test that has been carried out, it shows that leverage has no impact on tax avoidance. Leverage is a comparison within the total of liability and assets owned by the organization and an overview to determine the level of the organization's capability to pay off their debts. The greater the leverage value, the more funding the organization uses from external debt, which also leads to greater interest expenses on that debt. If the level of leverage is higher than that of assets, then the company will have difficulty paying off its debts.

Theoretically, leverage can usually create potential conflicts between management (agent) and shareholders (principal). Management as an agent should use leverage for the sake of tax savings through interest expense that can reduce taxes, but research results show that in this sector, the strategy is not significant. The outcomes of this study are aligned with the research implemented by Hilmi et al. (2022) and Sysmantia and Evana (2023), which reveals that leverage has no effect on tax avoidance.

4.2.3. The Effect of Company Size on Tax Avoidance

The t-test outcomes reveal that sales growth has no impact on tax avoidance. Sales growth is an increase in sales from year to year. A high enlarge in sales is noavoit always directly proportional to the rise in profits. With increased sales, the company can experience an increase in operating activities and the company also has obligations that must be paid so that the organization's profit also decreases. With declining profits, the tax liability paid by the organization is also small.

According to agency theory, there is a contractual relationship within management (agent) and shareholders (principal). Where both parties have different interests and strive to maximize each other's interests. When a company experiences sales growth, this does not mean encouraging management to practice tax avoidance. This can happen because of strict supervision mechanisms and sound governance systems that limit management behavior in terms of taxation. On the other hand, management, as an agent, will consider the risks that may occur. This is align with the outcomes of study implemented by Sawitri et al. (2022) and Nariman (2021), which revealed that sales growth did not affect tax avoidance.

4.2.4. The Effect of Dividend Policy on Tax Avoidance

As mentioned in the outcomes of the t-test, it is known that the dividend policy distributed in the form of cash dividends affects tax avoidance. When dividends are distributed in cash, it certainly has an effect on reducing the company's cash sources, as well as on taxes payable according to taxation regulations that must be paid using the company's cash sources.

In agency theory, it describes a conflict of interest between agents and principals. Dividend policies can serve as a signal to decrease the asymmetry of information, with consistent dividend payments demonstrating the organization's capability to generate cash and the manager's commitment to the interests of shareholders. However, when a company chooses to distribute high dividends, it causes managers who have more information to do tax avoidance to meet dividend payment needs. The outcomes of this study are align with Solikin and Slamet (2022) and Lestari (2023) found that dividend policy has an impact on tax avoidance.

5. Conclusion

Research indicates that Profitability plays a significant role in influencing tax avoidance strategies. Companies with higher levels of profitability are more likely to engage in tax avoidance practices to reduce their tax liabilities. On the other hand, the level of Leverage in a company does not have a direct impact on tax avoidance, as the interest expenses incurred can legally reduce taxable income. Sales growth does not necessarily lead to increased tax avoidance, as higher sales do not always result in higher profits. Furthermore, the dividend policy of distributing dividends in cash can also impact tax avoidance strategies. Shareholders want high dividend payments, and management that tends to want to withhold profits for reinvestment will encourage management to practice avoidance to meet both interests.

This study faces obstacles in the form of positive autocorrelation symptoms in the regression model. Despite attempts at treating it, autocorrelation symptoms are persistent and cannot be fully eradicated. This issue can impact both the precision of estimating parameters and the level of importance within the research framework. One drawback of this research is the oversight of corporate governance factors that may influence the connection between independent variables and tax avoidance strategies. Further research suggests considering the use of additional control variables such as corporate governance and industry characteristics, expanding the research period, and developing a research model by adding moderation variables to better understand the mechanism of the relationship between variables.

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