Profitability, Capital Intensity, and Company Size against Tax Avoidance with Leverage as an Intervening Variable

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Abstract. This study aims to determine whether profitability, capital intensity, and company size, directly and indirectly, affect tax avoidance with leverage as an intervening variable in financial sector companies listed on the Indonesia Stock Exchange (IDX). The year 2018-2021 is used as an observation period. Purposive sampling was chosen as a sample sorting method with the results of a study of 106 companies with 269 observation data. This type of research is quantitative using WarpPLS 8.0. The research results are that profitability, capital intensity, and company size directly affect tax avoidance, and profitability and company size indirectly affect tax avoidance through the leverage of intervening variables. However, the capital intensity does not indirectly affect tax avoidance through leverage as an intervening variable. The implication of this study is the importance of doing tax planning for companies.

Keywords: profitability, capital intensity, size, tax avoidance, leverage.

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Introduction

As much as 80% of the income revenue of the Indonesian nation comes from taxes, so it can be said that most of the contributors to state revenue come from taxes (PDAI Medan Area University, 2021). This is because the state requires and forces every resident in Indonesia to make mandatory contribution payments in accordance with predetermined tax laws and regulations. The performance of tax revenues in the country can be measured, one of which is by using the tax ratio. The government strives for economic recovery by increasing the tax ratio so that it can have a positive impact on the economy in Indonesia. Increasing a country's revenue will make state spending greater and will cause the amount of Gross Domestic Product (GDP) to increase over state spending (Amara, 2020). The following is presented as a table of tax ratios found in Indonesia:

Table 1
Indonesia's Tax to GDP Ratio (2017-2021)

Year	Tax Ratio
2017	9,89
2018	10,24
2019	9,77
2020	8,33
2021	9,11

Source : (Dihni, 2022)

Every year the tax ratio target is expected to always increase and increase. In order to always increase, taxpayers are expected to be more concerned and contribute to paying taxes regularly. The easiest way for taxpayers to care about taxes is to understand and learn them first. The various mandatory contributions that exist in Indonesia include those collected by the central and regional governments. Central tax or contribution is a contribution collected by the central government through legislation with the collection based on the rights and powers of the central government consisting of Value Added Tax, Income Tax (PPh), Stamp Duty, Land and Building Tax, and Sales Tax on Luxury Goods. Taxes or regional contributions, namely contributions at the Provincial, Regency/ City levels consisting of Motor Vehicle Fuel Tax, Cigarette Tax, Surface Water Tax, Motor Vehicle Tax, Motor Vehicle Name Reversal Duty, and others (timhipajak, 2021).

The various types of taxes collected in Indonesia cause many violations and misappropriations of taxes,

this is because the collection of contributions by taxpayers is coercive which requires taxpayers to pay the taxes owed to the Indonesian State. There are several strategies that corporate and individual taxpayers can do in planning taxes, one of which is tax avoidance. Tax avoidance as a contribution must be made through the use of loopholes or loopholes in existing tax laws and regulations in order to cut or transfer taxes owed while still complying with tax laws and laws in Indonesia (Lathifa, 2019). Tax avoidance basically means legitimate and does not hit the tax provisions, but rather the amount of state tax revenue that will have an effect.

Tax avoidance is a number of tax payments that are charged to taxpayers less than they should be by interpreting existing laws, contribution payments are made by taxpayers by seeking to pay the outstanding taxes imposed derived from the profits that have been designed, but not from the profits earned and delaying the payment owed by the taxpayer intentionally (Catrine, 2020) so that tax avoidance is in the gray area or unclear tax regulations that are between tax compliance and tax evasion. (Lathifa, 2019).

Globalization is considered by Sri Mulyani as a Minister of Finance that the barriers between countries have been eroded which is then used by half of the people in carrying out tax avoidance practices. To safeguard Indonesia's interests, it is necessary to hold international collaboration and conduct negotiations properly. The exchange of information regarding taxation obtaining a result data called Automatic Exchange of Information (AEoI) will be utilized by the Directorate General of Taxes which has been submitted by the former managing director of the world bank. In 2018, the Automatic Exchange of Information (AEoI) was agreed upon by a number of countries, namely 120 to undergo this collaboration. Sri Mulyani said that he would continue to utilize data processed from international mandatory contribution collaborations, namely through AEoI, and seek to reduce tax avoidance through based erosion profit shifting, and the Minister of Finance ensured that AEoI data would not be used carelessly by the government. (Sukmana, 2019).

