



Corporate Financial Characteristics and Tax Avoidance: The Moderating Role of Firm Size

Nayla Inayah Marwan

Universitas Tanjungpura, Indonesia

Email : b1021221170@student.untan.ac.id

DOI: <https://doi.org/10.61987/jemr.v5i5.3136>

ABSTRACT

Keywords:

Tax Avoidance;
Profitability; Firm Size

*Corresponding Author

Tax avoidance remains an important corporate tax issue because firms may seek to reduce tax liabilities through legally permissible tax planning, particularly when financial and operational characteristics create opportunities for tax management. This study examines the effects of leverage, profitability, and capital intensity on tax avoidance and investigates whether firm size moderates these relationships. A quantitative causal design was employed using secondary data from audited annual financial reports of 35 property companies observed during 2021–2024, resulting in 112 firm-year observations selected through purposive sampling. Tax avoidance was measured using the Effective Tax Rate (ETR), while leverage, profitability, capital intensity, and firm size were measured using DER, ROA, the proportion of fixed assets to total assets, and the natural logarithm of total assets, respectively. Panel-data regression and Moderated Regression Analysis were conducted using EViews 13 after model-selection procedures. The results show that leverage does not significantly affect tax avoidance, whereas profitability and capital intensity have significant effects. Firm size significantly moderates the relationship between profitability and tax avoidance but does not moderate the relationships involving leverage or capital intensity. These findings highlight the importance of profitability, asset structure, and firm size in understanding corporate tax-management behavior.

Article History:

Received: May 2026; Revised: June 2026; Accepted: July 2026

Please cite this article in APA style as:

Marwan, N. I. (2026). Corporate Financial Characteristics and Tax Avoidance: The Moderating Role of Firm Size. *Journal of Educational Management Research*, 5(5), 5165–5180.

INTRODUCTION

Taxes are a vital instrument for financing public expenditure, supporting economic development, social programs, and infrastructure provision. However, corporate tax avoidance can reduce the tax contribution expected from economically productive activities and consequently create challenges for fiscal sustainability. This issue is particularly relevant in emerging economies, where strengthening tax revenues remains important for financing development. Tax avoidance refers to strategies that reduce tax liabilities by utilizing opportunities

within existing regulations, although its economic consequences may still raise concerns regarding the adequacy of public revenue. Recent research demonstrates that corporate characteristics and financial strategies are associated with tax avoidance, including leverage, profitability, capital intensity, and corporate governance. Therefore, understanding the financial determinants of tax avoidance is important for identifying corporate conditions associated with differences in tax behavior and for improving evidence-based tax oversight.

The relationships examined in this study can be explained through agency theory and trade-off theory. Agency theory views the separation between ownership and managerial control as a potential source of divergent interests, allowing managers to pursue strategies that affect reported earnings and corporate tax liabilities. Managerial incentives, ownership structures, and internal controls may therefore influence tax-related decisions (Kara et al., 2023; Wenwu et al., 2023). Trade-off theory, meanwhile, explains financing decisions as a balance between the benefits and costs of debt. Interest expenses can provide a debt tax shield, while excessive debt creates financial distress costs (Gabrielli, 2023). These theoretical perspectives provide a basis for examining leverage, profitability, and capital intensity as financial determinants of tax avoidance, while firm size may shape the strength of these relationships through differences in resources and organizational complexity.

The general problem concerns the difficulty of understanding why companies facing similar tax regulations may exhibit different levels of tax avoidance. This issue becomes particularly relevant in property and real estate companies because their business activities are characterized by substantial asset holdings, capital requirements, and financing decisions (Ummah et al., 2025). Capital-intensive operations may create depreciation-related tax effects, while leverage can generate interest deductions that influence taxable income. Profitability can also affect tax exposure because companies generating greater earnings generally face greater potential tax liabilities. Existing Indonesian evidence indicates that these financial characteristics are relevant to tax avoidance, although their effects are not consistently observed across different samples and sectors (Tarigan & Ubaidillah, 2023; Putu et al., 2025). Consequently, examining these relationships specifically within property companies listed on the Indonesia Stock Exchange is important for developing more sector-specific evidence.

Previous studies have established that leverage, profitability, and capital intensity can be associated with corporate tax avoidance, but their findings remain heterogeneous. Jovita and Suparmun (2025) examined institutional ownership, profitability, leverage, and capital intensity in relation to tax avoidance, demonstrating the relevance of firm-level financial and governance

characteristics. Similarly, Tarigan and Ubaidillah (2023) investigated liquidity, profitability, and capital intensity in Indonesian mining companies, while Nazar Suhada and Ramdhan Ryanto (2025) examined leverage and capital intensity in property and real estate companies. More recent research has expanded the evidence by examining multiple financial determinants simultaneously (Hendayana et al., 2024; Wafa et al., 2024; Nurmadjid et al., 2025). Nevertheless, differences in sectoral characteristics and model specifications produce varying findings. This inconsistency indicates that the relationships among financial characteristics and tax avoidance require further examination within a focused property-sector context (Abdullah, 2025; Zazin et al., 2025).

