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LEVERAGE MEDIATING DETERMINANT TAX AVOIDANCE IN INDUSTRIAL SECTOR COMPANIES INDONESIA

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Abstract
This study aims to analyze the effect of Profitability, Company Size, and Executive Character on Tax Avoidance with Leverage as an intervening variable. This study was conducted on industrial companies listed on the Indonesia Stock Exchange (IDX) during the period 2018-2023. The study's sample, consisting of 67 industrial sector companies listed on the IDX, was selected using purposive sampling. Based on specific criteria, 48 data points and 27 industrial-related firms were chosen as representatives for the analysis. The study used the Descriptive Statistical Analysis method with samples obtained from the financial statements of companies listed on the IDX during that period. The results of this study prove that simultaneously show that Profitability, Company Size, Executive Character has an effect on Tax Avoidance. Profitability has an effect on Leverage. Company Size and Executive Character do not affect Leverage. Profitability, Company Size and Leverage do not affect Tax Avoidance. Executive Character affects Tax Avoidance. Leverage is unable to intervene in the relationship between Profitability, Company Size and Executive Character on Tax Avoidance.

Keywords: Profitability, Company Size, Executive Character, Leverage, Tax Avoidance

1. Introduction

Tax avoidance is an effort made by a company to reduce the amount of tax that must be paid. This practice is not considered illegal because it uses loopholes or provisions in tax regulations to reduce tax obligations without violating applicable provisions. As a legal action, companies cannot be subject to direct sanctions related to tax avoidance, unless there are limitations that are clearly regulated in laws and regulations (Marini et al., 2019).

The difference in interests between the tax authorities and the company according to agency theory can cause taxpayers or company management to carry out tax planning, one of which is by carrying out tax avoidance. Tax avoidance is an effort to reduce or minimize tax obligations through careful arrangements in order to take advantage of loopholes in tax regulations. This action is not considered to violate tax provisions because taxpayers do so by reducing the amount of tax owed by looking for weaknesses (grey areas) in applicable regulations (Nugraha & Mulyani, 2019).

This study analyzes the level of tax avoidance of companies in the industrial sector listed on the Indonesia Stock Exchange (IDX). In 2014, PT Toyota Manufacturing Indonesia was suspected of carrying out tax avoidance practices by selling thousands of export cars below cost of sales, while the same products were sold domestically at different prices. For exports, Toyota used its business unit in Singapore, Toyota Motor Asia Pacific Pte., Ltd, because the corporate tax rate in Singapore is lower. PT Toyota

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utilized transfer pricing that exceeded reasonable limits to reduce taxes in Indonesia. The Directorate General of Taxes suspects misuse of transactions between affiliated companies for the purpose of tax avoidance through transfer pricing (Sapringah, 2020).

Profitability measure ability company in to obtain Profitability reflect how much effective company produce profit during period certain with utilise level sales, assets, and share capital it owns. The ratio profitability used for evaluate effectiveness management as well as ability company in produce profit in period certain (Nugraha & Mulyani, 2019) Increasingly big the profit obtained, the taller profitability company. Tax is calculated based on profit company, so that the bigger profit obtained, the more the taxes that must be paid are also large paid. The amount tax This can push company for do effort avoidance tax. According to Sarpingah, (2020) profitability has a negative effect on tax avoidance, whereas according to Sofiamanan et al., (2020) Profitability influential positive against tax avoidance. Meanwhile, the research results published by Napitupulu and Hutabarat (2020) stated that "The effect of profitability shows a significant effect on tax avoidance when using the Leverage mediation variable."

Size company, which is calculated based on total assets, influential to avoidance tax. The bigger size company, manager tend apply method accounting that delays reporting profit from period walk to period next use lower amount reported profit (Sapringah, 2020). Large companies own activity more operational complex, giving more Lots opportunity for avoidance taxes. On the other hand, companies small, with more operations limited, facing more A little chance for do avoidance tax Because room its wider scope narrow. According to Sarpingah, (2020) Size company influential negative against Avoidance, whereas according to Sofiamanan et al., (2020) size company influential positive against tax avoidance.