In November 2020, an Independent Organization based in London (UK) called the Tax Justice Network (TJN) conducted a study and noted that tax avoidance made the world lose around US$ 427 billion per year or around Rp 6,046T (assumed exchange rate of Rp 14,160 per US dollar) (CNN Indonesia, 2020). Meanwhile, TJN said that Indonesia after being calculated will face a decline of up to 4.86 billion US

dollars per year or equal to Rp 68.7 T (assumed exchange rate per US dollar Rp 14,149). The Ministry of Finance (Kemenkeu) targets the receipt of mandatory contributions or taxes in 2020 worth IDR 1,198.82 T, so the estimated tax avoidance will be comparable to 5.7% of the target at the end of 2020. (Sukmana, 2020).

The Swiss bank, Migros Bank AG, has proven to provide tax avoidance facilities for its customers from Germany, as reported in (Setiawan, 2021). Migros AG Bank company is one of the largest financial services companies in Switzerland. This facility is provided to help German taxpayer clients to be able to hide financial assets from the tax authorities. However, with the proof of this, Migros AG Bank was even compensated by providing US$ 15 million to the US tax authorities. Judging from this phenomenon, the author is interested in taking samples from the financial sector.

There are many factors that affect tax avoidance. Such factors as profitability, capital intensity, company size, and leverage. The profitability ratio is a ratio that describes the condition of the company and how effective it is in managing and receiving profits (Muniroh, 2022). When the company's profitability is high, tax avoidance will tend to be carried out by the company. This is in accordance with the findings of (Andalenta & Ismawati, 2022), (Muniroh, 2022), (Bandoro & Ariyanto, 2020), (Ayu & Kartika, 2019), (Rifai & Atiningsih, 2019), (Andharini & Kanti, 2018), (Hidayat, 2018), (Putri & Putra, 2017) which explains that profitability has a direct effect on tax avoidance. However, these findings are different from those of (Yusrizal et al., 2022), (Jannah & Dimyati, M.Si, 2021), (Widodo & Wulandari, 2021) (Nababan & Primasari, 2019) which state that tax avoidance is not directly affected by profitability.

Another factor is capital intensity, which is the level of capital invested or invested in fixed assets in the company in order to make benefits (Dewi & Oktaviani, 2021). Capital intensity can be said to be a form of the financial decision maker to increase profits in the company. If the capital intensity in a large company, the depreciation expense will be large, which can result in higher tax avoidance. This is in accordance with the findings of (Widodo & Wulandari, 2021), (Suciarti et al., 2020), (Marini et al., 2019), (Nugraha & Mulyani, 2019), (Rifai & Atiningsih, 2019) which expresses capital intensity directly affects tax avoidance. But the findings disagree with (Muniroh, 2022), (Dewi & Oktaviani, 2021), (Bandoro & Ariyanto, 2020) which state that

tax avoidance is not directly affected by capital intensity.

In addition to profitability and capital intensity, company size can also be one of the components that affect tax avoidance. Company size is a measure that classifies companies into groups which can be seen from the total assets that the company has. The size of the company if it gets bigger, then tax avoidance tends to be done. The statement is consistent with the findings (Jannah & Dimyati, M.Si, 2021), (Sarpingah, 2020), (Ayu & Kartika, 2019), (Nababan & Primasari, 2019), (Putri & Putra, 2017), (Tristianto & Oktaviani, 2016) who said company size affects tax avoidance directly. Nevertheless, it does not correspond to (Yusrizal et al., 2022), (Bandoro & Ariyanto, 2020), (Widodo & Wulandari, 2021), (Ernawati et al., 2019), (Andharini & Kanti, 2018) which suggests that tax avoidance is not directly influenced by company size.

These factors can directly affect tax avoidance, but these factors can also be strengthened by another factor, namely leverage. Leverage is a ratio intended for the assessment of a company's capacity to meet its responsibilities over a long or short period of time. Leverage on a company is said to be large if the company's total assets amount to less when compared to the number of assets of its creditors (Idris, 2021). If the company's debt is getting bigger, the indications for tax avoidance will be even greater (Widodo & Wulandari, 2021).