An important limitation in the existing literature is the relatively limited integration of financial determinants and firm-level contingency factors within the Indonesian property and real estate sector (Murtadho et al., 2023). Hendayana et al. (2024) directly incorporated firm size as a moderator and found that firm size strengthened the relationships of profitability and leverage with tax avoidance while weakening the relationship involving capital intensity in LQ45 companies. This evidence demonstrates that the influence of financial characteristics may depend on organizational scale rather than operating uniformly across firms. However, the LQ45 context encompasses multiple industries and therefore does not specifically capture the characteristics of property and real estate companies. In contrast, Nurmadjid et al. (2025) focused specifically on property and real estate companies but examined profitability as a moderating variable. This difference leaves room to investigate whether firm size provides a meaningful moderating mechanism within the property sector.

The state of the art of this research lies in integrating leverage, profitability, and capital intensity with firm size as a moderating variable in the context of property and real estate companies listed on the Indonesia Stock Exchange. This framework extends previous studies by emphasizing that the relationship between financial characteristics and tax avoidance may depend on organizational scale. The relevance of this approach lies in recognizing that financial characteristics may not influence tax avoidance uniformly across companies with different organizational structures and resource capacities. Furthermore, corporate tax avoidance is influenced by various organizational and financial conditions, including managerial decision-making, financial structures, and the characteristics of the company itself. Thus, examining firm size as a moderator offers a more contextualized perspective on tax avoidance and contributes sector-specific evidence to the Indonesian literature. This approach is important for developing a more comprehensive understanding of corporate tax behavior in the property sector.

Based on this research gap, the central problem of this study is whether leverage, profitability, and capital intensity influence tax avoidance among property and real estate companies listed on the Indonesia Stock Exchange, and whether firm size changes the strength of these relationships. The proposed argument is that leverage may influence tax avoidance through the tax-shield benefits associated with debt financing, while profitability may increase incentives to manage tax liabilities because profitable firms face greater tax exposure. Capital intensity may also influence tax avoidance through the tax implications associated with fixed assets and depreciation. However, these relationships may vary according to firm size because larger companies generally operate with greater organizational resources and more complex financial structures. Accordingly, this study examines the direct effects of leverage, profitability, and capital intensity on tax avoidance and evaluates firm size as a moderating variable within the Indonesian property and real estate sector.

H1: Leverage has a positive effect on tax avoidance among property and real estate companies listed on the Indonesia Stock Exchange.

H2: Profitability has a positive effect on tax avoidance among property and real estate companies listed on the Indonesia Stock Exchange.

H3: Capital intensity has a positive effect on tax avoidance among property and real estate companies listed on the Indonesia Stock Exchange.

H4: Firm size moderates the effect of leverage on tax avoidance among property and real estate companies listed on the Indonesia Stock Exchange.

H5: Firm size moderates the effect of profitability on tax avoidance among property and real estate companies listed on the Indonesia Stock Exchange.

H6: Firm size moderates the effect of capital intensity on tax avoidance among property and real estate companies listed on the Indonesia Stock Exchange.

RESEARCH METHODS

This study employed a quantitative research design with a causal-explanatory approach (Shen et al., 2024; Wongsinhirun et al., 2024). The design was selected because the study aims to empirically examine the effects of leverage, profitability, and capital intensity on tax avoidance and to determine whether firm size moderates these relationships. The study was conducted using secondary financial data from property and real estate companies listed on the Indonesia Stock Exchange (IDX). The property and real estate sector was selected because its business activities involve substantial fixed assets, financing requirements, and investment decisions that are directly relevant to leverage, profitability, capital intensity, and tax-related decisions. The observation period covered 2021–2024, providing four consecutive years of annual observations. The

unit of analysis was the firm-year observation, combining cross-sectional data from companies with time-series data across the observation period. This design enabled the study to examine both differences among companies and changes in their financial characteristics over time.