Characteristics executive company own role important in set policies and take decision related company. Executive This includes the CFO (Chief Financial Officer), CEO (Chief Executive Officer), as well as executive peak others. According to (Nugraha & Mulyani, 2019) in taking decision, executive company own different characters, namely a bold executive take risk takers and those who tend to avoid risk (risk averse). According to Yusrizal1 et al, (2022) Characteristics executive has a negative effect on tax avoidance, whereas according to Wandani et al., (2021) showed that characteristics executive influential positive against tax avoidance. Meanwhile, the research results published by Pamungkas and Fachrurrozie (2021) stated that "Executive characteristics have a positive influence on tax avoidance with leverage as an intervening variable".

Leverage is also one of the estimated factors participate affects tax avoidance. Leverage describes ratio that shows how much many and to what extent the industry to finance activity its operation. Proportion debt a large company, will cause height burden flowers that are still must covered company. Large interest burden This later able to reduce profit industry that causes burden the tax become the more a little bit. About the show existence tendency, if company can implement tax avoidance by because burden interest charged big (Nugraha & Mulyani, 2019). So, leverage affects tax avoidance actions.

2. Theoretical Background

2.1 Agency Theory

Jensen and Meckling (1976) stated that agency theory is very relevant because it explains the relationship between the principal, such as shareholders, and the agent, such as company management or executives. In this context, managers as agents can have the

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incentive to do tax avoidance in order to increase company profits or fulfill personal interests. Agency theory assumes that there are differences in interests between parties The principal and the agent can cause conflicts and problems company managers tend to fulfill their personal goals. Problem agency will get bigger and can threaten the sustainability of the company if there is no continuous supervision by the principal above company management performance. Therefore, efficient supervision is needed and optimally by the principal towards the agent for the company's future performance. (Mulyani & Nugraha, 2019). The relationship between agency theory and tax avoidance behavior is based on the wishes of each management and company owner's interests, where the manager can carry out tax avoidance activities on the basis of balancing the wishes of the company owner, namely optimizing the company's income by minimizing tax expenditure. (Wardani et al., 2021)

2.2 Signalling Theory

Signalling Theory is a concept in economics that explains how companies convey information to outsiders, such as investors, through certain actions and policies. In relation to tax avoidance, this theory helps understand how companies send positive or negative signals to investors through the tax avoidance practices they implement. These signals, such as announcements of business strategies or financial decisions, can be used to highlight the company's competitive advantage. (Zhang & Wiersema, 2009). According to Sudarno et al. (2022) signaling theory is a guide aimed at investors regarding the management picture that will be carried out by the company in the future. Information on the condition of the company is important for investors, because the signals given will be guidelines for investors to consider when investing capital in a company (Purwaningsih & Siddki, 2022). The form of the signal given can be observed and studied to obtain information that can be obtained profitable for investors, this signal will also provide developments and opportunities that the company has for investors to compare with other companies (Margono & Gantino, 2021). According to Komara et al. (2020) The positive signal given by the company to investors is a reflection of the company's ability to manage the company, this is also a signal that investors will catch to decide whether to invest or not, this signal will have an impact on the value of the company. Apart from that, high profitability can increase company value and provide a signal for investors to invest (invest capital) in the company (Nurindrayani & Indrati, 2022).

2.3 Tax Avoidance

Tax avoidance is an activity in minimizing the tax burden in a legal or permissible manner and is not considered to have exceeded the provisions of tax regulations carried out by taxpayers by reducing the amount of their tax obligations by looking for opportunities from weaknesses in the regulations (loopholes) (Widodo et al., 2020). This tax avoidance activity can provide benefits for one party in the company, because with a small tax burden, let alone no tax at all, the company's income will increase (Nugraha & Mulyani, 2019). The existence of a conflict of interest between the company owner and the company management according to agency theory can give rise to non-compliance by taxpayers and management in carrying out tax avoidance activities which can be detrimental to the country (Idzni & Purwanto, 2017).

