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THE EFFECT OF LEVERAGE, INSTITUTIONAL OWNERSHIP, AND PROFITABILITY ON TAX AVOIDANCE WITH COMPANY SIZE AS A MODERATING VARIABLE IN HEALTHCARE SECTOR COMPANIES LISTED ON THE INDONESIA STOCK EXCHANGE (IDX) FOR THE 2021 – 2023 PERIOD

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Abstract
This study intends to understand the impact of Leverage, Institutional Ownership and Profitability on Tax Avoidance through Company Size as a moderation variable. The population of this study is Healthcare Companies listed on the Indonesia Stock Exchange (IDX) for the 2021-2023 period. The population is 33 companies using the purposive sampling method with 15 companies that meet the requirements, with a large amount of observation data of 45 data. This data study uses the method of combined data regression analysis through the E-views 12.0 program. The findings of the study prove that Leverage and Profitability have a negative impact on Tax avoidance. Institutional ownership has a positive impact on tax avoidance. Company Size can moderate the impact of Leverage, Institutional Ownership and Profitability on Tax avoidance.

Keywords: Leverage, Institutional Ownership, Profitability, Tax Avoidance, Company Size

1. Introduction

Taxes are part of the cause of income for a country and are important in supporting the country's progress as well as acting as a government initiative to support economic activities, finance all government expenditures as well as build infrastructure for the community. So that taxes can boost economic growth by providing funds for infrastructure development, which increases economic efficiency and productivity. Tax incentives for certain sectors encourage investment and create jobs. With a transparent tax system, investor confidence is increasing, supporting sustainable and inclusive economic growth. (Maulita and Framita 2021). From a state perspective, Taxes are considered the main source of state revenue because they are a tool that the government uses to raise the necessary funds to finance various programs and public needs. However, in contrast to the mindset of the Company which considers taxes a burden that can result in reduced profits, the Company strives to optimize tax avoidance. One way that taxpayers can take advantage of is by implementing Tax avoidance.

Tax avoidance refers to a legitimate way to reduce the tax liability of a person or company by using loopholes or provisions in tax regulations. While not illegal, tax avoidance is often seen as a way to aggressively "avoid" taxes by planning transactions or business structures that minimize the amount of tax that is bound to be paid. (Purwanti and Sugiyarti, 2017). Tax avoidance is a way to minimize the tax burden in a legal and legal way, usually through careful tax planning (Mardiasmo, 2011), This is done by taking

advantage of loopholes or provisions in tax regulations, such as using tax incentives, income timing, or business structures that optimize tax obligations without violating applicable rules. Although legal, tax avoidance is often considered aggressive and can sometimes be seen as unethical if done excessively. Tax avoidance is a legal way implemented by taxpayers to minimize their tax obligations that optimize loopholes or imperfections in applicable tax regulations. In contrast to tax evasion, which is an illegal strategy in the form of tax evasion through data manipulation or violations of tax laws in the country (Astuti & Aryani, 2016).

This phenomenon Judging from the development of China's chemical, pharmaceutical, and traditional medicine industries in 2021, the first quarter increased by 8.28% year-on-year, while the fourth quarter of 2020 increased by 8.45% year-on-year. From the first quarter of 2019 to the third quarter of 2020 the company experienced quite good development, but starting from the first quarter of 2021 the industry experienced a considerable decline.

The pharmaceutical industry experienced quite rapid growth in 2019. The industry ranks second among the non-oil and gas industry after the food and beverage industry number one, with a very high need for vitamins, supplements, and medicines. Increase your body's immunity when COVID-19 hits the country. The industry grew by 10.7% in 2020 compared to 3.39% in 2019. Due to the increasing demand from the pharmaceutical and medical device industries, the government included these industries in the list of priority industries.