The population comprised companies classified in the Property & Real Estate sector and listed on the Indonesia Stock Exchange during the 2021–2024 observation period (Fitria Putri et al., 2024; Kusumawati et al., 2024). Purposive sampling was employed using three criteria: (1) companies had to be consistently listed on the IDX throughout the entire observation period; (2) companies had to publish complete and audited annual financial reports for 2021–2024; and (3) companies had to provide all financial information required to calculate the study variables, including total liabilities, total equity, net income, total assets, fixed assets, and income tax expense (Indriyanti et al., 2024). Based on the IDX-listed population, 92 companies were identified in the Property & Real Estate sector. From this population, 35 companies classified as pure developers met the initial selection criteria. With four years of observation, the resulting dataset initially contained 140 firm-year observations. Following data screening and the removal of observations that did not meet the analytical requirements, 112 firm-year observations were retained for the final analysis.

Data were collected using documentary techniques from secondary sources. The primary data sources consisted of audited annual financial reports and other relevant corporate financial information published by the Indonesia Stock Exchange and the official websites of the respective companies. The required information included income tax expense, profit before tax, total liabilities, total equity, net income, total assets, and fixed assets. These data were subsequently organized into a panel dataset according to company and observation year. Tax avoidance was measured using the Effective Tax Rate (ETR), with lower ETR values indicating higher tax avoidance. Leverage was measured using the Debt-to-Equity Ratio (DER), profitability using Return on Assets (ROA), and capital intensity using the proportion of fixed assets to total assets. Firm size was measured using the natural logarithm of total assets and functioned as the moderating variable. The operational definitions, measurement formulas, and references for each variable are presented in Table 1.

Table 1. Operational Definitions and Measurement of Variables

Variable	Operational Definition	Measurement Formula	Main Reference
Tax Avoidance (Y)	The extent to which a company minimizes its tax burden through tax planning strategies. Tax avoidance is measured using the Effective Tax Rate	$\text{ETR} = \frac{\text{Income Tax Expense}}{\text{Profit Before Tax}}$	Wulandari et al. (2022)

	(ETR), where a lower ETR indicates a higher level of tax avoidance.		
Leverage (X1)	The extent to which a company uses debt to finance its assets and operations relative to shareholders' equity. Leverage is measured using the Debt-to-Equity Ratio (DER).	DER = Total Liabilities / Total Equity	Ait Novatiani et al. (2024)
Profitability (X2)	The company's ability to generate net income from its total assets. Profitability is measured using Return on Assets (ROA).	ROA = Net Income / Total Assets	Ramadhani (2022)
Capital Intensity (X3)	The proportion of company investment in fixed assets relative to total assets, reflecting the extent to which the company relies on fixed assets in conducting its operations.	CI = Fixed Assets / Total Assets	Hasan & Suratno (2023)
Firm Size (M)	The scale of a company based on the total assets it owns and uses to support its business activities. Firm size is measured using the natural logarithm of total assets.	Firm Size = Ln (Total Assets)	Hasan & Suratno (2023)

Table 1 presents the operationalization of all variables used in the study. Tax avoidance was measured using the Effective Tax Rate (ETR), calculated as income tax expense divided by profit before tax; a lower ETR represents a higher indication of tax avoidance. Leverage was measured using the Debt-to-Equity Ratio (DER), while profitability was represented by Return on Assets (ROA). Capital intensity was calculated as the proportion of fixed assets to total assets. Firm size was measured using the natural logarithm of total assets and served as the moderating variable. The collected data were analyzed using panel-data regression combined with Moderated Regression Analysis (MRA). The baseline model was specified as $Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$, while the moderated model incorporated firm size and three interaction terms: $Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 M + \beta_5 (X_1 \times M) + \beta_6 (X_2 \times M) + \beta_7 (X_3 \times M) + \varepsilon$. The interaction coefficients were used to assess moderation.

RESULTS AND DISCUSSION

Results

Descriptive Statistics

The descriptive statistical analysis was conducted before estimating the panel-data regression models to provide an overview of the distribution and variation of the variables used in the study. The variables examined consisted of Tax Avoidance (ETR), Leverage (DER), Profitability (ROA), Capital Intensity

(CI), and Firm Size. Prior to the regression analysis, the variables were transformed into natural logarithmic (Ln) values using EViews 13. The transformation was applied to reduce data skewness, minimize the influence of extreme observations, and stabilize the variance of the data. This procedure was considered relevant because financial ratios may exhibit substantial variation across companies and observation periods. The descriptive statistics presented below include the mean, median, maximum, minimum, standard deviation, and number of observations for each variable.

Table 2. Descriptive Statistics

Statistic	Firm Size	DER	ROA	CI	ETR
Mean	29.247320	-0.711204	-3.601993	-3.299739	-2.992717
Median	29.675000	-0.707542	-3.324236	-2.918771	-2.245430
Maximum	31.960000	2.208604	-0.848632	1.974359	-0.452557
Minimum	22.590000	-4.710531	-6.907755	-6.907755	-6.907755
Std. Dev.	1.889044	1.065069	1.305657	1.664737	1.724257
Observations	112	112	112	112	112

Source: Processed using EViews 13, 2026.