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2.4 Profitability

Profitability is the company's ability to generate profits by using all the capital working within the company. This can be seen from the company's ability to generate profits through all existing capabilities and resources, such as sales activities, use of assets and use of capital. For example, research by Putra Pradana (2021) shows that leverage has no significant effect on profitability. In contrast, research by Yusrizal et al. (2022) indicates that leverage can act as a mediator in the relationship between profitability and tax avoidance. Larger firms tend to use leverage to reduce their tax liabilities, while more profitable firms may also engage in tax avoidance practices to manage their earnings more efficiently. Kasit's (2018) research shows a negative relationship between ROA and tax avoidance, while Kurniasih (2018) found results that showed stable and good company profitability could increase tax avoidance. Conversely, Rinaldi & Cheisviyanny (2018) stated that profitability has a positive and significant effect on tax avoidance. This indicates that the higher the company's profitability, the more likely the company is to engage in tax avoidance. Based on this explanation, the hypothesis used in this study is:
H1: Profitability has an effect on Leverage
H2: Profitability has an effect on Tax Avoidance

2. 5 Company Size

Company size is often considered to be related to tax avoidance practices. Larger companies usually have greater resources to undertake complex tax planning, including exploiting loopholes in the tax system. Larger companies also tend to have stronger financial and legal teams to devise strategies that allow them to pay less tax. The size of a company reflects its financial strength. According to Nugraha & Meiranto (2015), large companies are more likely to attract public attention and obtain loans from creditors or investors. Based on the trade-off theory, companies can use debt to reduce taxes and increase the value of the company. Large companies, which require more funding, tend to use leverage to reduce the tax burden, so the larger the company, the greater the potential for tax avoidance. Recent research shows that large companies are more likely to use leverage due to better access to external financing and a stronger financial position. According to Nugraha & Meiranto (2015), large companies find it easier to obtain loans, while Dewi (2019) and Putra (2022) show that they often use leverage to manage operational funding and optimize taxes. This is in accordance with the trade-off theory, where debt is used to increase the value of the company. Based on this explanation, the hypothesis used in this study is:
H3: Company Size has an effect on Leverage.
H4: Company Size has an effect on Tax Avoidance

2.6 Executive Character

Executive characteristics, including educational background, experience, and attitudes towards risk, influence company policies regarding taxation. Executives who are more aggressive in taking risks may be more likely to encourage tax avoidance strategies. In line with agency theory which explains that corporate executives are encouraged to use debt in anticipation of conflicts of interest between executives and company owners (Tristianto & Oktaviani, 2019). Research by Rahmawati (2017) and Muslim & Agustin (2018) also shows a positive influence of executive characteristics on the use of leverage. Executives who have a tendency to take risks will not hesitate to carry out tax avoidance strategies. The greater the executive's courage in taking risks, the lower the Current ETR

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value, which indicates a high level of tax avoidance (Yuliani, 2015). Research conducted by Saputra et al. (2015) and Tristianto & Oktaviani (2019) supports a positive influence between executive personality and tax avoidance. Based on this explanation, the hypothesis used in this study is:
H5: Executive Character has an effect on Leverage.
H6: Executive Character has an effect on Tax Avoidance.

2.7 Leverage

Leverage is the level of a company's ability to use assets or capital that have fixed costs (debt or shares) in order to realize the company's goals of maximizing the value of the company concerned. This is in line with research conducted by Akbar (2018), Nugraha & Mulyani (2019), and Marini et al. (2019), which shows that leverage has a significant effect on tax avoidance. Sarpingah (2020) stated that leverage significantly mediates this relationship, indicating that companies with high profitability often use debt to reduce tax burdens by reducing interest costs. The size of the company reflects its financial capability and financial strength. According to Nugraha & Meiranto (2015), large companies tend to attract public attention and give positive signals to creditors or investors, making it easier to get loans than small companies. This finding is supported by research by Carolina et al. (2014) which states that leverage can be a mediator in the relationship between executive characteristics and tax avoidance. Based on this explanation, the hypothesis that will be used in this study is:
H7: Leverage has an effect on Tax Avoidance.
H8: Leverage successfully intervenes Profitability on Tax Avoidance
H9: Leverage successfully intervenes Company Size on Tax Avoidance
H10: Leverage successfully intervenes Executive Character on Tax Avoidance

