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# Internal Factors that encourage Tax Avoidance in LQ45 Companies on the IDX 2020-2023

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**Abstract**
**Background**. Tax avoidance is an effective method of mitigating the tax burden by circumventing taxes through transactions. Moreover, tax avoidance may be construed as a method of circumventing taxes while remaining within the bounds of the law. While the company's tax evasion may adhere to tax regulations, it can nonetheless have adverse effects on the nation.
**Aims.** This study aims to investigate the internal factors within organizations that promote tax evasion and to examine the influence of company size, profitability, and leverage on tax avoidance. Tax avoidance is a financial approach that lawfully reduces business tax obligations efficiently.
**Methods**. This study examines the internal factors that influence avoidance in LQ45 businesses listed on the Indonesia Stock Exchange (IDX) from 2020 to 2023, as reflected in the LQ45 index during this period.
**Result.** Based on the sample criteria, 38 companies were selected as the research object from 152 data sources, employing a quantitative descriptive approach. This study analyzes financial statements and business governance factors to evaluate their influence on tax avoidance.
**Conclusion.** The primary internal factors analyzed encompass profitability, leverage, and firm size. The results indicate that firm size significantly influences avoidance behavior, with larger, more successful enterprises employing more aggressive tax tactics.
**Implementation**. Profitability also significantly affects tax avoidance, as companies can focus on reducing the amount of income tax they are required to pay.

**Keywords: Profitability, Leverage, Size, Tax avoidance**



## INTRODUCTION

Tax is a source of income received by the state that can help the country's development, but its revenue has not been achieved so far. This is due to tax avoidance in companies, resulting in which all state development activities should run smoothly. For the state, taxes are income received from the people for state development, while for

companies, it is an aspect that must be considered and adhered to in carrying out company performance. This is because taxes are a burden for the company (Ridho, 2016). If both taxpayers and the government have different perspectives on the utilization and understanding of taxes, this can lead to complications in carrying out their activities. (Ginting and Sudjiman, 2021) Explain that if there is a desire from taxpayers not to comply fully with tax regulations, it causes tax avoidance. Tax Avoidance is an efficient way of introducing the tax burden by avoiding taxes through transactions. In addition, tax avoidance can also be interpreted as a means of evading taxes without violating the law. Although the company's tax avoidance does not violate tax regulations, it can still harm the country.

Tax avoidance occurs a lot, for example by transfer pricing, set the price of transactions between companies in such a way that large profits are transferred to countries with low tax rates, besides the use of tax havens (Tax Heaven), where companies move assets or profits to countries that receive tax havens with very low or even no tax rates, Tax avoidance is justified if the company does it under the law. This study examines the 1.045 index company as the subject of investigation. The 14045 index is a stock index that evaluates the price performance of 45 stocks on the Indonesia Stock Exchange, encompassing diverse industries with the biggest market capitalization during the preceding 12 months. The criteria for stocks in the LQ45 index are that the company must have a good financial condition and high potential growth in its transaction value. The shares must be listed for at least three months and have a high market capitalization over the past year (Phillip Sekuritas Indonesia). The authors want to investigate companies listed in L45 to ascertain if firms with robust fundamentals can partake in tax avoidance. Numerous prior studies have investigated tax avoidance among public corporations; yet, discrepancies remain in the findings concerning the most significant causes. Some studies also discuss the factors that influence tax avoidance, but most studies focus more on external factors. This study examines internal factors, including company size, leverage, and profitability, which are assessed as independent variables.

Companies that are members of the LQ45 index, which consists of issuers with the largest liquidity and market capitalization on the Indonesia Stock Exchange (IDX), are often in the spotlight in cases of tax avoidance. Prior studies have demonstrated that internal factors, including profitability, firm size, and leverage, affect corporate tax

avoidance. Nevertheless, specific research indicates that profitability and company size exert a detrimental effect. Siahaan, Malau, and Sembiring (2022)

During the preceding four years from 2020 to 2023, post-Covid-19, Indonesia's economic growth has been affected. However, it remains to be seen whether companies with robust fundamentals can sustain stable economic growth, particularly given the challenges posed by the Covid-19 pandemic in 2020, which led many companies to encounter difficulties resulting in income declines. Additionally, this company plays a significant role in a country's economy. Prior research has predominantly emphasized external influences, such tax policy and governmental oversight. This study examines internal aspects of a company, including profitability, leverage, and size, regarding tax avoidance among firms listed on the LQ45 index.