Leverage refers to the use of borrowed funds to increase the potential return on investment. In the context of business or finance, leverage is used to finance assets or projects by borrowing money, so that companies or individuals can magnify their potential profits without having to use all of their own capital. However, the use of leverage also increases the risk, as the obligation to pay interest and loans remains, even if the investment does not yield the expected profit. (Yanti, Komalasari et al. 2022). This is the same as the results studied (Suyanto and Kurniawati, 2022) which conclude that leverage has a progressive impact on tax avoidance. However, other researchers as revealed through (Saputra and Suwandi et.al, 2020) show that leverage actually has a bad impact on tax avoidance. However, contrary to the study conducted by (Ramadani and Tanno, 2022) which revealed that Leverage does not have an impact on Tax avoidance.

Institutional ownership refers to institutional equity owned through an agency or an entity, for example an investment company, pension fund, bank, or foundation. (Pratiwi, 2018). Institutional ownership plays a significant role in the company because with the presence of ownership from external parties, supervision of management performance will be stronger. This can minimize tax avoidance measures by implementing them in management, as institutional shareholders tend to demand transparency and accountability in the management of the company, as well as focusing on policies that support the company's long-term value. (Pratomo and Rana, 2021). This is in line with a study conducted by (Putri and Wijaya et al., 2020) which states that institutional ownership has a beneficial impact on tax avoidance, while on the other side of the research reveals that institutional ownership has a negative impact on tax avoidance (Hendrianto, 2022). However, it is inversely proportional to the study researched by (Aulia and Purwasih, 2023) which reveals that institutional ownership that does not have an impact on tax avoidance can occur because although institutional shareholders play an important role in the supervision and management of the company, they are not always directly involved in decisions related to taxation. Institutional ownership tends to focus

on the financial performance and sustainability of the company, so they may not directly monitor or control tax avoidance practices, especially if the strategies used are still within the boundaries of existing laws.

ROA (Return on Assets) refers to the financial level applied to assess how efficient the agency is in obtaining profits from its assets. ROA shows how well a company is using its existing assets to make a profit. The greater the ROA, the better the company's ability to use assets to make a profit. (Darmawan and Sukarta, 2014). Companies with large running time and large revenues tend to have a minimal tax burden because they can manage expenses well and take advantage of tax deductions, such as deductible expenses. In addition, these companies often use careful tax planning (Darmadi, 2013). The study is in line with what was researched by (Frizky and Dirman, 2022) which revealed that profitability is known to have a good impact on tax avoidance as stated by (Suyanto and Kurniawati, 2022). However, other studies such as those researched by (Prastya and Handayani, 2024) actually conclude that profitability has no impact on tax avoidance, showing the opposite results.

The size of the company has an influence as a moderation that affects leverage on tax avoidance. In this case, it is stated that the leverage of a company will automatically begin to increase as the size of the company increases. Therefore, companies will have a higher likelihood of using debt in the payments they make for their daily operations. In this way, large companies have a higher probability of effectively avoiding taxes by using the authority they have (Suyanto & Kurniawati, 2022) and (Sulistiono, 2018). This case is similar to that studied by (Hermanto and Puspita, 2022) which revealed that the size of the company can offset the impact of leverage on tax avoidance. However, contrary to the study researched by (Ramadani and Tanno, 2022) which revealed that the size of the company could not bridge the impact of leverage on tax avoidance.

The larger a company, the higher the complexity of its operations and organizational structure. This is related to the increasing number of managers, human resources, and assets under management, which often creates opportunities for companies to avoid taxes. This case is due to the increasing size of a company so that the government pays more attention to carry out an inspection related to the tax submission carried out by a company. Therefore, institutional investors can increase their monitoring of managers' performance to comply with existing tax regulations (Nisa and Desi, 2022). This is similar to the study researched by (Hendrianto, 2022) which proves that the scale of the Company can balance institutional ownership in tax avoidance. However, it is not similar to what was researched by (Aulia and Purwasih, 2023) which revealed that the scale of the Company cannot bridge institutional ownership to tax avoidance.