3. Method

3.1 Research Design

In this study, quantitative data analysis was carried out on 66 industrial supply companies listed on the Indonesia Stock Exchange (IDX) during the period 2018 to 2023. Secondary data is collected from various related sources to gather the necessary information. Intervening analysis was used to investigate whether there was any intervening effect on the relationship between the variables studied, while panel data regression was applied to explore the reciprocal relationship between the variables. Analysis was conducted using the EViews version 12 application.

3.2 Dependent Variable

According to Pohan (2013: 23), Tax Avoidance is a form of active resistance to tax obligations, where individuals or companies carry out various actions that are directly directed at the tax authorities (fiscus) with the aim of reducing or avoiding the tax burden that must be paid. Tax avoidance is a form of effort made by a party, in this case a taxpayer, to reduce the amount of tax payable by exploiting tax loopholes themselves. Tax avoidance can measure with indicator Cash Effective Tax Ratio (CETR). Measured by the formula:

$$\boxed{\text{CETR} = \frac{\text{Total Tax Expense}}{\text{Pretax Income}}}$$

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3.2 Independent Variables

3.2.1 Profitability

Profitability ratios are used to assess a company's ability to generate profits (Kasmir, 2014:115). Three commonly used ratios are Profit Margin, Return on Assets (ROA), and Return on Equity (ROE). In this study, the researcher used ROA as a measure of profitability, because it reflects the operational efficiency and profitability of the company. ROA is also used to compare business performance with competitors. Here are the measurements:

$$\boxed{\text{ROA} = \frac{\text{Net Profit}}{\text{Total Asset}} \text{x } 100\%}$$

3.2.2 Company Size

According to Machfoedz (1994) in Kurniasih et al. (2013), company size is an indicator that can be used to classify companies as large or small. This classification is based on various factors such as total assets, stock market value, average sales level, and total company sales. The formula used to measure company size is:

$$\boxed{\text{SIZE} = \text{Ln (total assets)}}$$

3.2.3 Executive Character

According to Low (2006), an executive in carrying out his duties as a company leader has two main characters, namely as a party who dares to take risks (risk taker) and as a party who avoids risks (risk averse). The risks faced by the company reflect the decisions and policies made by the company's leaders.

$$\boxed{\text{Risk} = \frac{\text{EBITDA}}{\text{Total Asset}} \text{x } 100\%}$$

3.3 Mediating Variables

DER (Debt to Equity Ratio) measures the comparison between a company's debt and equity, indicating the company's dependence on debt for operational financing. The higher the DER, the greater the financial risk faced by the company.

$$\boxed{\text{DER} = \frac{\text{Debt}}{\text{Equity}}}$$

3. 4 Data Analysis Methods

3.4.1 Descriptive Statistical Analysis

Descriptive statistical analysis aims to provide a description of data or a descriptive description of data seen from the mean, median, maximum, minimum, standard deviation, skewness, kurtosis, and Jarque-bera (Eksandy, 2018).

3.4.2 Panel Data Regression Estimation

Panel Data Regression Estimation In estimating model parameters with panel data, there are three techniques that can be used, namely the Common Effect Model (CEM), Fixed Effect Model (FEM), and Random Effect Model (REM).

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3.4.3 Selection of Panel Data Regression Model Techniques

In estimating panel data model parameters, there are three panel data estimation technique models that can be used, namely the Common Effect Model (CEM), Fixed Effect Model (FEM), and Random Effect Model (REM). To find out which model is appropriate to the data in this study, several tests were carried out, namely the Chow Test, the Hausman Test, and the Lagrange Multiplier Test.