Factors influencing tax aggressiveness include the prevalence of enterprises engaging in tax avoidance, which leads to fiscal losses for the state. One instance of tax avoidance involves PT Bank Central Asia, a company listed in the LQ45 index. The prior case involving Bank Central Asia arose from the institution's challenge to the tax adjustment executed by the Directorate General of Taxes (DGT). Bank Central Asia contended that the DGT's correction of fiscal profit, amounting to Rp 6.78 trillion, should be reduced by Rp 5.77 trillion, citing that it had conducted asset transfer transactions with the National Banking Restructuring Agency (IBRA), thereby asserting that no violation had occurred.

Therefore, Maftuchan emphasized to the KPK to investigate Bank Central Asia's claim regarding the transfer of assets to date, as the BLBI-BPPN scheme still presents problems. This is because, if you examine Bank Central Asia's financial statements, there are irregularities that suggest tax avoidance. (Tabrani, Jamaluddin and Fudoli, 2020). In addition to a case of tax avoidance against Adaro Energy (Persero) Tbk, a report from Global Witness, an international NGO focused on environmental issues, alleged tax avoidance. The company, which is engaged in the most extensive coal mining in Indonesia, is indicated to have carried out transfer pricing by shifting its income and profits to a subsidiary in Singapore called Coaltrade Service International, and then reselling it to other countries at high prices. Increasing the company's income, but the tax paid to the state remains low. Global Witness found that alleged tax payments paid by PT Adaro Energy Tbk were lower than what should have been paid to the Indonesian government of 125 million US dollars (Warno & Fahmi, 2020)

Profitability is a factor that can contribute to tax avoidance. It demonstrates a company's capacity to make earnings over a designated timeframe. Profitability encompasses various ratios, including return on assets (ROA), which serves as a reliable metric for assessing the company's overall efficacy and can also be utilized to determine profitability. A higher ROA value indicates superior firm success. ROA is correlated with net income and corporate income tax. The larger the company's earnings, the more significant its tax avoidance. Heru Harmadi Sudibyo, 2022 The size of a company can be evaluated through its owned assets, total sales, net profit, tax obligations, and other factors. Consequently, larger business entities are afforded greater opportunities for tax avoidance practices (Rasya & Ratnawati, 2023).

Leverage is a metric employed to assess a company's debt level. This can also be understood as the proportion of debt held by the corporation utilized for financing its operations. (Yusrina Widya Santi, Yetty Murni, 2022). The firms included in the LQ45 stock index are pivotal due to their capacity to produce substantial liquidity, and the index itself represents many industries that are crucial to the Indonesian economy. Nonetheless, these companies have difficulties, particularly those listed in the LQ45 stock index. This research study on tax avoidance within the 1245 stock index sector is pertinent due to the intricate economic dynamics of many sectors. The company possesses strong fundamentals and several internal considerations that may affect its decision to create a tax plan.

This research additionally functions as a reference for subsequent studies that seek to investigate associated external elements or other corporate dynamics concerning tax avoidance and additional variables. Consequently, a deeper comprehension of the internal processes influencing tax avoidance in big corporations is essential to maintain equilibrium. Numerous prior research indicate that internal characteristics, such as profitability, company size, and leverage, significantly influence tax avoidance activities. Moreover, prior studies indicate that tax avoidance can have an impact; thus, this research serves as a reference for future investigations. Consequently, a deeper comprehension of the internal processes influencing tax avoidance in big corporations is essential to maintain equilibrium. Numerous prior research indicate that internal characteristics such as profitability, organization size, and leverage significantly influence tax avoidance strategies. Moreover, prior studies indicate that tax avoidance can have an impact; hence, this research serves as a reference for future investigations.

This research suggests that larger enterprises with more profitability are more likely to engage in tax avoidance. Leverage generally exerts minimal impact on tax avoidance, as elevated leverage incurs substantial interest expenses that are deductible from taxable income, thereby diminishing the tax liability.

The GAP phenomena in this study denotes the absence of targeted research on the internal determinants that motivate corporations, particularly those listed in the LQ45 stock index, to partake in tax avoidance, specifically concerning tax legislation and the repercussions of the COVID-19 pandemic. The LQ45 index consists of 45 businesses with the highest liquidity and market capitalization on the Indonesia Stock Exchange (IDX). These companies are crucial to the Indonesian economy, mainly due to their robust fundamentals. The 2020-2023 era is characterized by economic issues stemming from COVID-19, which may influence the company's stance towards avoidance.