Research conducted (Sulistiono, 2018) and (Andini et al., 2022) found that company size is useful as a moderation factor that increases the impact of profitability on tax avoidance. Therefore, large companies, especially those with large total assets, are considered to be profitable and can have the opportunity to generate profits juxtaposed to small and medium-sized companies. Therefore, large companies usually have significant assets because they manage more complex and broader operations. These assets include various forms of wealth that the company owns, both in physical form (such as buildings, factories, and equipment) and non-physical (such as patents, trademarks, and skilled human resources). These large assets allow companies to produce large quantities of goods and services, expand markets, and innovate more efficiently. This is similar to a study researched by (Suyanto and Kurniawati, 2022) which revealed that the size of the company can balance the impact of profitability on tax avoidance. However, it contradicts

that researched by (Ramadani and Tanno, 2022) which reveals that the size of the company cannot bridge the impact of profitability on tax avoidance.

2. Theoretical Background

2.1 Agency Theory

This principle focuses on potential conflicts of interest that arise because owners and managers may have different goals. Owners typically want to maximize profits and the value of the company, while managers may focus more on personal interests, such as income or status (Jensen & Meckling, 1976). This relationship can cause problems due to the difference in roles between agents and principals is central to agency theory. In the context of a company, the principal is usually an investor or owner of the company, while an agent is a manager or a party who is authorized to manage the company.

This theory highlights the importance of appropriate oversight and incentives to ensure that the agent performs in accordance with its principal interests and emphasizes the importance of a clear contract between the principal and the agent to reduce the risk of deviation from the intended objectives, as well as the use of incentives that align with the interests of both parties. (Erawati & Wahyuni, 2019).

The principle of agency stated by (Jensen and Meckling, 1976) states the relationship between the shareholder as the power of attorney and the company manager as the power of attorney. This theory emphasizes the importance of cooperation through a contract, where the authorized party is responsible for making decisions related to the company's operations. Company managers tend to have more information about the company, thus giving rise to agency issues and agency costs (Handayani and Hebrew, 2019).

2.2 Tax Avoidance

Tax avoidance in general is a legal way applied to minimize taxpayers who use space on legal tax rules, such as regulating business structures or expenses to minimize taxes that must be paid. According to (Pohan, 2006) states that tax avoidance is a legitimate way to minimize taxes that must be paid through careful tax planning and the use ofoexisting legal provisions.

Although tax avoidance is not illegal, if it is done excessively or not in accordance with the original purpose of tax regulations, it can cause criticism related to tax ethics and fairness. Governments typically respond by closing legal loopholes or tightening tax regulations to avoid abuse.

2.3 Leverage

Leverage is a description in the financial world that refers to the use of debt or loans to finance investment or company operations. The main purpose of using leverage is to increase the potential return on the capital owned. However, leverage can also increase risk, as companies must pay interest on debt taken, although there is no guarantee that investments financed with debt will provide sufficient returns. (Praditasari, 2017).

The relationship between leverage and agency theory lies in the fact that debt servicing obligations are greater than dividend distributions, so an increase in debt can affect the amount ofonet income available to investors as well as approved dividends. As a result, agents (management) tend to try to reduce debt, as this will increase principal satisfaction without having to worry about net income and dividends to be received.

Institutions that use debt can often minimize the burden on their taxes through deductions for debt interest that can be deducted from taxes. However, this negative effect

means that the higher the level of leverage, the lower the incentive for companies to implement tax avoidance, because they have already received tax benefits from debt interest. Studies implemented by (Saputra and Suwandi et al., 2020) show that leverage has a negative impact on tax avoidance.

H1: Leverage negatively affects Tax Avoidance

2.4 Institutional Ownership

Institutional ownership is based on the ownership of corporate equity owned in entities, such as investment management companies, pension funds, banks, and various other types of entities. These institutions buy large amounts of company shares with the aim of making profits, as well as influencing the company's policies and management (Permanasari, 2010).

