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Company Size Moderates CSR, Capital Intensity, Sales Growth, Profitability On Tax Avoidance

Bisma Syah Iqbal Adji Nugraha[1],Tantina Haryati[2]

Faculty of Economics and Business, UPN "Veteran" Jawa Timur, Indonesia
*Correspondence: E-mail: tantinah.ak@upnjatim.ac.id

ABSTRACT

This research aims to investigate and empirically assess the influence of CSR, capital intensity, sales growth, and profitability on tax avoidance, moderated by firm size. The study population includes mining sector firms listed on the IDX (2019–2023), with a final sample of 13 companies selected through purposive sampling. Documentation-based data was analyzed using quantitative methods, specifically PLS-SEM via SmartPLS 3. Key results reveal: (1) CSR negatively but insignificantly affects tax avoidance; (2) capital intensity exhibit insignificant positive relationships; (3) sales growth exhibit insignificant positive relationships; (4) profitability has a significant negative impact; and (5) company size does not moderate the examined relationships.

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1. INTRODUCTION

Tax plays the primary and largest role as the root of state revenue in the State Budget when measured against other earnings, such as non-tax revenues and grants (Rahayu et al., 2023). However, as taxpayers, entities hold a different perspective on taxation. Entities view tax as an expense that reduces net profit, leading them to strive to minimize their tax burden, for instance, by leveraging in tax avoidance practices(Lukmana & Puspita, 2023). Tax avoidance is defined as a legal attempt that taxpayers can undertake to minimize their tax burden (Devi et al., 2022). Tax avoidance can hinder economic growth and limit a nation's economic activities due to reduced tax revenue. The following table shows the growth of tax revenue across all sectors in Indonesia from 2019 to 2023:

Table 1.Growth of Tax Revenue Across All Sectors in Indonesia from 2019-2023

Sector	2019	2020	2021	2022	2023
Manufacturing & Processing	-4.3%	-20.0%	16.8%	51.6%	8.0%
Trade	1.8%	-18.9%	28.8%	73.2%	7.3%
Financial Services & Insurance	7.0%	-14.3%	0.0%	16.0%	27.5%
Mining	-12.3%	-43.4%	60.5%	294.9%	51.7%
Construction & Real Estate	1.5%	-17.7%	9.5%	14.1%	14.4%
Information & Communication	7.0%	-3.6%	14.0%	14.1%	14.9%
Transportation & Warehousing	20.0%	-15.6%	9.8%	16.9%	43.5%
Services	9.2%	-13.2%	3.5%	20.0%	28.6%

Source: Ministry of Finance (2024)

Table 1 shows that tax revenue across all sectors in Indonesia has experienced fluctuations over the past five years. However, the mining sector experienced the most drastic decline among all sectors between 2022 and 2023. The sharp decrease in tax revenue from the mining sector in 2022-2023, amounting to 243.20%, contrasts with the decrease in Indonesia's mining sector GDP during the same period, which only experienced an 8% decline. The following is a graph of Indonesia's mining sector GDP from 2019 to 2023:

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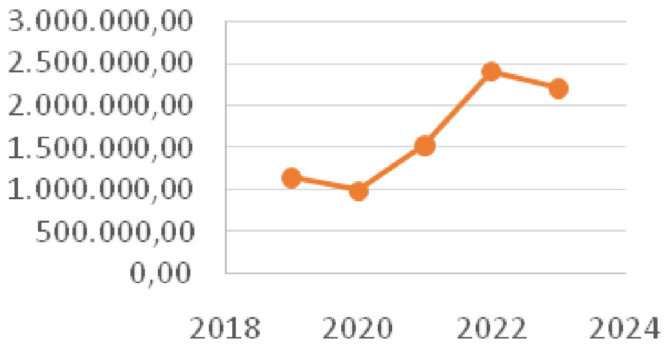