Moreover, while studies of deficiencies persist about the determinants of tax avoidance, there remain inadequacies in comprehending the internal elements particular to LQ45 index corporations. Previous research focuses more on external factors, such as tax regulations and economic conditions. Nonetheless, internal factors also influence tax avoidance techniques. However, there are contradictory research findings concerning the impact of internal factors on tax avoidance. Consequently, a comprehensive investigation is essential to discover and examine the most pertinent internal elements within these 45 index companies, particularly during this arduous era. The findings of this study are expected to serve as a valuable resource for readers and enhance their understanding of the internal factors that influence tax avoidance. THOT can assist stakeholders, including investors, government entities, and company management, in corporate decision-making. Investors may employ this study to assess corporate performance, the government can apply it to guide tax policy, and corporate management can leverage it as a strategy for efficient tax management.

## LITERATURE REVIEW

### Agency Theory

Shafira Rizqiya (2024) defines an agency relationship as a contract in which one or more individuals (principal or employer) appoint other individuals (agents) to carry out certain tasks and exercise decision-making authority. According to agency theory, the principal—the company's owner or shareholders—and the agent—the management of the

business—have a contractual relationship in which the agent carries out specific tasks on the principal's behalf and the principal is required to compensate the agent for his services.

**Signaling Theory**

Signaling theory, as explained by Yusrina Widya Santi and Yetty Murni (2022), suggests why businesses are compelled to provide external parties with access to financial statement information. This encouragement results from the information asymmetry that exists between management firms and external parties, whereby management has comparatively greater and faster access to internal company information than other parties, like creditors and investors.

**Tax Avoidance**

The relationship between agency theory and tax evasion, according to Nabela Khoiriyah and Nur Hayati (2024), is characterized by the contrast in objectives between the corporation acting as the agent and the government acting as the principal. To prevent businesses from engaging in tax evasion, which could have long-term repercussions, the government requires businesses to settle their debts in compliance with existing tax rules. The company's objective is to maximize its profits.

Consequently, firms often mitigate their tax liabilities by employing tax evasion strategies. Tax avoidance in research can be represented by the Cash Ejector Tax Rate. The Cash Effective Tax Rate (CETR) is calculated by dividing cash expended on tax liabilities by profit before tax. This study anticipates that the application of CETR will facilitate the characterization of tax avoidance practices.

A higher CETK percentage, approaching the 22% corporate tax rate, suggests reduced corporate tax evasion; conversely, a lower CETR level signifies increased corporate tax avoidance. The corporate income tax rate in Indonesia is governed by Law Number 36 of 2008, concerning income tax, and subsequently changed by Law No. 11 of 2020, which pertains to employment taxes.

Agency theory posits that tax evasion engenders a conflict of interest or a profit-and-loss dilemma between the government (the principle) and the manager (the agent), rendering it a contentious matter (Jasmine, 2014). Companies are fundamentally taxpayers that substantially contribute to state tax revenue while also incurring a burden that diminishes their net profits (Adams & Balogun, 2020). It is important to acknowledge that

tax cheating by corporations not only provides benefits but also inflicts harm on the company's reputation and public trust (Yuliandana, Junaidi, and Ramadhan, 2021). In-kind gifts to employees are a tax management strategy employed by the firm to create the perception among the public and investors that the company is experiencing liquidity issues (Colombo & Terra, 2022). The practice of using legal loopholes to reduce taxable income is referred to as tax evasion. This form of tax management is legal due to its exploitation of specific loopholes. According to the survey, Indonesia's tax percentage of 10.70% is comparatively low among other ASEAN members. The low proportion is the result of low taxpayer compliance with settlement responsibilities relating to taxes, as well as the fact that Indonesians still practice many legal and illegal tax evasion strategies.