The relationship between governance and agency theory is that all activities in a company are viewed by a company or organization. An increase in the number of operational controls ensures that each task is carried out with the aim of achieving operational excellence. Organizations as customers must show high performance so that investors can trust and be willing to maintain the company's shares. An increase in demand for company shares can encourage an increase in the cost of shares in the capital market. If the cost of stocks increases, then the value of the company will also rise.

Studies related to the relationship between institutional ownership and tax avoidance were studied (Putri and Wijaya et al., 2020) that institutional ownership often focuses on efficient tax management and the use of existing legal space to reduce corporate tax liabilities. With stricter supervision of tax policies, these institutions can make optimal use of tax avoidance opportunities without violating regulations.

H2: Institutional Ownership has a Positive Effect on Tax Avoidance

2.5 Profitability

Profitability refers to the expertise in a company to provide profits or profits after deducting the costs incurred in carrying out its operational activities. Profitability refers to a key point used to assess a company's financial performance, and is often stated to be a key goal in business. (Mafiroh & Triyono, 2018).

According to the agency theory, management (agents) are given decision-making authority and authority to carry out company activities by shareholders (principal). Therefore, the management has a lot of information about the company's situation with shareholders. If the profitability of a company is large, the tax burden that follows it can also be large, so many managers of an agency who are well aware of the company's circumstances will use tax avoidance for planning and decision-making. Reduce the tax burden so that funds can be carried out later so that the company's operational activities can finally increase the compensation approved by the manager. This incentive motivates managers to manipulate information in the company's activity reports so as to create a conflict of interest.

Profitability proves the financial performance of the agency to generate profits through asset management, which is measured in ROA (Luh and Puspita, 2017). The greater the ROA value, the greater the profit obtained by the agency, which has implications for increasing the tax burden that needs to be paid (Wedha and Sastri, 2017). Based on research by Suyanto and Kurniawati (2022), profitability has a negative influence on tax avoidance.

H3: Profitability negatively affects Tax Avoidance

2.6 The Effect of Leverage on Tax Avoidance and Company Size as a Moderation Variable

Leverage is a description in the financial world that refers to the use of debt or loans to finance investment or company operations. The main purpose of using leverage is to increase the potential return on the capital owned. However, leverage can also increase risk, as companies must pay interest on debt taken, although there is no guarantee that investments financed with debt will provide sufficient returns. (Praditasari, 2017).

The relationship between leverage and agency theory lies in the fact that debt servicing obligations are greater than dividend distributions, so an increase in debt can affect the amount of net income available to investors as well as approved dividends. As a result, agents (management) tend to try to reduce debt, as this will increase principal satisfaction without having to worry about net income and dividends to be received.

The impact of leverage on tax avoidance proves that companies at high debt levels tend to take advantage of tax deductions through debt interest, which reduces their tax liability. Leverage can have a detrimental impact on tax avoidance, as companies with more debt may feel less need to engage in aggressive tax avoidance strategies. (Gustivo Prasetya Du Muid, 2019; Alfina et al., 2018). Company size can play a role as a moderation variable in the effect of leverage on tax avoidance. Research is said (Hermanto and Puspita, 2022) that where large companies tend to have stricter supervision and more resources to minimize tax liabilities, both through leverage and better tax planning.

H4: Company Size Able to Moderate the Effect of Leverage on Tax Avoidance

2.7 The Effect of Institutional Ownership on Tax Avoidance and Company Size as a Moderation Variable

Institutional ownership is based on the ownership of corporate equity owned in entities, such as investment management companies, pension funds, banks, and various other types of entities. These institutions buy large amounts of company shares with the aim of making profits, as well as influencing the company's policies and management (Permanasari, 2010).

The relationship between governance and agency theory is that all activities in a company are viewed by a company or organization. An increase in the number of operational controls ensures that each task is carried out with the aim of achieving operational excellence. Organizations as customers must show high performance so that investors can trust and be willing to maintain the company's shares. An increase in demand for company shares can encourage an increase in the cost of shares in the capital market. If the cost of stocks increases, then the value of the company will also rise.