Figure1.Mining Sector GDP from 2019-2023

Source: Statistics Indonesia, 2024

Comparing the table of tax revenue growth across all sectors in Indonesia from 2019 to 2023 and the graph of the mining sector's GDP from 2019 to 2023 reveals an imbalance between the decrease in tax revenue and the mining sector's GDP. This discrepancy warrants investigation and could indicate that mining sector companies in Indonesia are engaging in tax avoidance practices. For example, in 2019, PT. Adaro Energy implemented tax avoidance disguised as transfer pricing through its Singapore-based subsidiary, Coaltrade Services International, thereby reducing their Taxable Income in Indonesia (Quthbi & Renfiana, 2023). This practice was carried out from 2009 to 2017, resulting in the company paying 1.75 trillion less in taxes. Tax avoidance practices are driven by various factors, such as corporate social responsibility, capital intensity, sales growth, and profitability.

This research builds upon the study by Abdullah et al. (2021). Here, the researcher adds profitability as an independent variable, uses a different population and sample, and employs a different analysis technique. The contribution of this research is that it can serve as a reference for policymaking regarding taxation by entities and the government, and it can also provide guidance for future research. The benefit is to understand the reasons why entities engage in tax avoidance. In accordance with the aforementioned explanation, this investigation is principally concerned "The Role of Company Size in Moderating The Impact of CSR, Capital Intensity, Sales Growth, And Profitability on Tax Avoidance".

Taking into account the foregoing analysis, the problem formulations for this study are: (1) Can CSR and profitability exhibits an significant inverse association with tax avoidance? (2) Can capital intensity and sales growth exhibits an significant positive association with tax avoidance? (3) Do company size demonstrates substantive role in mediating CSR, capital intensity, sales growth, and profitability's tax avoidance effects?.

Jensen and Meckling (1976) pioneered agency theory, which posits ainterrelation between principals (the company owners) and agents (the management). The business owners have the right to delegate management authority to administer the company on their behalf, while the management, as the party possessing comprehensive information about the company, is obligated to convey this information to the owners. This agency relationship is closely linked to conflict due to differing interests.

Dowling and Pfeffer (1975) demonstrated that legitimacy theory brings into focus the vital interplay between entities and society, as society is considered a crucial factor for the

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company's survival. Legitimacy theory posits that companies require legitimacy, or recognition from their stakeholders, to sustain their continued existence (Ratu & Hermanto, 2020).

Tax avoidance is deemeda compliant workaround that taxpayers can undertake to deflate their tax burden (Devi et al., 2022). This can be achieved by delaying tax payments when a company experiences economic losses, establishing subsidiaries in countries with low tax rates, and splitting income to incur different tax rates.

Company size sorts into big, mid-sized, and small through various methods, one of which is taking into account the comprehensive assets held (Solihin et al., 2020).

CSR explains an organization's responsibility towards its stakeholders, ranging from consumers to the environment(Agustyo & Arianti, 2024). CSR is also understood as an effort aimed at building a positive image for the company and influencing the social and economic environment of the community. Based on agency theory, CSR committed companies exhibit reduced tax avoidance behaviorsthey do not want to damage their positive corporate image(Lukmana & Puspita, 2023). When linked to legitimacy theory, CSR can demonstrate a company's level of compliance and reduce pressure from society to aggressively avoid taxes.

H1: CSR exhibits an significant inverse association with tax avoidance.

Capital intensity is defined as investment efforts in tangible asset holdings(Jusman & Nosita, 2020). Substantial fixed assets can create opportunities for companies to employ tax avoidance practices, as the depreciation expense on these assets will also increase. Companies utilize this to mitigate tax burdens, which ultimately can decrease their profits(Putri et al., 2022). Thus, company with substantial immobilized capital generally exhibit dimished taxation exposure, and vice versa. When linked to agency theory, the divergence of interests indicates that large fixed assets will lead to higher profits for the company owners, while the management aims to pay a lower tax burden(Jusman & Nosita, 2020).

H2:Capital intensity exhibits an significant positive association with tax avoidance.