4. Results and Discussion

4.1 Panel Data Regression Estimation

Table 1. Conclusion of Estimation Model

No.	Test	Model	Prob. Value	Result
1.	Chow	CEM Vs FEM	0.0391	FEM
2.	Hausman	REM Vs FEM	0.0000	FEM
3.	Lagrange Multiplier	CEM Vs REM	0.9183	CEM

Source: EViews 12 Output (2024)

Based on the table 1 findings obtained from the three trials, it can be concluded that FEM (Fixed Effect Model) will be used in hypothesis testing as well as in the analysis of regression equations on panel data. Because of this result, the classic assumption test will be carried out.

4.2 Classical Assumption Test

Table 2. Results of Multicollinearity and Heteroscedasticity Tests

Variable	VIF Value	Multicollinearity Status	Prob. Glejser Test	Heteroscedasticity Status
ROA	< 0.80	No Multicollinearity	0.1548	Homoscedastic
SIZE	< 0.80	No Multicollinearity	0.9886	Homoscedastic
RISK	< 0.80	No Multicollinearity	0.9299	Homoscedastic
DAR	< 0.80	No Multicollinearity	0.0814	Homoscedastic
Constant	–	–	0.9433	Homoscedastic

Source: Authors' calculation using EViews 12 (2024).

The multicollinearity test results demonstrate that all independent variables (ROA, SIZE, RISK, and DAR) have VIF values below the threshold of 0.80, confirming the absence of multicollinearity within the regression model. This indicates that each explanatory variable contributes independently without overlapping effects.

Furthermore, the heteroscedasticity test conducted using the Glejser method and Breusch-Pagan LM approach shows that the probability values for all variables are greater than 0.05 (e.g., ROA = 0.1548; SIZE = 0.9886; RISK = 0.9299; DAR = 0.0814; Constant = 0.9433). These results imply that the regression model does not suffer from heteroscedasticity, suggesting that the variance of the residuals is constant and that the model is robust for further analysis.

4.4 Hypothesis Test

Table 4. Results of F-Test, T-Test, and Coefficient of Determination (R^2)

Test	Variable	Prob. Value	Decision ($\alpha = 0.05$)	Conclusion
F-Test 1	Profitability, Company Size, Executive Character → Leverage	0.000000	Sig.	Jointly affect Leverage
F-Test 2	Profitability, Company Size, Executive Character → Tax Avoidance	0.046139	Sig.	Jointly affect Tax Avoidance

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Test	Variable	Prob. Value	Decision ($\alpha = 0.05$)	Conclusion
T-Test 1	Profitability → Leverage	0.0000	Sig.	Positive effect
	Company Size → Leverage	0.0778	Not Sig.	No effect
	Executive Character → Leverage	0.5653	Not Sig.	No effect
T-Test 2	Profitability → Tax Avoidance	0.1780	Not Sig.	No effect
	Company Size → Tax Avoidance	0.5134	Not Sig.	No effect
	Executive Character → Tax Avoidance	0.0007	Sig.	Positive effect
	Leverage → Tax Avoidance	0.1684	Not Sig.	No effect
R^2 (Model 1)	X1, X2, X3 → Leverage	0.767 (76%)	–	Model explains 76% of variance
R^2 (Model 2)	X1, X2, X3, Z → Tax Avoidance	0.095 (9%)	–	Model explains 9% of variance

Source: Authors' calculation using EViews 12 (2024).

The F-test results indicate that the independent variables—Profitability, Company Size, and Executive Character—jointly influence both Leverage ($p = 0.000000$) and Tax Avoidance ($p = 0.046139$). However, the T-test shows that individually, only Profitability significantly affects Leverage, while Company Size and Executive Character do not. Conversely, in the second model, only Executive Character significantly influences Tax Avoidance, whereas Profitability, Company Size, and Leverage show no significant effects.

Regarding the explanatory power, the coefficient of determination (Adjusted R^2) demonstrates that the first model explains 76% of the variation in Leverage, indicating a strong model fit. In contrast, the second model only explains 9% of the variation in Tax Avoidance, suggesting that other unobserved factors play a more dominant role.