Institutional ownership does not have a significant impact on tax avoidance. According to (Hendrianto, 2022) the same researcher also showed that company size has a significant effect in bridging the impact of institutional ownership on Tax Avoidance.

H5: Company size is able to moderate the influence of Institutional Ownership on Tax avoidance

2.8 The Effect of Profitability on Tax Avoidance and Company Size as a Moderation Variable

Profitability refers to the expertise in a company to provide profits or profits after deducting the costs incurred in carrying out its operational activities. Profitability refers to a key point used to assess a company's financial performance, and is often stated to be a key goal in business. (Mafiroh & Triyono, 2018).

According to the agency theory, management (agents) are given decision-making authority and authority to carry out company activities by shareholders (principal). Therefore, the management has a lot of information about the company's situation with shareholders. If the profitability of a company is large, the tax burden that follows it can also be large, so many managers of an agency who are well aware of the company's circumstances will use tax avoidance for planning and decision-making. Reduce the tax burden so that funds can be carried out later so that the company's operational activities can finally increase the compensation approved by the manager. This incentive motivates managers to manipulate information in the company's activity reports so as to create a conflict of interest.

Agencies implement tax avoidance to reduce tax liabilities that must be paid off (Gustivo Prasetya Dul Muid, 2019; Alfina et al., 2018). Research shows company size does not have a definite impact in moderating the relationship between profitability and tax avoidance. However, research by (Suyanto and Kurniawati, 2022) reveals that the size of the institution can actually balance the impact of profitability on tax avoidance.

H6: Company Size is able to moderate the influence of Profitability on Tax avoidance

3. Methods

This study applies a quantitative method to analyze the impact of leverage, institutional ownership, and profitability on tax avoidance involving company size as a moderation variable. The data used is existing data, obtained on financial records accessed through the company's official website or the original page on the Indonesia Stock Exchange (IDX). The Independent Variables used in this study are Leverage (X1), Institutional Ownership (X2), and Profitability (X3), Dependent Variables using Tax Avoidance (Y) this study uses Company Size as a moderation variable.

3.1 Tax Avoidance

Tax avoidance is a legal way applied by agencies or individuals to minimize taxpayers by using space or provisions in tax regulations. This is done through careful tax planning, such as taking advantage of available tax deductions or incentives, without breaking the law. While legal, this practice can be controversial if done aggressively. This measurement refers to (Pratama & Larasati, 2020):

$$\text{TA} = \frac{\text{Tax Expense}}{\text{Profit Before Tax}}$$

3.2 Leverage

Leverage refers to the use of debt by a company to finance their assets or operations. This measurement refers to (Kurniasih & Sari, 2013):

$$\text{DAR} = \frac{\text{Total Debt}}{\text{Total Assets}}$$

3.3 Institutional Ownership

Institutional ownership can have an impact on company rules, including decisions related to tax management and business strategy. Large institutions usually focus more on good tax management and good corporate management. This measurement refers to (Dewi & Jati, 2014):

$$INST = \frac{\text{Number of Shares Owned bt the Institution}}{\text{Number of Shares Outstanding}}$$

3.4 Profitability

Profitability is used to show the expertise of a company that makes a profit This measurement refers to (Hutajulu & Hutabarat, 2020):

$$ROA = \frac{\text{Net Profit After Tax}}{\text{Total Assets}}$$

3.5 Firm Size

Firm size is the scale of a company which is usually measured based on total assets, revenue, or the number of employees.This measurement refers to (Nur & Subardjo, 2020):

$$\text{SIZE} = \text{LN (Total Assets)}$$

3.6 Population and Sample

The number in this study includes companies in the health sector listed on the Indonesia Stock Exchange (IDX) in the 2021-2023 period. There are 23 companies registered in this sector (www.idx.co.id). The sample used in this study is described in the table below:

Table 1. Company Sample Criteria

It	Sample Criteria	Sum
1	Healthcare companies listed on the Indonesia Stock Exchange in 2021-2023	23
2	Healthcare sector companies facing losses for the 2021-2023 period	(7)
3	Healthcare companies that do not have institutional ownership for the 2021-2023 period	(1)
Companies that are the research sample for the 2021-2023 period		15
Total company data for the 2021-2023 period		45

3.7 Data Analysis Methods

This study uses a quantitative method. This study measured samples through descriptive analysis methods, chow data panel selection methods, and MRA which included CEM test, FEM test, and REM test. Furthermore, there is the chow test, the hausman test, and the LM test. In addition, the determination coefficient (R2), simultaneous test (F), and hypothesis test (T) are also used.

4. Results and Discussion

This section presents the results of the research analysis. Research analysis can be supplemented by tables, graphs (images), and/or charts. The discussion section describes the results of data processing, interprets the findings logically, and relates to relevant reference sources.

4.1 Descriptive Analysis

Table 2. Result of Descriptive Statistical

	TA	DAR	INST	ROA	DAR_SIZE	INST_SIZE	ROA_SIZE
Mean	0.289333	0.278222	0.778222	0.102667	6.062667	1698.133	2.250667
Median	0.230000	0.270000	0.820000	0.100000	6.180000	1739.000	2.090000
Maximum	2.010000	0.600000	0.990000	0.310000	12.73000	2082.000	6.860000
Minimum	0.000000	0.090000	0.570000	0.000000	1.800000	1209.000	0.040000
Std. Dev.	0.277246	0.144494	0.129146	0.073187	3.079581	258.3618	1.613161
Skewness	5.485997	0.576940	-0.329015	0.731572	0.519909	-0.493514	0.755487

Kurtosis	34.56169	2.443825	2.018977	3.392894	2.345534	2.135619	3.477519
Jarque-Bera	2093.484	3.076444	2.616395	4.303415	2.830401	3.227583	4.708247
Probability	0.000000	0.214763	0.270307	0.116285	0.242877	0.199131	0.094977
Sum	13.02000	12.52000	35.02000	4.620000	272.8200	76416.00	101.2800
Sum Sq. Dev.	3.382080	0.918658	0.733858	0.235680	417.2881	2937037.	114.5007
Observations	45	45	45	45	45	45	45

Source: Processed data from e-views 12, 2024

The data above shows that this study uses 45 samples obtained from 15 companies, during an observation period that lasted for 3 years, namely 2021 to 2023.

1) The Y (Tax Avoidance) variable contains the lowest limit of 0.000000 and the highest limit of 2.010000. The middle value of Variable Y (Tax Avoidance) is 0.289333 at a standard deviation of 0.277246
2) The X1 variable (Leverage) contains a low limit of 0.090000 and a high limit of 0.600000. The middle value of the X1 Variable (Leverage) is 0.278222 at a standard deviation of 0.144494
3) The X2 variable (Institutional Ownership) contains the lowest limit of 0.570000 and the highest limit of 0.990000. The middle value of Variable X2 (Institutional Ownership) is 0.778222 at a standard deviation of 0.129145
4) The X3 (Profitability) variable contains the lowest limit of 0.000000 and the maximum value of 0.310000. The middle value of Variable X3 (Profitability) is 0.102667 at a standard deviation of 0.073187

4.2 Panel Data Regression Estimation

Table 3. Panel Data Regression Conclusion

It	Method	Testing	Result
1	Chow Test	CEM vs FEM	CEM
2	Uji Hausman	REM vs FEM	REM
3	Uji Lagrange Multiplier	CEM vs REM	REM

Source: Processed data from e-views 2024

From the table above, it can be seen that the best model used to test the hypothesis is REM.