Sales growth represents the percentage increase in sales this year compared to the previous year (Ariyani & Arif, 2023). An increase in sales growth signifies higher productivity, consequently leading to increased profits. High profits make companies more inclined to utilize tax minimization techniques for substantial fiscal relief and ensure that the generated profits are distributed to the company owners(Rahayu et al., 2023). The connection between agency theory and sales growth lies in the differing interests that arise: increased sales growth will lead to higher profits for the company owners, while the management aims to pay a lower tax burden through tax avoidance practices (Rahayu et al., 2023).

H3: Sales growth exhibits an significant positive association with tax avoidance.

Profitability indicates value capture proficiency by utilizing its resources, such as assets, capital, or sales (Gultom, 2021). High profitability results in high earnings. This signifies that the company is capable of paying its tax obligations and is less likely to utilize tax efficient structures(Suyanto & Kurniawati, 2022). The connection between agency theory and profitability lies in the management's long-term plan to maintain a positive relationship with

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the company owners (investors). Enhancing fiscal responsibility through above aboard tax practices elevates institutional credibility, especially for large-sized companies(Suyanto & Kurniawati, 2022).

H4: Profitability exhibits an significant inverse association with tax avoidance.

CSR explains an organization's responsibility towards its stakeholders, encompassing entities from consumers to the environment(Agustyo & Arianti, 2024). CSR is also understood as an endeavor aimed at building a positive corporate image and influencing the social and economic environment of the community(Lukmana & Puspita, 2023). Based on agency theory, CSR committed companies exhibit reduced tax avoidance behaviorsthey do not want to damage their positive corporate image. When linked to legitimacy theory, CSR can demonstrate a company's level of compliance and reduce societal pressure to aggressively avoid taxes, particularly for large-sized companies that tend to have better CSR implementation due to their greater resources (Novia & Halmawati, 2022).

H5: Company size demonstrates substantive role in mediating CSR's tax avoidance effects.

Capital intensity is defined as investment efforts in tangible asset holdings (Jusman & Nosita, 2020). Substantial fixed assets can create opportunities for companies to employ tax avoidance practices, as the depreciation expense on these assets will also increase. Companies utilize this to mitigate tax burdens, which ultimately can decrease their profits(Putri et al., 2022). Therefore, companies with large fixed assets will tend to have a lower tax burden, and vice versa. When linked to agency theory, the divergence of interests indicates that large fixed assets will lead to higher profits for the company owners, while the management aims to pay a lower tax burden. This is especially true for large-sized companies that tend to possess a significant amount of fixed assets and a larger workforce, reducing tax exposure by recognizing capital consumption and higher office operational costs (Jusman & Nosita, 2020).

H6: Company size demonstrates substantive role in mediating capital intensity's tax avoidance effects.

Sales growth represents the percentage increase in sales this year compared to the previous year (Ariyani & Arif, 2023). An increase in sales growth signifies higher productivity, consequently leading to increased profits. High profits make companies more inclined to utilize tax minimization techniques for substantial fiscal relief and ensure that the generated profits are distributed to the company owners (Rahayu et al., 2023). The connection between agency theory and sales growth lies in the differing interests that arise: increased sales growth will lead to higher profits for the company owners, while the management aims to pay a lower tax burden through tax avoidance practices (Rahayu et al., 2023). Increased sales growth in large-sized companies, which also leads to higher profits, further incentivizes the company's management to aggressively pursue tax avoidance with the aim of preserving those profits (Abdullah et al., 2021).

H7: Company size demonstrates substantive role in mediating sales growth's tax avoidance effects.

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Profitability indicates value capture proficiency by utilizing its resources, such as assets, capital, or sales (Gultom, 2021). High profitability results in high earnings. This signifies that the company is capable of paying its tax obligations and is less likely to utilize tax efficient structures (Suyanto & Kurniawati, 2022). The connection between agency theory and profitability lies in the management's long-term plan to maintain a positive relationship with the company owners (investors). Enhancing fiscal responsibility through above aboard tax practices elevates institutional credibility, especially for large-sized companies. The significant size of these companies often leads to greater attention being paid to the effects of their actions, thus making highly profitable large companies more inclined to avoid tax avoidance (Jusman & Nosita, 2020).