Organizations frequently adopt tax avoidance as a primary tactic. Some scholars have referred to tax evasion as a "tool," noting its potential to help businesses reduce expenses. This consequently looms over them and their shareholders. This tax method reflects significantly on leadership and organizational culture.(Yopie and Santo, 2023)

CETR= (Current Tax)/(Expense Profit  Before Tax)

**Return On Asset (ROA)**

To avoid lowering the company's net income, managers will attempt to reduce corporate tax expenses when profits are substantial, according to Nabela Khoiriyah and Nur Hayati (2024). This demonstrates how high profit levels often influence management to evade taxes and increase the company's net profit. This aligns with the agency theory, which posits that the agent will increase the company's profit margin. An increase in profit will proportionately elevate the income tax amount. Agency theory posits that when corporate earnings diminish owing to tax liabilities, management, as the agent, will seek to prevent a reduction in their performance compensation.

Profitable companies must possess sufficient human resources to provide effective tax planning. Effective tax planning allows corporations to decrease reliance on loopholes or errors to evade taxes, while the taxes remitted by the company are also maximized. The aforementioned statement indicates that the fluctuations in asset returns, both high and low, do not influence tax evasion. Return on assets signifies the percentage of profitability derived from the company's assets in generating income.

A key determinant of profitability is return on assets. The return on assets ratio evaluates a company's efficiency in utilizing its resources to generate profit. This ratio is often highlighted in financial analysis as it illustrates the company's profitability. A higher ROA indicates more efficient resource utilization by the business. All assets in question are owned by a firm, encompassing those obtained through both internal and external capital, which the company has converted into assets vital for its survival (Warno & Fahmi, 2020).

ROA=(Net Profit after Tax)/(Total Assets) x 100 %

**SIZE**

A metric that quantifies a firm's magnitude based on its assets, average total revenues, and average total assets is termed "size" or "company size" (Wen Wen, 2022). The overall assets of each company differ, perhaps leading to significant variations. Consequently, the total assets must be Ln to avert abnormal data. The symbol size is designated for the firm size variable in this study. This formula is employed to quantify this variable. Yunanda and Saifudin (2016) assert that a company's size is characterized on a scale that permits categorization as either large or small.

The company's magnitude is ascertained by its equity value, sales revenue, employee count, total assets, and additional variables. Businesses are categorized into three sizes: small, medium, and large (Saifudin & Yunanda, 2016). The size of a company can be quantified by transforming the entity's total assets into a natural logarithm (La). In comparison to alternative proxies, total assets serve as a more reliable metric for evaluating company size. The natural logarithm streamlines the total asset value without modifying the concept of the actual quantity of assets, as the total asset value is generally greater (Christy & Subagyo, 2019).

Size=Ln (Total Assets)

**Leverage**

The company's capacity to fulfill its obligations to third parties is assessed by its leverage. The employment of capital and resources by enterprises with fixed costs is referred to as leverage. To enhance potential returns for stockholders (Machmuddah, Sumaryati, and Komara, 2024). Leverage is a financial metric that illustrates the relationship between a company's debt and its capital and assets. The corporation possesses two distinct types of leverage: financial leverage and operational leverage. The company's finance policy, through its diverse management of the capital structure, will influence the effective tax rate. Leverage is a strategy that includes debt financing (Muda et al., 2020).

## METHOD

### Data Type & Collection

To test the hypothesis of this study, the author employs quantitative descriptive techniques, utilizing secondary data derived from the financial statements of LQ45-indexed businesses traded on the Indonesia Stock Exchange (IDX). This dataset, covering the period from 2020 to 2023, is accessible via the website www.jilx.co.id. This study's population comprises companies listed on the IDX with the LQ45 index. The rationale is that the LQ45 index companies possess the biggest market capitalization and have robust fundamentals. This will be a worry for investors.

Then, companies listed on the 1045 stock index have high liquidity, which results in investors having more confidence in receiving dividends from these companies. Companies with good liquidity can fulfill both short-term and long-term obligations. A key finding from this study involved 45 companies that met the sample selection criteria, which consisted of 38 companies over a four-year period, from 2020 to 2023. The sample processed was 152 data.

### Sample Selection

This study comprised 152 data points from 38 companies listed on the Indonesia Stock Exchange (IDX) and included in the LQ45 index between 2020 and 2023. The sample selection was carried out using a purposive sampling method, which is a selection technique based on specific criteria:

1. LQ45 Index companies listed on the Indonesia Stock Exchange for the period 2020-2023.
2. LQ45 Index companies that publish complete annual financial reports.