4.3 Determination Coefficient Test (R2)

Table 4. R2 Test Results

R-squared	0.385583	Mean dependent var	0.289333
Adjusted R-squared	0.288570	S.D. dependent var	0.277246

The value of adjusted r-squared is 0.288570 or 28.85%. The value of the determination coefficient shows that the independent variables which include leverage, institutional ownership and profitability can state the tax avoidance variable of 28.85%., but the remaining 71.15% (adjusted r-squared) is stated for the factor is proven in this form of study.

4.4 Simultaneous F Test

Table 5. F-Test Result

F-statistic	3.974548	Durbin-Watson stat	2.428262
Prob(F-statistic)	0.003499		

Source: Processed data from e-views 12, 2024

The F-statistic value is 3.974548 > the F table is 2.6060 and the Prob value (F- statistic) is 0.003499 < 0.05, so it can be determined if the Leverage, Institutional Ownership, and Profitability variables have an impact on Tax Avoidance.

Table 6. Hypothesis Test Result

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.651176	0.299945	2.170985	0.0362
DAR	-18.06166	7.655105	-2.359427	0.0235
INST	10.56658	3.263689	3.237620	0.0025
ROA	-24.98238	11.14277	-2.242025	0.0309
DAR_SIZE	0.811964	0.357105	2.273741	0.0287
INST_SIZE	-0.004917	0.001560	-3.153109	0.0032
ROA_SIZE	1.080978	0.510594	2.117097	0.0409

Source: Processed data from e-views 12, 2024

The influence of independent variables on dependent variables is:

1) Hypothesis Test Results 1 (H1)

The results of the T test of the X1 variable (Leverage) were obtained with a calculated t value of -2.359427 < the table t, which is 2.0167 and a prob value of 0.0235 < 0.05, then Ha was accepted and H0 was rejected, meaning that the Leverage variable had a negative effect on Tax Avoidance. The results of this study are in line with previous research conducted by (Suyanto & Kurniawati, 2022) that levergae has an effect on tax avoidance, but not in line with previous research conducted by (Ramadani & Tanno, 2022). This is in line with agency theory because it relates to how industry managers utilize debt to fund a company's operational operations.

2) Hypothesis Test Results 2 (H2)

The results of the T test of the X2 variable (Institutional Ownership) obtained a calculated t value of 3.237620 > the table t of 2.0167 and a prob value of 0.0025 < 0.05, then Ha was accepted and H0 was rejected, meaning that the Institutional Ownership variable had a positive effect on Tax Avoidance. The results of this study are in line with previous research admitted by (Pramesti et al., 2022) that institutional ownership, but not in line with previous research conducted by (Zainuddin & Anfas, 2021) which stated that institutional ownership has no effect on tax avoidance. This is in accordance with the theory of agency because the high level of institutional ownership encourages stricter supervision from institutional investors, thereby preventing fraudulent behavior of managers.

3) Hypothesis Test Results 3 (H3)

The results of the T test of the X3 variable (Profitability) obtained a calculated t value of -2.242025 > t table of 2.0167 and a gist value of 0.0309 < 0.05, then Ha was rejected and H0 was accepted, meaning that the Profitability variable had a negative effect on Tax Avoidance. The results of this study are in line with previous research conducted by (Suyanto & Kurniawati, 2022) that profitability has an effect on tax avoidance, but it is not in line with previous research conducted by (Prastya & Handayani, 2024) which stated that profitability has no effect on tax avoidance. This is in accordance with the agency theory because the management of a company with high profitability will strive to improve performance to get a good appraisal as well as compensation and bonuses.

4) Hypothesis Test Results 4 (H4)

The results of the T test of the Z variable moderating X1 obtained a calculated t value of 2.273741 > the table t, which is 2.0167 and a sig value of 0.0287 < 0.05, then Ha is rejected and H0 is accepted, which means that the Company Size is able to moderate the influence of Leverage on Tax Avoidance. The results of this study are in line with previous research conducted by (Hermanto & Puspita, 2022) that company size is able

to moderate leverage on tax avoidance, but it is not in line with previous research conducted by (Ramadani & Tanno, 2022) that company size does not moderate the effect of leverage on tax avoidance. This is in accordance with the theory of agency, the larger the company, of course, the more operational activities it has, and large companies will have more resources than small companies.