H8: Company size demonstrates substantive role in mediating profitability's tax avoidance effects

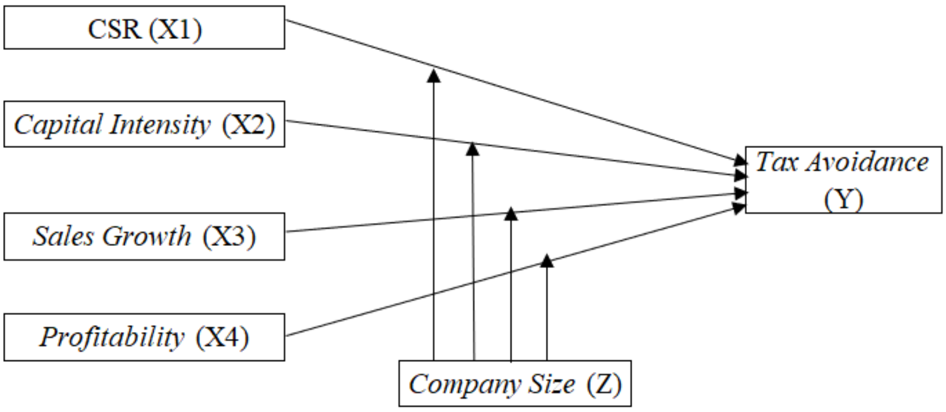

Figure2. *Research Model*

2. METHODOLOGY

This investigation adopts quantitative methods guided by the principles of positivism to determine the outcomes of the previously established hypotheses.

Mining companies publicly traded on the IDX from 2019 to 2023 form the population for this investigatin. A purposive sampling strategy was implemented to resulting in a final sample of 13 companies. The sample was deliberately constrained to firms demonstrating consistently published annual reports and sustainability reports and did not experience losses during the 2019-2023 period.

This research obtained CSR data through the Global Reporting Initiative version 4 (GRI G4) framework, which comprises 91 disclosure items. Capital intensity reflected the share of illiquid assets in the company's resource allocation. Sales growth was gauged by measuring interannual sales velocity. Profitability was proxied by Return on Assets (ROA), Return on Equity (ROE), Gross Profit Margin (GPM), and Net Profit Margin (NPM). Company size is quantified using natural logarithm of total asset.

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This study applied variance based Structural Equation Modelling (PLS-SEM) with SmartPLS 3 to examine the hypothesized. This method was chosen because the research is quantitative in nature and involves a significant amount of numerical and statistical data. The analysis was conducted through the examination of both the outer inner model.

3. RESULT AND DISCUSSION

There are three tests conducted, *convergent validity*, *discriminant validity*, dan *composite reliability*.