Leverage causes the relationship between the variables of profitability, capital intensity, and company size to have an indirect effect on tax avoidance. Findings (Yusrizal et al., 2022), (Jannah & Dimyati, M.Si, 2021) state that leverage does not play a role in the relationship between profitability and company size or it says profitability and company size do not have an indirect effect on tax avoidance.

The variety of previous research findings and the phenomena that occurred are the reasons this study is interesting to retest. So the research question is whether profitability, capital intensity, and company size affect tax avoidance? and does leverage strengthen the effect of profitability, capital intensity, and company size on tax avoidance?

Literature review and hypothesis development

Agency theory has a cooperative relationship between the agent (manager) and the principal (owner) based on their respective contracts, namely contracts that authorize those who are authorized (artikelpendidikan.id, 2022). The information

between the agent and principal must be aligned, otherwise, information asymmetry will occur. Information asymmetry will lead to conflicts of interest. In the theory of conflict of interest agency it is assumed that all individuals involved act according to their respective interests (Hestanto, n.d.). This is an example of profitability which can be known as how much profit the company has and as a tax object. The amount of profit owned by the company will affect future decisions. If the profit owned is increasing, then the company will try to minimize profits to be able to avoid mandatory contribution payments.

Tax avoidance is an effort for taxpayers to avoid mandatory contributions to reduce mandatory contribution dependents by using loopholes in accordance with the provisions of tax laws by not violating the slightest (ayo!pajak, 2021). The efforts made are by accelerating depreciation, the value of the depreciation obtained will be greater, this is a concrete effort made on tax avoidance (Redaksi PajakOnline, 2022). Tax avoidance is included as one of the strategies in tax planning. Tax planning needs to be carried out by corporate and corporate taxpayers in order to manage their tax management so as to increase performance efficiency, with proper management causing the tax burden to be reduced (ZF, 2019).

The purpose of profitability is to see the company's ability to make a profit in a certain period and how the level of management effectiveness during operating activities (Ahmad, n.d.). The level of profitability in the company if it gets bigger, then the company tends to carry out tax avoidance practices. This is in accordance with the agency's theory which explains that the tax burden on the company will be managed as well as possible by the agent so that the agent's performance compensation is not reduced. Thus resulting in reduced company profits due to eroding tax burdens (Olivia & Dwimulyani, 2019). Suppressing the corporate tax burden to maximize company performance is the way agents utilize company resources and performance to be able to maximize agent performance compensation. The explanation is in accordance with the findings of the study (Andalenta & Ismawati, 2022), (Muniroh, 2022), (Bandoro & Ariyanto, 2020), (Ayu & Kartika, 2019), (Rifai & Atiningsih, 2019), (Andharini & Kanti, 2018), (Hidayat, 2018), (Putri & Putra, 2017) which states profitability affects tax avoidance. Through the explanation above, the hypothesis can be stated as follows:

H1 : Profitability directly affects tax avoidance

Capital in an enterprise can be used to make a profit. Fixed assets will annually depreciate and result in a reduction in mandatory contribution dependents. When the mandatory contribution dependents decrease the company will be able to intensify the profits earned. If the capital intensity in a large company, the depreciation expense will be large, which can result in higher tax avoidance. This is in accordance with the agency theory which explains that the total tax burden on the company is more suppressed, and the company's idle funds will be invested in the form of fixed asset investments by managers with the aim that profit receipts in the form of depreciation are used as tax deductions so that tax expense profits are low (Rosdiana, 2018). The explanation is in accordance with the findings of the study (Widodo & Wulandari, 2021), (Suciarti et al., 2020), (Marini et al., 2019), (Nugraha & Mulyani, 2019), (Rifai & Atiningsih, 2019) which states that capital intensity affects tax avoidance. Through the description above, the following hypothesis is stated:

H2 : Capital Intensity directly affects tax avoidance

The National Standardization Agency distinguishes company size into 3, namely the size of a company with a total net worth owned exceeding 10 billion Rupiah, land and buildings contained called the size of a large company, the size of a medium-sized company with a total net worth owned in the range of Rp. 1-10 billion, land and buildings contained, and the size of the company with a maximum net worth of around 200 million Rupiah, land and buildings not contained are called small enterprises. Company size the larger it is, the greater the tax avoidance action the company does. This is in accordance with agency theory which explains company size if the larger the size company will have large assets, and tend to be capable and consistent in making profits. When the profit obtained is high, it can increase the number of mandatory contribution dependents, so the practice of tax avoidance will be carried out. The explanation is in accordance with the findings of the study (Jannah & Dimyati, M.Si, 2021), (Sarpingah, 2020), (Ayu & Kartika, 2019), (Nababan & Primasari, 2019), (Putri & Putra, 2017), (Tristianto & Oktaviani, 2016) which states company size affect tax avoidance. Through the description above, the following hypothesis can be initiated:

H3 : Company size directly affects tax avoidance

Table 1
Variable Measurement

No	Variables	Measurement	Source
1	Tax Avoidance	ETR = (Tax Payment) / (Profit Before Tax)	(Agustiningsih, 2017)
2	Profitability	ROA = (Net Profit After Tax) / (Total Asset)	(Hidayat, 2018)
3	Capital Intensity	CAP = (Total Net Fixed Asset) / (Total Asset)	(Bandoro & Ariyanto, 2020)
4	Company Size	Company Size = Ln (Total Asset)	(Bandoro & Ariyanto, 2020)
5	Leverage	DER = (Total Utang) / (Total Asset)	(Hidayat, 2018)

Source: secondary data processed, 2022

Leverage is the ratio to measure a company's capability to meet long-term and short-term obligations. Leverage on a company is said to be large if the number of company assets is less than the number of assets of its creditors (Idris, 2021). The company's debt if it gets bigger, the greater the tax avoidance practice will occur (Widodo & Wulandari, 2021). The effect of Profitability on tax avoidance indirectly through leverage as an intervening variable, when the level of profitability ratio in the company is getting bigger, the tax avoidance practice tends to be implemented. Likewise with capital intensity, if the capital intensity is in large companies, the depreciation expense will be large so that it can result in tax avoidance through leverage. Indirectly, company size also affects tax avoidance through leverage as an intervening variable, the greater and more stable the profit of a company, the greater the mandatory contribution borne so that tax avoidance will be carried out. Through the description above, the hypothesis can be interpreted as follows:

H4: Profitability affects tax avoidance indirectly through leverage as an intervening variable
H5: Capital Intensity indirectly affects tax avoidance through leverage as an intervening variable
H6: Company Size indirectly affects tax avoidance through leverage as an intervening variable

Research Method

The population in the study was companies listed on the Indonesia Stock Exchange (IDX) in 2018-2021, while the sample was companies in the financial sector as many as 106 companies and 269 data generated. The tool used to measure the study is WarpPLS 8.0.

Purposive sampling was chosen as a method of sorting samples carried out by sampling based on the observed criteria. In this test, there are variables that are proxied to several measurements to match the calculation, here is the data:

Result and Discussion

The sampling criteria in this observation are:

Table 2
Research Samples

No.	Information	Total
1.	Financial companies listed on IDX for the period 2018-2021	407
2.	Financial companies listed on IDX for the 2018-2021 period that experienced losses (ROA)	(83)
3.	Financial companies listed on IDX for the 2018-2021 period that experienced losses (CETR)	(1)
4.	Financial companies listed on IDX for the period 2018-2021 that do not pay tax (CETR)	(46)
5.	Financial companies listed on IDX for the 2018-2021 period that do not have net fixed assets (CAP)	(8)
	Number of Samples	269

Source: secondary data processed, 2022

Tabel 3
Model Fit dan Quality Indices

No	Model fit and quality indices	Fit Criteria	Analysis Results	Information
1.	Average path coefficient (APC)	p < 0,10	P<0,001	Accepted
2.	Average R-squared (ARS)	p < 0,10	P<0,001	Accepted
3.	Average adjusted R-squared (AARS)	p < 0,10	P<0,001	Accepted
4.	Average block VIF (AVIF)	Acceptable if <= 5, ideally <= 3,3	1,239	Ideal
5.	Average full collinearity VIF (AFVIF)	acceptable if <= 5, ideally <= 3,3	1,342	Ideal
6.	Tenenhaus GoF (GoF)	small >= 0,1; medium>=0,25; large>=0,36	0,495	Large
7.	Simpson's paradox ratio (SPR)	acceptable if>=0,7 ideally= 1	0,857	Accepted

No	Model fit and quality indices	Fit Criteria	Analysis Results	Information
8.	R-squared contribution ratio (RSCR)	acceptable if>=0,9 ideally= 1	0,998	Accepted
9.	Statistical suppression ratio (SSR)	acceptable if>=0,7	0,571	Not Accepted
10.	Nonlinear bivariate causality direction ratio (NLBCDR)	acceptable if>=0,7	0,643	Not Accepted