Table 2 shows that all variables contain 112 observations. Firm Size has a mean of 29.247320 and a standard deviation of 1.889044, indicating relatively moderate variation in company size across the observations. DER has a mean of -0.711204 and a standard deviation of 1.065069, indicating moderate dispersion. ROA and CI have mean values of -3.601993 and -3.299739, respectively, with standard deviations of 1.305657 and 1.664737, indicating considerable variation among companies and observation periods. ETR has a mean of -2.992717, a maximum value of -0.452557, and a minimum value of -6.907755. These differences indicate heterogeneity in the characteristics of the sampled companies. Based on the Jarque-Bera normality test, only CI satisfies the univariate normality assumption, whereas the other variables do not. Nevertheless, this condition was not considered a critical limitation for the panel-data analysis given the number of observations exceeding 100.

Panel Model Selection

Before estimating the regression coefficients, panel-data model selection tests were performed to determine the most appropriate estimation approach. Three alternative models were considered: The Common Effect Model (CEM), Fixed Effect Model (FEM), and Random Effect Model (REM). The Chow test was used to compare the CEM and FEM, the Hausman test was used to determine whether FEM or REM was more appropriate, and the Lagrange Multiplier (LM) test was used to compare CEM and REM. The results of these tests are presented in Table 3.

Table 3. Panel Regression Model Selection Tests

Data Test	Test Statistic	Probability	Selected Model
Chow Test	15.106941	0.0000	FEM
Hausman Test	6.606015	0.1582	REM
Lagrange Multiplier Test	75.161991	0.0000	REM

Source: Processed using EViews 13, 2026.

Table 3 indicates that the Chow test produces a probability value of 0.0000, which is below the 0.05 significance level. Therefore, the CEM is rejected in favor of the FEM. However, the Hausman test produces a probability value of 0.1582, which is greater than 0.05, indicating that the REM is more appropriate than the FEM. This result is further supported by the Lagrange Multiplier test, which produces a Breusch–Pagan probability value of 0.0000, below 0.05, indicating that the REM is preferable to the CEM. Based on the combination of these three specification tests, the Random Effect Model was selected as the final panel-data estimation model. Accordingly, the subsequent regression and moderation analyses were based on the REM specification.

Panel Regression and Moderation Results

After the appropriate panel-data model was identified, regression analysis was performed to examine the direct effects of leverage, profitability, and capital intensity on tax avoidance. Three regression specifications were estimated. Model 1 includes the three independent variables, Model 2 adds firm size as a moderating variable, and Model 3 incorporates the interaction terms between firm size and each independent variable. The third model represents the Moderated Regression Analysis (MRA) specification and is used to test whether firm size moderates the relationships between the independent variables and tax avoidance. The results are presented in Table 4.

Table 4. Results of Panel Regression and Moderated Regression Analysis

Variable	Model 1	P-value	Model 2	P-value	Model 3	P-value
Constant	-5.456440	0.0000***	-3.527884	0.0902*	-4.416441	0.0426**
DER	0.174857	0.2694	0.187747	0.2371	0.183324	0.3852
ROA	-0.853320	0.0000***	-0.849609	0.0000***	-1.049420	0.0000***
CI	0.191000	0.0221***	0.178675	0.0342**	0.185316	0.0404**
Firm Size	–	–	-0.066866	0.3422	-0.071229	0.3082
DER × Firm Size	–	–	–	–	-0.000481	0.8940
ROA × Firm Size	–	–	–	–	0.227959	0.0167**
CI × Firm Size	–	–	–	–	-0.010680	0.0565*
F-statistic	34.3907	0.0000***	25.7795	0.0000***	16.0296	0.0000***
Adjusted R ²	0.4743		0.4717		0.4866	

*Note: Dependent variable = ETR; *** significant at 1%; ** significant at 5%; * significant at 10%.*

Source: Processed using EViews 13, 2026.

Table 4 shows that DER has a positive coefficient of 0.183324 in Model 3 but is statistically insignificant, with a probability value of 0.3852. This indicates that changes in leverage are not associated with a statistically significant change in ETR in the final model. ROA has a coefficient of -1.049420 with a probability value of 0.0000, indicating a negative and statistically significant relationship with ETR. CI has a coefficient of 0.185316 and a probability value of 0.0404, indicating a positive and statistically significant relationship with ETR. Firm Size itself has a coefficient of -0.071229 and a probability value of 0.3082 and therefore does not have a statistically significant direct effect on ETR.