4.5 Regression Equation

$$DAR = -4.52582530904 + 0.993097421736*ROA + 0.0483783259385*SIZE - 0.504271978904*RISK$$

$$ETR = -0.477591712482 - 0.0493741990275*ROA + 0.0701170110847*SIZE - 1.2532649607*RISK + 0.0350273090363*DAR + [CX=F, PER=F]$$

From the research above, the influence of the independent variable on the dependent variable, whether mediated by the intervening variable or not, is based on the existing hypothesis.

4.6 Sobel Test

Table 2. Sobel Test Results

No	Track	T count	T table	Conclusion
1	X1 against Y through Z	1.28	1.97	Leverage is not an intervening variable
2	X2 against Y through Z	1.05	1.97	Leverage is not an intervening variable
3	X3 against Y through Z	0.52	1.97	Leverage is not an intervening variable

Based on the table above, the following hypothesis results can be concluded:

1) Hypothesis Test Results (H1)

   The results of the t-test between Profitability and Leverage obtained a regression coefficient value of 1.284963 and had a t-statistic value of 20.14020 which was greater than the table value (20.14020 > 1.97) with a probability value of 0.0000 (sig < 0.05). *H1: Profitability has a positive effect on Leverage.*

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2) Hypothesis Test Results (H2)
   The results of the t-test between Profitability and Tax Avoidance obtained a regression coefficient value of -0.067313 and had a t-statistic value of -1.354085 which was smaller than the table value (1.354085 < 1.97) with a probability value of 0.1780 (sig < 0.05). *H2: Profitability has no effect on Tax Avoidance.*
3) Hypothesis Test Results (H3)
   The results of the t-test between Company Size and Leverage obtained a regression coefficient value of -3.668847 and had a t-statistic value of -1.777732 which was smaller than the table value (1.777732 < 1.97) with a probability value of 0.0778 (sig < 0.05). *H3: Executive character has no effect on leverage.*
4) Hypothesis Test Results (H4)
   The results of the t-test between Company Size and Tax Avoidance obtained a regression coefficient value of -0.528408 and had a t-statistic value of -0.655387 which was smaller than the table value (0.655387 < 1.97) with a probability value of 0.5134 (sig < 0.05). *H4: Company size has no effect on Tax Avoidance.*
5) Hypothesis Test Results (H5)
   The results of the t-test between Executive Character and Leverage obtained a regression coefficient value of -0.519072 and had a t-statistic value of -0.576418 which was smaller than the table value (0.576418 < 1.97) with a probability value of 0.5653 (sig < 0.05). *H5: Executive character has no effect on leverage.*
6) Hypothesis Test Results (H6)
   The results of the t-test between Executive Character and Tax Avoidance obtained a regression coefficient value of -1.215195 and had a t-statistic value of -3.490915 which was greater than the table value (3.490915 > 1.97) with a probability value of 0.0007 (sig < 0.05). *H6: Executive character has a positive effect on tax avoidance.*
7) Hypothesis Test Results (H7)
   The results of the t-test between Executive Character and Tax Avoidance obtained a regression coefficient value of 0.046541 and had a t-statistic value of 1.385006 which was greater than the table value (1.385006 > 1.97) with a probability value of 0.1684 (sig < 0.05). *H7: Leverage has no effect on Tax Avoidance.*
8) Hypothesis Test Results (H8)
   The results of the Sobel test between Profitability and Tax Avoidance through Leverage obtained a calculated t value of 1.28, smaller than the t table (1.28 < 1.97) with a significance level of 0.05. *H8: Profitability does not affect Tax Avoidance through Leverage as an intervening variable.*
9) Hypothesis Test Results (H9)
   The results of the Sobel test between Company Size and Tax Avoidance through Leverage obtained a calculated t value of 1.05, which is smaller than the t table (1.05 < 1.97) with a significance level of 0.05. *H9: Company Size does not affect Tax Avoidance through Leverage as an intervening variable.*
10) Hypothesis Test Results (H10)
   The results of the Sobel test between Executive Character and Tax Avoidance through Leverage obtained a calculated t value of 0.52, which is smaller than the t table (0.52 < 1.97) with a significance level of 0.05. *H10: Executive Character has no effect on Tax Avoidance through Leverage as an intervening variable.*