5) Hypothesis Test Results 5 (H5)
The results of the T test of the Z variable moderating X2 obtained a calculated t value of -3.153109 > t table which is 2.0167 and a sig value of 0.0032 < 0.05, then Ha is accepted and H0 is rejected which means that the Company Size is able to moderate the influence of Institutional Ownership on Tax Avoidance. The results of this study are in line with previous research conducted by (Putri et al., 2020) that company size strengthens the influence of institutional ownership on tax avoidance, but it is not in line with previous research conducted by (Rejeki et al., 2019) that company size does not strengthen tax avoidance. This is in accordance with the agency theory because it states that the principal (institutional owner) gives tighter control over the agent (company management), so it will not minimize Tax Avoidance.

6) Results of Hypothesis Test 6 (H6)
The results of the T test of the Z variable moderating X3 obtained a calculated t value of 2.117097 > t table which is 2.0167 and a sig value of 0.0409 < 0.05, then Ha is rejected and H0 is accepted which means that the Company Size is able to moderate the influence of Profitability on Tax Avoidance. The results of this study are in line with previous research conducted by (Suyanti Kurniawati, 2022) that company size strengthens the influence of profitability on tax avoidance, but it is not in line with previous research conducted by (Ramadani & Tanno, 2022) that company size does not strengthen the influence of profitability on tax avoidance. This is in accordance with the Agency Theory which states that companies with assets can use agents to receive compensation for overall performance can be maximized.

4.5 Panel Data Regression Equation

$$TA = 0.65 - 18.06*DAR + 10.57*INST - 24.98*ROA + 0.81*DAR\_SIZE - 0.49*INST\_SIZE + 1.08*ROA\_SIZE + [CX=R]$$

The explanation of the panel data regression equation can be explained as follows:

1) A fixed value of 0.65 means that without an independent variable so the dependent variable can feel an increase of 65%
2) The regression coefficient of the X1 Leverage variable is (-) 18.06 meaning that if X1 increases, the Y Tax Avoidance variable decreases by 18.06, and vice versa.
3) The X2 Institutional Ownership variable is (+) 10.56, meaning that if X2 increases, the Y Tax Avoidance variable also increases by 10.56.
4) The X3 Profitability variable is (-) 24.98 meaning that if X3 increases, the Y Tax Avoidance variable also decreases by 24.98.
5) The size of the company moderated the impact of leverage on tax avoidance by 0.81, a positive coefficient value showing a connection in line with tax avoidance.
6) The size of the company moderated the impact of institutional ownership on tax avoidance by -0.49, a negative coefficient value indicating the opposite relationship with tax avoidance.
7) The size of the company moderated the impact of profitability on tax avoidance by a positive coefficient value of 1.08, showing a connection in line with Tax Avoidance.

5. Conclusion

Leverage negatively affects tax avoidance, indicating that higher levels of debt reduce a company's tendency to engage in tax avoidance strategies, possibly due to increased scrutiny from creditors and regulatory bodies. On the other hand, institutional ownership has a positive impact on tax avoidance, suggesting that firms with a higher proportion of institutional investors may adopt more aggressive tax planning strategies to maximize shareholder value. Profitability also exerts a negative influence on tax avoidance, implying that highly profitable firms are more likely to comply with tax regulations, as they have stronger financial capabilities and may seek to maintain their corporate reputation. Additionally, company size plays a crucial moderating role in these relationships, as larger firms possess greater resources, more complex financial structures, and heightened regulatory oversight, which can either amplify or mitigate the effects of leverage, institutional ownership, and profitability on tax avoidance. In essence, company size introduces an additional layer of complexity, shaping how these factors interact and influencing corporate tax avoidance behavior in diverse ways.

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