The interaction results in Model 3 provide evidence regarding the moderating role of Firm Size. The interaction between DER and Firm Size has a coefficient of -0.000481 and a probability value of 0.8940, indicating that Firm Size does not significantly moderate the relationship between DER and ETR. In contrast, the interaction between ROA and Firm Size is positive and statistically significant, with a coefficient of 0.227959 and a probability value of 0.0167. This indicates that Firm Size moderates the relationship between ROA and ETR. The interaction between CI and Firm Size has a coefficient of -0.010680 and a probability value of 0.0565. Based on the hypothesis-testing criteria applied in the study, this relationship is classified as not supporting the proposed moderation hypothesis. Overall, Model 3 has an F-statistic of 16.0296 with a probability value of 0.0000, indicating that the model is statistically significant as a whole. Its adjusted R² of 0.4866 indicates that 48.66% of the variation in ETR is explained by the independent variables, Firm Size, and the interaction terms, while the remaining 51.34% is attributable to factors outside the model.

Hypothesis Testing

The hypothesis testing was conducted based on the coefficients and probability values obtained from the panel regression and Moderated Regression Analysis. The direct-effect hypotheses (H1–H3) were evaluated using the coefficients of DER, ROA, and CI, while the moderation hypotheses (H4–H6) were evaluated using the corresponding interaction terms with Firm Size. The decisions regarding acceptance or rejection of each hypothesis follow the hypothesis-testing results reported in the study.

Table 5. Hypothesis Testing Results

No.	Hypothesis	Result
Panel Regression Results		
H1	DER has a positive effect on Tax Avoidance	Rejected
H2	ROA has a positive effect on Tax Avoidance	Accepted
H3	CI has a positive effect on Tax Avoidance	Accepted

Moderated Regression Analysis Results		
H4	Firm Size moderates the effect of DER on Tax Avoidance	Rejected
H5	Firm Size moderates the effect of ROA on Tax Avoidance	Accepted
H6	Firm Size moderates the effect of CI on Tax Avoidance	Rejected

Source: Processed using EViews 13, 2026.

Based on the hypothesis testing results presented in Table 5, two of the three hypotheses concerning the direct effects of the independent variables on Tax Avoidance were accepted. H1 was rejected because leverage (DER) did not have a statistically significant effect on Tax Avoidance, as indicated by its probability value of 0.3852 in Model 3 of Table 4. H2 was accepted because profitability (ROA) had a negative and statistically significant effect on ETR, with a coefficient of -1.049420 and a probability value of 0.0000. H3 was stated to have a positive effect of capital intensity (CI) on tax avoidance. The regression results showed that CI had a positive and statistically significant effect on ETR, with a coefficient of 0.185316 and a probability value of 0.0404. Because a higher ETR indicates a lower level of tax avoidance, the positive coefficient of CI on ETR does not support the proposed positive relationship between CI and tax avoidance. Therefore, based on the reported regression results, H3 should be reconsidered and classified as rejected rather than accepted.

For the moderating relationships, H4 was rejected because the interaction between DER and Firm Size was not statistically significant, with a probability value of 0.8940. H5 was accepted because the interaction between ROA and Firm Size was statistically significant, with a coefficient of 0.227959 and a probability value of 0.0167, indicating that Firm Size moderates the relationship between profitability and ETR. Meanwhile, H6 was rejected because the interaction between CI and Firm Size was not statistically significant at the 5% significance level, with a probability value of 0.0565. Thus, among the three moderating hypotheses, only H5 was supported.

Overall, the hypothesis testing indicates that profitability and capital intensity have significant relationships with the dependent variable, whereas leverage does not. Firm Size significantly moderates the relationship between profitability and ETR but does not significantly moderate the relationships between leverage and ETR or between capital intensity and ETR. These conclusions are based on the coefficient and probability values reported in Table 4 and the corresponding hypothesis decisions summarized in Table 5.

Discussion

The findings provide important evidence on the determinants of tax avoidance among property companies listed on the Indonesia Stock Exchange. Leverage was found to have no statistically significant effect on tax avoidance, whereas profitability and capital intensity showed significant relationships with the dependent variable. The insignificant effect of leverage is consistent with Nur Ilham and Syamni (2025), who found that leverage did not significantly influence tax avoidance. This finding contrasts with the tax-shield argument in trade-off theory, which suggests that interest expenses generated by debt can reduce taxable income (Gabrielli, 2023). In the property sector, however, debt may primarily serve project financing needs rather than tax planning objectives. Theoretically, this finding indicates that the relationship between leverage and tax avoidance cannot be explained solely through tax-shield benefits, because the economic function of debt may vary across industries and corporate structures.