3. LQ45 Index companies that publish financial reports in rupiah.
4. LQ45 Index companies included in the required data related to research variables

## DISCUSSION

### Impact of Profitability on Tax Evasion

Agency theory posits that the principal and agent may occasionally possess divergent interests. Managers functioning as agents to enhance profitability may endeavor to optimize their profits, chiefly by reducing the tax liability. Tax avoidance will reduce the entity's tax liability, hence enhancing profitability. Consequently, higher profitability often leads to tax avoidance. Christili Tanjaya and Narmel Nazir substantiate this claim by demonstrating that profitability has a positive impact on tax avoidance (Putri & Yuliafitri, 2024). Moreover, the study by Christy & Subagyo (2019) indicates that profitability significantly influences tax avoidance, contradicting evidence that suggests profitability does not impact tax avoidance. Increased profitability correlates with enhanced profit generation for the company. The company's profit influences its tax liability, potentially leading to tax avoidance.

H1: Profitability has a positive effect on tax avoidance

### Leverage Effect on Tax Avoidance

Leverage, as defined by Rifai and Atiningsih (2019), is the percentage ratio of total debt to a company's capital, also known as the debt-to-equity ratio (DER). A higher Debt-to-Equity Ratio (DER) indicates a greater proportion of total debt, both short-term and long-term, relative to total equity capital, which significantly influences the company's external costs. The escalating pressure on creditors indicates that the company's capital sources are significantly reliant on external parties, hence diminishing the profits accrued by the organization. (Rifai & Atiningsih, 2019) Determined that leverage does not influence tax avoidance. Research by Nevia Octi Nilasari (2021) concluded that leverage influences tax evasion, as elevated interest expenses diminish the company's tax liability. Consequently, an increase in corporate debt correlates with a decrease in the company's CETR value.

H2: Leverage has a positive effect on tax avoidance

**Effect of Size on Tax Avoidance**

Substantial assets will enhance the company's efficiency and augment profits. The profit level will significantly impact the company's tax liability, potentially leading to tax avoidance. Moreover, a sizable corporation is likely to possess people resources with greater expertise in taxation, facilitating effective tax planning for the organization. Tax planning is a legal strategy for tax avoidance that allows a company's HR department to optimize its tax liabilities. Consequently, as the size of the corporation increases, the complexity of the transaction escalates, enabling it to exploit loopholes and evade taxation. Prior research (Harry, 2018) indicates that company size is a determinant of tax avoidance. Muda et al. provide research that demonstrates a favorable impact on tax avoidance. This study posits a hypothesis that the variable of firm size affects tax avoidance.

H3: Size has a positive effect on tax avoidance

**Operationalization of Research Variables**

This study measures tax avoidance, the dependent variable, by the Cash Effective Tax Rate (CETR). The independent factors, including profitability, are assessed utilizing the Return on Assets (ROA) metric. The natural logarithm of total assets quantifies size, while Leverage is assessed by the Debt-to-Assets Ratio (DAR).

**Descriptive Statistics**

This study examines profitability, shown by Return on Assets (ROA), size, represented by the natural logarithm of total assets (LN), leverage, quantified by the Debt-to-Asset Ratio (DAR), and tax avoidance, assessed by the Cash Effective Tax Rate (CETR). The table above displays the results of the descriptive statistical tests from the SPSS output for each variable. The descriptive analysis above provides comprehensive data for all variables, encompassing minimum, maximum, mean, and standard deviation values. A total of 152 samples have been observed, as depicted in the table above. The subsequent sentence elucidates.

1. The ROA (Return On Assets) variable may range from -4.24 to 66795.00. The nominal ROA of the enterprises in the study's sample ranges from -4.24 to 66795.00, with a mean of 527.4416 and a standard deviation of 18069.44941.

2. The Leverage variable may vary between 0.09 and 0.89. This signifies that, with a mean value of 0.4984 and a standard deviation of 0.22687, the notional number of leveraged enterprises sampled in this study ranges from 0.09 to 0.89.
3. The Size variable can range from 22,564,300.00 to 26,528,908,100.0. The mean value is 5,823,193,649.66, with a standard deviation of 4,857,832,730.00, indicating that the nominal leverage ranges from 22,564,300.00 to 26,528,908,100.00.
4. The nominal range of the corporation tax evasion variable in this study is from -48.00 to 80.00, with a mean of 37.9342 and a standard deviation of 22.63113. The Tax Avoidance variable ranges from a minimum of -48.00 to a maximum of 80.00. .