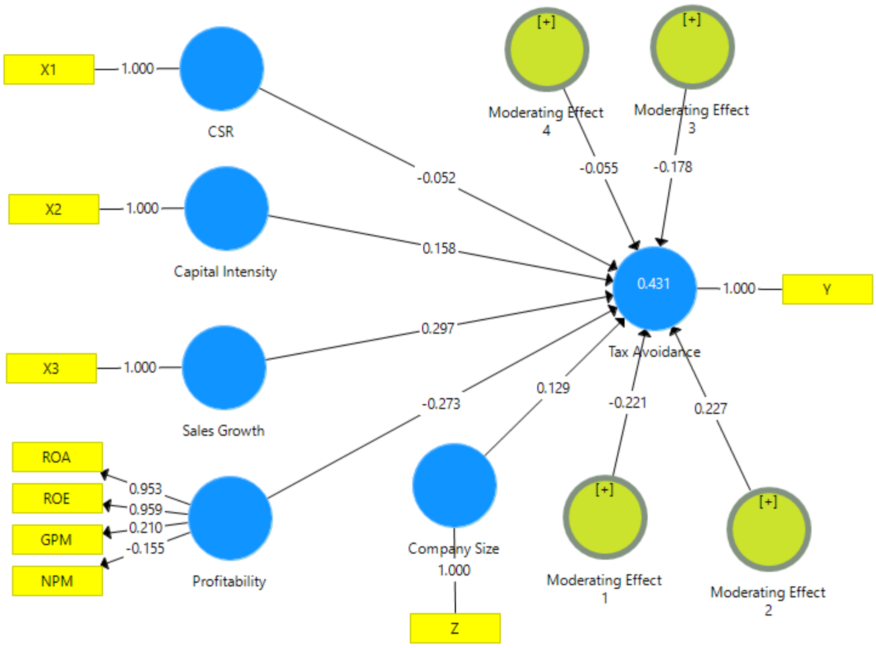

Figure 3. First *Outer Loading*

Source:SmartPLS 3, 2025

Figure 3 shows two indicators with loading factors below 0.7. In the profitability variable, the loading factor for GPM is 0.210, and for NPM it is -0.155. GPM and NPM had to be removed to avoid affecting the model's validity because they did not meet the required threshold. The following are the results after their removal:

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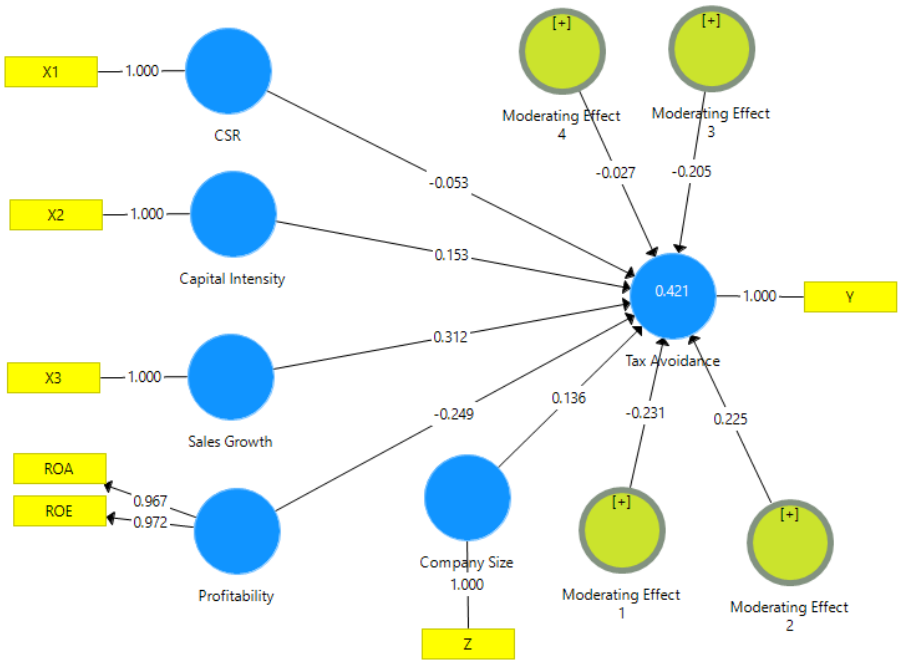

Figure4. Second *Outer Loading*

Source:SmartPLS 3, 2025

Next is discriminant validity, which is appraised by ensuring that the cross-loading of a predictor on its own latent variable is greater than 0.7, or higher than its loading on other latent variables (Risdiyanto et al., 2024).