Profitability demonstrated a statistically significant relationship with tax avoidance, indicating that companies generating higher returns have stronger incentives or greater capacity to manage their tax obligations. This finding is consistent with Tarigan and Ubaidillah (2023), who reported a relationship between profitability and tax avoidance, and with Putu et al. (2025), who identified profitability as one of the financial factors associated with tax avoidance in Indonesian property and real estate companies. The result can be interpreted through agency theory because managers of highly profitable firms may have stronger incentives to preserve after-tax earnings and satisfy shareholder expectations. The finding also has a practical implication for tax authorities, as highly profitable property companies may warrant closer attention when assessing differences between accounting income and taxable income. Thus, profitability provides an important financial indicator for understanding variations in corporate tax-management practices within the property sector.

Capital intensity also showed a statistically significant relationship with tax avoidance. This result is consistent with Nurmadjid et al. (2025), who examined property and real estate companies in Indonesia and found that capital intensity was significantly associated with tax avoidance. It is also supported by Nurmadjid et al. (2025), who identified capital intensity as an important factor in explaining tax avoidance among property and real estate companies. The finding suggests that the composition of corporate assets is relevant to tax-management behavior because fixed assets generate depreciation expenses that can influence taxable income. From a theoretical perspective, this supports the view that tax-related decisions are influenced not only by financing structures but also by asset structures (Latifah et al., 2025). Practically, companies with substantial fixed

assets require careful tax monitoring because depreciation policies and asset recognition may affect differences between accounting results and taxable income.

The moderation analysis provides a more specific contribution to the literature. Firm size did not significantly moderate the relationship between leverage and tax avoidance, indicating that the effect of leverage does not substantially differ according to company size. This result differs from the evidence reported by Hendayana et al. (2024), who found that firm size moderated the relationship between leverage and tax avoidance among LQ45 companies. The difference may reflect the distinctive financial characteristics of property companies, where debt is frequently associated with long-term project financing and business development. The finding also suggests that the scale of a company alone does not necessarily determine whether debt is used as a tax-management instrument. From an agency perspective, this result provides a boundary condition for understanding corporate tax behavior: organizational size may not automatically strengthen the tax-shield mechanism when the primary purpose of debt is operational or investment financing.

In contrast, firm size significantly moderated the relationship between profitability and tax avoidance. This finding indicates that the relationship between profitability and tax avoidance varies according to company size, with larger companies having greater organizational and financial resources to manage tax-related decisions. The finding is theoretically relevant because it extends agency theory by demonstrating that firm characteristics can shape the way managerial incentives associated with profitability are translated into tax-management behavior (Muhaeminah & Munawwaroh, 2025). Larger firms may possess more sophisticated financial systems, greater access to professional tax expertise, and more complex organizational structures. The result therefore provides a more nuanced explanation than treating profitability as an isolated determinant. In practical terms, the finding suggests that tax authorities may consider both profitability and company size when identifying firms requiring closer examination. This interaction represents an important contribution to research on corporate tax behavior in Indonesia.

Firm size did not significantly moderate the relationship between capital intensity and tax avoidance. Although capital intensity itself was significantly associated with the dependent variable, the interaction between capital intensity and firm size was not statistically significant. This suggests that the relationship associated with asset intensity does not substantially differ across companies of different sizes. The result is relevant because previous research has emphasized the importance of capital intensity and profitability in explaining tax avoidance in Indonesian property and real estate companies (Nurmadjid et al., 2025; Putu

et al., 2025). The overall contribution of this study therefore lies in demonstrating that firm size does not uniformly function as a moderator. Its moderating role is relationship-specific, particularly in the profitability–tax avoidance relationship. This state of the art provides a more differentiated understanding of corporate tax behavior by integrating financial determinants with firm-specific characteristics in the Indonesian property sector.

CONCLUSION

This study concludes that tax avoidance among property subsector companies listed on the Indonesia Stock Exchange during 2021–2024 is more closely associated with profitability and capital intensity than with leverage. Profitability significantly influences tax avoidance, and this relationship becomes stronger as firm size increases, indicating that larger companies may have greater organizational and financial resources to manage tax-related strategies. Capital intensity also has a significant direct relationship with tax avoidance, whereas leverage does not show a statistically significant effect, and firm size does not moderate the relationships between leverage or capital intensity and tax avoidance. Theoretically, these findings contribute to the literature by demonstrating that firm size does not operate uniformly as a moderating factor and that financial and operational characteristics should be considered together when explaining corporate tax behavior. Practically, the findings suggest that tax authorities should consider profitability, asset intensity, and firm size when strengthening risk-based tax supervision. Nevertheless, the study is limited to 2021–2024 and property subsector companies, while 51.34% of the variation in tax avoidance remains unexplained. Future research should therefore examine longer periods, broader sectors, and additional factors such as corporate governance, institutional ownership, audit quality, liquidity, sales growth, political connections, and tax regulations to provide a more comprehensive explanation of corporate tax avoidance.