4.7 Discussion of Research Method

Based on the figure 7, Hypothesis one state that Profitability influences leverage through agency and signaling theory. Agency theory (Jensen & Meckling, 1976) explains that managers can increase debt when profitability is high to maximize profits, even though they have to consider the risk of bankruptcy. Kusumawati & Sari (2020) found a positive relationship between profitability and leverage, while Prabowo & Sari (2019) showed that profitability does not significantly influence leverage, because companies prefer to use internal funds.

Hypothesis two state that the hypothesis that profitability does not affect tax avoidance, influenced by agency and signaling theories. High profitability can reduce incentives for aggressive tax avoidance or encourage full tax payments as a positive signal. According to agency theory (Jensen & Meckling, 1976), high profitability may lead managers to prioritize sustainability and reputation over tax avoidance. Kusumawati & Sari (2020) found that profitability does not significantly impact tax avoidance, while Prabowo & Sari (2019) showed that profitability encourages tax avoidance to increase net profit.

Hypothesis three state that Company size does not always affect leverage, as explained by agency theory (Jensen & Meckling, 1976) and signaling theory (Spence, 1973). Agency theory suggests that managers of large firms may focus more on financial stability than increasing debt. Meanwhile, signaling theory shows that large companies can choose a conservative capital structure as a signal of financial strength to stakeholders. Research shows mixed results: Kusumawati & Sari (2020) found that company size does not significantly influence leverage, while Prabowo & Sari (2019) revealed a positive relationship, where large companies tend to increase debt to support expansion and investment.

Hypothesis four state that Company size does not always influence tax avoidance, as explained in agency theory (Jensen & Meckling, 1976) and signaling (Spence, 1973). Agency theory states that managers of large companies tend to focus on reputation rather than tax avoidance, while signaling theory states that large companies choose to pay full taxes to demonstrate ethics and transparency. Research by Halim & Rahman (2021) supports this view, showing that company size does not affect tax avoidance. On the other hand, Wulandari & Setiawan (2022) found a positive relationship, where large companies more often avoid taxes in order to increase company value.

Hypothesis fifth state that Executive Character own influence against Leverage. In the context of character executives, leverage decisions may reflect attitude avoidance risk or courage face risk. Executives who tend to be risk-takers can choose high leverage for maximize returns, while risk-averse ones tend to avoid leverage because Afraid risk failure. Conflict agency appear when decision This No in harmony with interest holder shares, for example, with increase cost agency. Research conducted by (Nguyen and Tran, 2020) Finding that risk-taker executives tend to increase leverage to utilise potential return high, support influence character executive against leverage. While according to, (Rahman et al., 2021) Found that although character executive important, factor like profitability and growth company own influence bigger against leverage.

Hypothesis sixth state that Executive Character Efforts own influential to Tax Avoidance. Opportunistic executive character tends utilise gap tax for reach profit personal, which can increase risk avoidance tax. This is show that character executives who do not responsible answer can to worsen conflict agency and encourage behavior avoidance tax. Research conducted by (Khlif et al., 2022) shows that CEO characteristics

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such as courage in take risk influence level avoidance tax company. While invention according to (Wang et al., 2019) revealed that in a number of case, avoidance tax by executive considered as signal ability managerial For save cost companies, especially in less developed markets transparent.

Hypothesis seven state that Leverage Efforts have an effect on Tax Avoidance. Companies with high debt levels Possible own pressure from creditors for guard cash flow utility fulfil obligation payment flower. However, if avoidance tax too aggressive, thing This can bring up audit risk and penalties, which are also contradictory with interest owner. Research conducted by (Hassan and Naser, 2020): In the context of emerging markets, leverage drives manager for reduce burden tax as part from efficiency strategy finance. While invention according to (Rachmawati and Syafitri, 2019): Finding n that leverage is not influential significant to avoidance tax in the sector banking in Indonesia.