Table 2. Discriminant Validity

	X1	X2	X3	X4	Y	Z	Z x X1	Z x X2	Z x X3	Z x X4
X1	1,000	0,085	-0,023	0,273	-0,288	-0,383	0,276	-0,204	0,025	0,078
X2	0,085	1,000	-0,147	-0,246	0,208	-0,087	-0,249	-0,024	-0,1	0,195
X3	-0,023	-0,147	1,000	-0,079	0,203	0,087	0,015	-0,05	0,874	-0,073
X4_1	0,232	-0,279	-0,071	1,000	-0,298	-0,283	0,007	0,091	-0,077	-0,29
X4_2	0,295	-0,2	-0,081	1,000	-0,322	-0,185	0,117	0,167	-0,12	-0,129
Y	-0,288	0,208	0,203	-0,32	1,000	0,395	-0,344	0,39	0,069	-0,237
Z	-0,383	-0,087	0,087	-0,24	0,395	1,000	0,049	0,551	-0,213	-0,219

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Z x X1	0,276	-0,249	0,015	0,066	-0,344	0,049	1,000	-0,224	-0,036	0,403
Z x X2	-0,204	-0,024	-0,05	0,135	0,39	0,551	-0,224	1,000	-0,26	-0,505
Z x X3	0,025	-0,1	0,874	-0,102	0,069	-0,213	-0,036	-0,026	1,000	0,146
Z x X4	0,078	0,195	-0,073	-0,213	-0,237	-0,219	0,403	-0,505	0,146	1,000

Source:SmartPLS 3, 2025

Table 2 shows that all indicators are considered valid as their cross-loading on their respective latent variables is greater than their loading on other variables. Lastly, composite reliability is assesses the consistency of constructs. A value greater than 0.7 is considered to indicate high reliability (Risdiyanto et al., 2024).

Table 3.Composite Reliability

	Composite Reliability
CSR	1,000
Capital Intensitty	1,000
Sales Growth	1,000
Profitability	0,940
Tax Avoidance	1,000
Company Size	1,000
Company Size x CSR	1,000
Company Size x Capital Intensity	1,000
Company Size x Sales Growth	1,000
Company Size x Profitability	1,000

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Source:SmartPLS 3, 2025

Tabel 3 indicates that the variables in this study have high construct reliability, as all values are >0,7.

The second test involves the inner model analysis, which comprises R-Square, Q-Square, and P-Value. R-Square signifies that higher values indicate more accurate predictions of the indicators (Risdiyanto et al., 2024). The Q-Square value is obtained from the blindfolding analysis through construct cross-validated redundancy. A Q-Square >0.02 is considered good (Fadillah et al., 2024).

Table4.R and Q-Square

	R-Square	**Q-Square**
Tax Avoidance	0,326	0,145

Source:SmartPLS 3, 2025

Table 4 declare that the tax avoidance's R-Square is 0.326 (32.6%), demonstrating that 32,6% of tax avoidance variance is attributable to the model, with the remaining variance linked to the excluded variables. On the other hand, the Q-Square value for tax avoidance is 0.145 (14.5%), which is considered good.

Next is P-Value, Hypothesis acceptance occurs if the value is<0,05, while values>0,05 this threshold imply rejection (Risdiyanto et al., 2024).

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Tabel 5.P-Value

	Beta Coefficient	P Value	Interpretation
CSR -> Tax Avoidance	-0,053	0,278	Dismissed
Capital Intensitty -> Tax Avoidance	0,153	0,177	Dismissed
Sales Gowth -> Tax Avoidance	0,312	0,267	Dismissed
Profitability -> Tax Avoidance	-0,249	0,047	Approved
Company Size x CSR -> Tax Avoidance	-0,231	0,136	Dismissed
Company Size x Capital Intensitty -> Tax Avoidance	0,225	0,093	Dismissed
Company Size x Sales Growth -> Tax Avoidance	-0,205	0,392	Dismissed
Company Size x Profitability -> Tax Avoidance	-0,027	0,448	Dismissed

Source:SmartPLS 3, 2025

Table 5 declare that for tax avoidance, there is a negative and insignificant effect of CSR (β = -0.053, p-value = 0.278). A high level of CSR disclosure implemented by a company reflects a modest degree of tax avoidance (Rahma et al., 2022). However, CSR disclosure is not solely undertaken to avoid tax avoidance practices but also as a form of social and environmental accountability to stakeholders (Hamdani & Helmy, 2023). This concurs with legitimacy theory, which states that companies need recognition from their stakeholders to maintain their sustainability (Ratu & Hermanto, 2020). This outcome is discordant with the conclusions found inMkadmi and Ali (2024) and Winarno et al. (2021), who proposed that CSR exhibits an significant inverse association with tax avoidance. However, this finding is consistent with Ratu and Hermanto (2020), who explained that CSR exhibits an insignificant inverse association with tax avoidance.