**Table 1. Descriptive Analysis Test**
**Descriptive Statistics**

| | N | Minimum | Maximum | Mean | Std. Deviation |
|---|---|---|---|---|---|
| ROA | 152 | -4.24 | 66795.00 | 5279.4416 | 18069.44941 |
| DAR | 152 | .09 | .89 | .4984 | .22687 |
| SIZE | 152 | 22564300.00 | 26528908100.0 | 5823193649.66 | 4857832730.00548 |
| CETR | 152 | -48.00 | 80.00 | 37.9342 | 22.63113 |
| Valid N (listwise) | 152 | | | | |

Source: SPSS21

**Multiple Linear Regression Test**

**Model Summary**

a. Predictors: (Constant), SIZE2, ROA2, DAR2

b. Dependent Variable: CETR2

Multiple linear regression tests are utilized to assess the probable influence of each independent variable on a singular dependent variable. Size constitutes one of the independent variables in the table. ROA and DAR serve as independent variables, while CEFR is the dependent variable. The multiple correlation coefficient, written as R, indicates the strength of the association between the independent and dependent variables, ranging from 0 to 1. The R value in the previous table is 0.292; a number closer to 1 indicates a stronger connection. The coefficient of determination ($R^2$) in the previous table

is 0.085, signifying the proportion of variance in the dependent variable explained by the independent variable. 8.5% signifies that Size, Leverage, and ROA can explain the variance in CETR. Models with differing quantities of predictors can be evaluated using the adjusted R-squared (adjusted coefficient of determination), which modifies R-squared to account for the number of independent variables in the model. The table above presents an adjusted R-squared value of 0.055. The Standard Error of the estimate, which quantifies the deviation of the average forecast from the actual value of the dependent variable, is indicated in the table above as 14.00052.

**Table 2. Multiple Linear Regression Test**
**Model Summary**

| Mode L | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .292[a] | .085 | .055 | 14.00052 |

Source: SPSS21
a. Predictors: (Constant), SIZE2, ROA2, DAR2
b. Dependent Variable: CETR2

**ANOVA**
a. Dependent Variable: CETR2
b. Predictors: (Constant), SIZE2, ROA2, DAR2

The overall importance of the developed regression model is evaluated by the ANOVA test. This test aims to ascertain whether a significant linear relationship exists between the independent and dependent variables. CETR serves as the dependent variable in this table, while Size functions as the independent variable. Return on Assets, leverage. The significant value in the preceding table is 0.046, and the F value is 2,769 mod. The null hypothesis is rejected since the significance value of 0.046 is less than 0.05, indicating that the multiple linear regression model is significant overall and that the independent and dependent variables have a significant linear relationship.

**Table**

**Normality Test**

**One-Sample Kolmogorov-Smirnov Test**

a. Test distribution is Normal.

b. Calculated from data.

The specified cable serves as a normality test, assessing the existence of a normal relationship between the independent and dependent variables in a regression model. The statistical test will be considered invalid if this assumption is found to be erroneous. This study used the Kolmogorov-Smirnov test to assess normalcy. A significance value of 0.05 is deemed normal; a value below 0.05 is regarded as abnormal. The findings in the table indicate that the data is typically distributed, as evidenced by the Asymp Sig. (2-tailed) value of 0.100, which is more than 0.05.

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**Table 4. Normality Test**
**One-Sample Kolmogorov-Smirnov Test**

| | Unstandardized Residual |
|---|---|
| N | 93 |
| Mean | .0000000 |
| Normal Parameters a,b | 13.77035551 |
| Std. Deviation | |
| Absolute | .127 |
| Most Extreme Differences Positive | .090 |
| Most Extreme Differences Negative | -.127 |
| Kolmogorov-Smirnov Z | 1.223 |
| Asymp. Sig. (2-tailed) | .100 |

Source: SPSS21

**Table**

**Multicolineality Test**

**Coefficients**

a. Dependent Variable: CETR2

The tolerance value of the three independent variables is 9010, and the VIF value exceeds 10. Consequently, the Multicollinearity Test table indicates that the regression model in this study does not exhibit multicollinearity, making it suitable for application.