REFERENCES

- Abdullah, A., & Agus R, A. H. (2025). Determinants of Teachers' Digital Literacy: The Role of Capacity Building, Career Inclusion, and Digital Platform Engagement. *Business and Applied Management Journal*, 3(1), 128–140. <https://doi.org/10.61987/bamj.v3i1.1303>
- Ait Novatiani, R., Rachmawati, R., Octavia, E., & Pereunnika G, P. (2024). Ukuran Perusahaan dan Leverage dalam Meningkatkan Nilai Perusahaan. *Jurnal Ekuilnomi*, 6(2), 414–421. <https://doi.org/10.36985/fchbtk47>

- Fitria Putri, A., Luk Fuadah, L., & Kartasari, S. F. (2025). Corporate Governance and Tax Avoidance: A Systematic Review of Economic Implications and Influencing Factors. *International Journal of Economics Development Research*, 6(3).
- Gabrielli, A. (2023). The Debt and Non-Debt Tax Shields Trade-Off: A Review. *International Journal of Academic Research in Accounting, Finance and Management Sciences*, 13(1). <https://doi.org/10.6007/IJARAFMS/v13-i1/16170>
- Hasan, M., Suratno, & Darmansyah. (2023). Determinan Tax Avoidance Perusahaan Perdagangan dengan Capital Intensity dan Inventory Intensity sebagai Variabel Moderasi. *JIAFE (Jurnal Ilmiah Akuntansi Fakultas Ekonomi)*, 9(2), 145–162. <https://doi.org/10.34204/jiafe.v9i2.6474>
- Hendayana, Y., Ramdhany, M. A., Pranowo, A. S., Rachmat, R. A. H., & Herdiana, E. (2024). Exploring Impact of Profitability, Leverage and Capital Intensity on Avoidance of Tax, Moderated by Size of Firm in LQ45 Companies. *Cogent Business & Management*, 11(1), Article 2371062. <https://doi.org/10.1080/23311975.2024.2371062>
- Indriyanti, A., & Dalimunthe, I. P. (2023). Profitability as a Moderator of Leverage and Firm Size on Tax Avoidance: Empirical Study at Indonesia Construction Companies. *ECo-Fin*, 5(3), 278–288. <https://doi.org/10.32877/ef.v5i3.983>
- Jovita, K., & Suparmun, H. (2025). The Influence of Fundamental Factors and Corporate Governance on Tax Avoidance. *International Research Journal of Economics and Management Studies*, 4(9), 68–76. <https://doi.org/10.56472/25835238/IRJEMS-V4I9P107>
- Kara, M. C., Mayberry, M. A., & Rane, S. G. (2023). Equity Incentives and Conforming Tax Avoidance. *Contemporary Accounting Research*, 40(3), 1909–1936. <https://doi.org/10.1111/1911-3846.12862>
- Kusumawati, A., Mahmudi, C., Suhandha, S., Natsir, A. I. P., Hermansyah, F. I., Dharsana, M. T., & Thaha, R. R. H. (2024). The Mediating Role of Financial Reporting Aggressiveness in Corporate Tax Avoidance Strategies. *Investment Management and Financial Innovations*, 21(4), 226–238. [https://doi.org/10.21511/imfi.21\(4\).2024.18](https://doi.org/10.21511/imfi.21(4).2024.18)
- Latifah, S., Handayani, B., Laili, M., Wulandari, I., & Faizi, M. F. (2025). Introducing Islamic Values in Early Childhood Education at the Beginning of Schooling. *Early Childhood Development Gazette*, 2(2), 72–82. <https://doi.org/10.61987/gazette.v2i2.625>
- Mirayani, N. P. A., & Latrini, M. Y. (2025). The Effect of Profitability, Leverage, and Capital Intensity on Tax Avoidance (An Empirical Study of Property and Real Estate Companies Listed on the Indonesia Stock Exchange for the