Regarding tax avoidance, the result shows a positive trend, yet it is not statistically significant of capital intensity (β = 0.153, p-value = 0.177). Capital intensity is defined as investment activity in the composition of tangible assets. The purpose of this investment is

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not for the company to avoid tax burdens, but rather to carry out its operational activities and increase its productivity (Rahayu et al., 2023). This indicates that business entities with large fixed assets will not necessarily utilize tax avoidance strategis. Consistent with agency theory, capital intensity leads management to invest in fixed assets to enhance the business's productivity, which consequently bosts earnings, resulting in larger dividends for the company owners. This result contradicts the conclusions drawnbyAbdullah et al. (2021) and Putri et al. (2022), which implied thatcapital intensitty exhibits an significant positive association with tax avoidance. On the other hand, this result aligns with Hendayana et al. (2024) and Rahayu et al. (2023), who proposed that a statistically insignificant positive relationship exists between capital intensity and tax avoidance.

Regarding tax avoidance, the result shows a positive trend, yet it is not statistically significant of sales growth (β = 0.312, p-value = 0.267). Increased sales growth indicates that the company's productivity has also increased, leading to higher generated profits (Rahayu et al., 2023). Generally, this increase in sales is accompanied by a significant rise in operational costs, which affects the adjustment of tax expenses and prevents the company from aggressively engaging in tax avoidance (Sawitri et al., 2022). In relation to agency theory, increased sales growth followed by higher operational costs will lead the management to settle tax expenses after adjustments, thus steering clear of tax avoidance. On the contrary, the proprietors will feel satisfied and have greater trust in the company because their investment has good financial output. The findingsinconsistent with Abdullah et al. (2021) and Dewi (2023), who stated that sales growth exhibits an significant positive association with tax avoidance. However, they align with Wahyuni and Wahyudi (2021), who detected that sales growth exhibits an insignificant positive association with tax avoidance.

Regarding tax avoidance, the result shows inverse trend with a statistically significant of profitability (β = -0.249, p-value = 0.047). High profitability results in high earnings. This signifies that the company is capable of paying its tax obligations and is less likely to utilize tax efficient structures(Suyanto & Kurniawati, 2022). In relation to agency theory, profitability aligns with the management's long-term plan to maintain a positive relationship with the company owners (investors). Enhancing fiscal responsibility through above aboard tax practices elevates institutional credibility, especially for large-sized companies. This result contradicts the finding of Hendayana et al. (2024) and Wirianata et al. (2024), who proposed that profitability exhibits an insignificant inverse association with tax avoidance. However, it aligns with Suyanto and Kurniawati (2022), who stated that profitability exhibits an significant inverse association with tax avoidance.

Company size demonstrates no substantive role in mediating CSR's tax avoidance effects (β = -0.231, p-value = 0.136). When linked to legitimacy theory, CSR can demonstrate a company's level of compliance and reduce societal pressure to aggressively avoid taxes. Both large and small companies disclose CSR to achieve long-term legitimacy or recognition from stakeholders and not primarily as a factor to reduce tax avoidance (Wirianata et al., 2024). This research finding is inconsistent with Abdullah et al. (2021), who proposed that company

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size demonstrates substantive role in mediating CSR's tax avoidance effects. However, it aligns with Wirianata et al. (2024), who stated that company size demonstrates no substantive role in mediating CSR's tax avoidance effects.