**Table 5. Multicolinearity Test Coefficients**

| Model | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. | Collinearity Statistics | |
|---|---|---|---|---|---|---|---|
| | B | Std. Error | Beta | | | Tolerance | VIF |
| (Constant) | 33.032 | 6.187 | | 5.339 | .000 | | |
| ROA2 1 | 1.115 | .416 | .307 | 2.680 | .009 | .783 | 1.277 |
| DAR2 | 3.355 | 10.069 | .040 | .333 | .740 | .719 | 1.391 |
| SIZE2 | -4.038E-011 | .000 | -.014 | -.135 | .893 | .903 | 1.107 |

Source: SPSS21

**Table**

**Partial Test (T Test)**

**Coefficients**

a. Dependent Variable: ABRES3

The influence and importance of each independent variable on the dependent variable are assessed and elucidated by the t-test. If the significance level is below 0.05, it exerts a partial effect on the dependent variable; otherwise, it does not.

The table above is elucidated as follows:

1. The Return On Assets variable exerts a limited influence on tax evasion, as evidenced by the test results, which reveal a t-value of -2.106 and a significance level of 0.038, which is below the threshold of 0.05 (0.038 < 0.05).
2. Leverage: The test results indicate that the Leverage variable exerts no partial influence on tax evasion, as evidenced by a t-value of 1.067 and a significance level of 0.289, which is above the threshold of 0.05 (0.289 > 0.05).
3. The test findings indicate that the t value is estimated at -2.723, with a significant level of 0.008, which is less than 0.05 (0.008 < 0.05); thus, the size variable has a partial effect on tax evasion.

**Table 6. Partial Test (T Test)**

**Coefficients**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | 13.236 | 4.280 | | 3.092 | .003 |
| | ROA | -.606 | .288 | -.234 | -2.106 | .038 |
| | DAR | 7.436 | 6.966 | .124 | 1.067 | .289 |
| | SIZE | -5.635E-010 | .000 | -.282 | -2.723 | .008 |

Source: SPSS21

## CONCLUSION

The research titled "Internal Factors Influencing Tax Avoidance in LQ45 Companies" serves as the foundation for this analysis. The leverage variable exhibited no significant effect; however, the return on assets (ROA) variable in LQ45 firms influenced tax avoidance, indicating that company size positively affects tax avoidance. In our study, we picked 38 companies from a sample of 152 data points utilizing a sampling technique. The independent variables included leverage, assessed through the debt-to-assets ratio (DAR), size, quantified by the natural logarithm of assets (Ln), and profitability, shown by return on assets. Furthermore, the study's dependent variable, tax evasion, was evaluated utilizing CETR.

The results revealed a correlation between Return on Assets (ROA) and tax avoidance, suggesting that higher profitability in a corporation correlates with an increased likelihood of utilizing tax avoidance strategies to enhance earnings. Moreover, tax avoidance is substantially affected by the company's size, indicating that firms with greater resources are more inclined to employ avoidance strategies to reduce their tax liabilities. Leverage does not influence tax avoidance; thus, it indicates that corporate debt levels are not a key factor in the reckless avoidance strategies of LQ45 companies. This is due to the existing policies governing capital structure management. A corporation with substantial leverage may heighten financial risk, prompting it to utilize leverage judiciously and maybe hesitate to assume additional risk to evade tax liabilities.

The Return On Assess variable exerts a partial influence on tax avoidance, as indicated by the test results, which reveal a computed value of -2.105 with a significance level of 0.038, which is below the threshold of 0.05 (0.038 < 0.05). Leverage exerts no partial influence on tax evasion, as indicated by the test findings, which reveal a t-value of 1.267 and a significant level of 0.289, beyond the threshold of 0.05 (0.289 > 0.05). The size variable exerts a partial influence on tax evasion, as indicated by the test findings, which reveal a coefficient value of -2.723 and a significance level of 0.008, which is below the threshold of 0.05 (0.008 < 0.05).

Regarding this research, it still has several limitations. Therefore, the limitations in this study are that further research can pay attention to the following things, which are suggestions for future researchers:

1. This study utilized a sample of 152 companies, comprising 38 corporations, from the LQ45 index of companies, with several sample selection criteria established by the author.
2. Future researchers can apply this research model and test it on other companies, such as state-owned enterprises, the mining sector, the technology sector, and the property sector.
3. Future researchers are expected to add other variables that include internal factors that carry out tax avoidance, such as growth, institutional ownership, or so on.

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