The eighth hypothesis states that leverage is unable to intervene in the influence of profitability on tax avoidance. In line with agency theory put forward by Jensen & Meckling (1976), it highlights the conflict of interest between agents (management) and principals (shareholders). Leverage is expected to function as a control mechanism because debt creates interest payment obligations. However, if leverage is unable to intervene in the relationship between profitability and tax avoidance, then this shows that the pressure from debt obligations is not strong enough to influence management strategies related to taxes. The results of this research are in accordance with Sarpingah (2020) who stated that "Leverage is not able to intervene in the influence of Profitability on Tax Avoidance". Another different result states that "Leverage is able to intervene in Profitability against Tax Avoidance" (Firmansyah and Hidayati 2019).

The ninth hypothesis states that leverage is unable to intervene in the influence of company size on tax avoidance. In line with agency theory developed by Jensen & Meckling (1976) it focuses on conflicts of interest between management (agents) and shareholders (principals). Larger companies usually have more resources and operational complexity, which can increase opportunities for tax avoidance due to gaps in tax regulations. If leverage is unable to intervene in the relationship between company size and tax avoidance, this indicates that control through debt is not strong enough to influence large companies' strategies regarding tax avoidance. The results of this research are in accordance with research by Suryani & Putra (2019) which states that "Leverage is not able to intervene with company size on tax avoidance". However, different results researched by Firmansyah & Hidayati (2019) stated "Leverage is able to intervene in company size in tax avoidance".

The tenth hypothesis states that Leverage is unable to intervene in the influence of Executive Character on Tax Avoidance. In line with agency theory by Jensen & Meckling (1976) underscores the conflict of interest between agents (management) and principals (owners). Aggressive executives tend to more actively look for loopholes in tax regulations to maximize net profits and increase company value, often tied to personal incentives. However, if leverage is unable to intervene in the influence of executive character on tax avoidance, this indicates that tax avoidance behavior is driven more by internal factors. The results of this research are in accordance with research by Nugraha & Mulyani (2019) which states that "Leverage as an intervening variable cannot mediate the influence of Executive Character on Tax Avoidance". On the other hand, different research results were stated by Rahmawati et al. (2019) that "Leverage is able to intervene in the influence of Executive Character on Tax Avoidance".

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5. Conclusion

Based on the results of the research conducted, the following conclusions can be drawn from this research:

1) Profitability influential to Leverage on the company sector industries listed on the Indonesia Stock Exchange for the 2018-2023 period.
2) Company Size does not influential to Leverage on the company sector industries listed on the Indonesia Stock Exchange for the 2018-2023 period.
3) Executive Character has no effect on Leverage in industrial sector companies listed on the Indonesia Stock Exchange for the 2018-2023 period.
4) Profitability No influential to Tax Avoidance in companies sector industries listed on the Indonesia Stock Exchange for the 2018-2023 period.
5) Company Size does not influential to Tax Avoidance in companies sector industries listed on the Indonesia Stock Exchange for the 2018-2023 period.
6) Executive Character influential to Tax Avoidance in companies sector industries listed on the Indonesia Stock Exchange for the 2018-2023 period.
7) Leverage no influential to Tax Avoidance in companies sector industries listed on the Indonesia Stock Exchange for the 2018-2023 period.
8) Leverage No capable intervene connection between Profitability to Tax Avoidance in companies sector industries listed on the Indonesia Stock Exchange for the 2018-2023 period.
9) Leverage No capable intervene connection between Company Size vs. Tax Avoidance in companies sector industries listed on the Indonesia Stock Exchange for the 2018-2023 period.
10) Leverage No capable intervene connection between Executive Characters to Tax Avoidance in companies sector industries listed on the Indonesia Stock Exchange for the 2018-2023 period.

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