Company size demonstrates no substantive role in mediating capital intensity's tax avoidance effects (β = 0.225, p-value = 0.093). Companies possessing large fixed assets could find opportunities utilize tax avoidance, because the depreciation expense on these assets will increase. On this basis, companies can use this to reduce their tax burden and ultimately decrease their profits (Putri et al., 2022). This is done by companies of all sizes, both large and small. Small companies also regulary circumvent tax avoidance when their capital intensity more intensive (Ulinuha & Nurdin, 2024). This result contradicts Wirianata et al. (2024), who demonstrate that company size demonstrates substantive role in mediating capital intensity's tax avoidance effects. However, it aligns with Hendayana et al. (2024), who found that company size demonstrates no substantive role in mediating capital intensity's tax avoidance effects.

Company size demonstrates no substantive role in mediating sales growth's tax avoidance effects (β = -0.205, p-value = 0.392). Increased sales growth indicates higher productivity, resulting in increased profits (Rahayu et al., 2023). High profits enable companies to pay their tax obligations, leading to the conclusion that the size of a business entity does not inherently prompt involvement in tax avoidance (Suyanto & Kurniawati, 2022). Furthermore, strict tax regulations also tend to make companies of all sizes avoid tax avoidance practic. This result is inconsistent with Abdullah et al. (2021), who stated that company size demonstrates substantive role in mediating sales growth's tax avoidance effects. However, it aligns with Suyanto and Kurniawati (2022), who found that company size demonstrates no substantive role in mediating sales growth's tax avoidance effects.

Company size demonstrates no substantive role in mediating profitability's tax avoidance effects (β = -0.027, p-value = 0.448). High profitability leads to high earnings. However, if a significant portion of the company's funding comes from debt, the resulting profit will be smaller, which in turn reduces the tax burden (Prastya & Handayani, 2024). It can be concluded that profitability is not necessarily moderated by company size in relation to tax avoidance, because the magnitude of profit does not always reflect the tax liability. Moreover, strict tax regulations also tend to make companies of all sizes avoid tax avoidance practices. This outturn contradicts Hendayana et al. (2024), who explained ifcompany size demonstrates substantive role in mediating profitability's tax avoidance effects. However, it aligns with Wirianata et al. (2024), who stated that company size demonstrates no substantive role in mediating profitability's tax avoidance effects.

These findings can be utilized as a reference and consideration for companies in managing their tax issues. For instance, the significant influence of profitability on tax avoidance suggests that highly profitable companies should accurately record and report their expenses based on factual data. For future researchers, it is recommended to enrich the independent

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variables and expand the sample size to obtain more accurate data. For the government, which acts as the tax collector, it is advised to create clearer tax regulations to minimize loopholes related to tax payment obligations and prevent tax avoidance practices.

4. CONCLUSSION

In conclusion, regarding tax avoidance (Y), only profitability (X4) has a significant negative impact. A high level of profitability for a company signals high achieved profits. This high profit level suggests that exhibits tax paying capacity and maintains transparent tax practices. For CSR (X1), capital intensity (X2), and sales growth (X3), there is no significant impact on tax avoidance (Y). CSR disclosure is not solely undertaken to avoid tax avoidance but also as a form of social and environmental accountability towards stakeholders. Increases in capital intensity and sales growth lead to higher profits but are also accompanied by increased operational costs, resulting in tax avoidance not always being aggressively implemented.

Furthermore, company size (Z) fails to moderate the bearing of these factors on tax avoidance (Y) outcomes. Companies irrespective of size still fulfill CSR disclosure (X1) to gain long-term legitimacy from stakeholders. For capital intensity (X2), sales growth (X3), and profitability (X4), heightened levels of these factors leads to a corresponding grow in operational costs, which in turn reduces the tax burden. This phenomenon occurs regardless of the company's size. A limitation of this study is the inability to ascertain potential errors in the calculation of secondary data, which could affect the processed data outcomes as undertaken by the researcher.

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