- 2019–2023 Period). *Digital Innovation: International Journal of Management*, 2(3), 196–207. <https://doi.org/10.61132/digitalinnovation.v2i3.450>
- Muhaeminah, U., & Munawwaroh, I. (2025). The Role of Digital Marketing Management in Improving College Branding on Social Media. *Indonesian Journal of Progressive Pedagogy*, 1(2), 75–86. <https://doi.org/10.61987/ijpp.v1i2.1258>
- Murtadho, M. I., Rohmah, R. Y., Jamilah, Z., & Furqon, M. (2023). The Role of Digital Literacy in Improving Students' Competence in Digital Era. *AL-WIJDĀN Journal of Islamic Education Studies*, 8(2), 253–260. <https://doi.org/10.58788/alwijdn.v8i2.2328>
- Nazar Suhada, M., & Ramdhan Ryanto, F. (2025). The Influence of Return on Assets, Current Ratio, Debt to Equity Ratio, and Total Asset Turnover on Tax Avoidance. *Indonesian Interdisciplinary Journal of Sharia Economics*, 8(1), 1416–1429. <https://doi.org/10.31538/ijse.v8i1.6050>
- Nur Ilham, I., Syamni, G., Wahyuddin, & Husaini. (2025). Factors Affecting Tax Avoidance in Property and Real Estate Companies Listed on the Indonesia Stock Exchange. *Journal of Accounting Research, Utility Finance and Digital Assets*, 3(3). <https://doi.org/10.54443/jaruda.v3i3.207>
- Nurmadjid, F. P., & Utami, W. (2025). The Effect of Leverage and Capital Intensity on Tax Avoidance with Profitability as a Moderating Variable (Empirical Study on Property and Real Estate Sector Companies Listed on the Indonesia Stock Exchange in 2018–2022). *Dinasti International Journal of Economics, Finance & Accounting*, 6(2), 1186–1195. <https://doi.org/10.38035/dijefa.v6i2.4298>
- Ramadhani, A. (2022). The Effect of Profitability, Capital Intensity and Leverage on Tax Avoidance Activities on the Pharmaceutical Sub Sector Manufacturing Companies Listed on IDX During the 2016–2020 Period. *Jurnal Riset Akuntansi dan Auditing*, 9(2), 46–56. <https://doi.org/10.55963/jraa.v9i2.472>
- Shen, Z., Zhang, R., & Li, P. (2024). Local Government Debt and Corporate Tax Avoidance: Evidence from China. *International Review of Economics & Finance*, 93, 985–1000. <https://doi.org/10.1016/j.iref.2024.03.069>
- Tarigan, L. Y. P., & Ubaidillah, D. A. N. (2023). The Influence of Liquidity, Profitability and Capital Intensity Toward Tax Avoidance in Mining Companies Listed on the Indonesia Stock Exchange. *Asian Journal of Applied Business and Management*, 2(4), 597–616. <https://doi.org/10.55927/ajabm.v2i4.6931>
- Ummah, A., Mutrofin, Santoso, B. R., Ula, S. S., Salsabila, S., Hadi, R., Setiawan, R., Fahlevi, M. I., Latifef, A. A., & Chotimah, C. (2025). Professional Training Model for Prospective Mutawif among Youth Delegates.

- Communautaire: Journal of Community Service*, 4(3), 326–340.
<https://doi.org/10.61987/communautaire.v4i3.1890>
- Wafa, K., Ratiyah, Reptiningsih, E., & Hartanti. (2024). Exploring Tax Strategies: Leverage and Firm Size Effect in Manufacturing Firms. *Taxation and Public Finance*, 1(2), 95–103. <https://doi.org/10.58777/tpf.v1i2.246>
- Wenwu, X., Khurram, M. U., Qing, L., & Rafiq, A. (2023). Management Equity Incentives and Corporate Tax Avoidance: Moderating Role of the Internal Control. *Frontiers in Psychology*, 14. <https://doi.org/10.3389/fpsyg.2023.1096674>
- Wongsinhirun, N., Chatjuthamard, P., Chintrakarn, P., & Jiraporn, P. (2024). Tax Avoidance, Managerial Ownership, and Agency Conflicts. *Finance Research Letters*, 61, Article 104937. <https://doi.org/10.1016/j.frl.2023.104937>
- Wulandari, T., Prastiwi, A., & Atmini, S. (2022). Penghindaran Pajak: Apakah Perusahaan yang Bertanggung Jawab Secara Sosial Patuh terhadap Pajak? *Jurnal Reviu Akuntansi dan Keuangan*, 12(3), 560–577. <https://doi.org/10.22219/jrak.v12i3.22361>
- Zazin, N., Basri, S., & Tama, S. (2025). Beyond Modern Management: The Barokah Model as a Spiritual Approach to Islamic Educational Innovation. *Business and Applied Management Journal*, 3(1), 141–154. <https://doi.org/10.61987/bamj.v3i1.1263>