Source: Secondary data processed, 2022

In the Average Path Coefficient (APC) result with a fit criterion of <0.10 and a result that can be a number of P<0.001, it is said that this result is accepted. From the results of calculations that have been carried out on the Average R-squared (ARS) with a fit criterion of <0.10 and the results obtained a number of P<0.001, it means that these results are accepted. In the Average Adjusted R-squared (AARS) with a criterion of <0.10 with a result of P<0.001, it is said that this result is accepted. From the research that has been carried out, it produces an Average block VIF (AVIF) with fit criteria if it is <=5 then it will be accepted and if it is <=3.3 then the ideal and this result are 1,239 means that the result is ideal. For Average full collinearity (AFVIF) with fit criteria if <=5 it will be accepted and if <=3.3 then the ideal and the result obtained is 1.342 is expressed as ideal. In Tenenhaus GoF (GoF) with a small fit criterion >= 0.1 medium >= 0.25 large >= 0.36 and the result obtained in this model is 0.495, it can be interpreted that this model is included in the large. In the result of Simpson's paradox ratio (SPR) with a fit acceptable criteria if >= 0.7 ideally = 1 and the result obtained is 0.857 then this model is accepted. In the R-squared contribution ratio (RSCR) with acceptable criteria, if >= 0.9 ideally = 1 and the result obtained is 0.998, it means that this model is accepted. For the Statistical suppression ratio (SSR) model with the criteria of fit acceptable, if >= 0.7 and the result obtained is 0.571, it means that this method is not accepted. In the results of the study of the Nonlinear bivariate causality direction ratio (NLBCDR) model with the criteria of fit acceptable, if >= 0.7 and the results obtained 0.643, this research model was not accepted. Seeing that all models have been sufficiently fit, it is said that the results of the analysis in this study are good.

Table 4
Hasil Pengujian WarpPLS Path Coefficients dan P Value

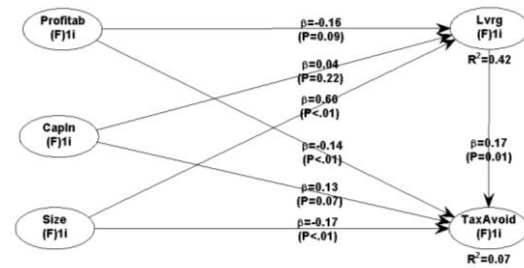|	Path Coefficients	P value	Ket
Profitability			
Leverage	(0,163)	0,092	Accepted
TaxAvoid	(0,141)	0,010	Accepted
Capital Intensity			
Leverage	0,036	0,219	Rejected
TaxAvoid	0,131	0,072	Accepted
Company Size			
Leverage	0,598	<0,001	Accepted
TaxAvoid	(0,170)	0,002	Accepted
Leverage			
TaxAvoid	0,166	0,014	Accepted

Source: Secondary data processed, 2022

Fig. 1. Data Management Results

Source: Secondary data processed, 2022

Based on the research and data processing that has been carried out, it produces a number of interpretable numbers derived from the conceptual framework above:

The p-value of the profitability variable indicates a result < 0.01 or less than 0.10 means that the variable is significant. The first hypothesis is accepted, profitability has a direct effect on tax avoidance. The company's profitability when the ratio is getting bigger shows that the management of these assets is effective to generate more optimal profits (Bandoro & Ariyanto, 2020). This is in accordance with the agency's theory which explains that the tax burden on the company will be managed as well as possible by the agent so that the agent's performance compensation is not reduced. This resulted in reduced company profits due to eroded tax burdens (Olivia & Dwimulyani, 2019). When the profitability ratio is high, the mandatory contribution borne by the company will be higher. The high contribution burden imposed will cause a company to take tax avoidance actions, namely by diverting the burden. This is in line

with (Andalenta & Ismawati, 2022), (Muniroh, 2022), (Bandoro & Ariyanto, 2020), (Ayu & Kartika, 2019), (Rifai & Atiningsih, 2019), (Andharini & Kanti, 2018), (Hidayat, 2018), (Putri & Putra, 2017) which states tax avoidance is influenced by profitability. Nevertheless, it is not in line with (Yusrizal et al., 2022), (Jannah & Dimyati, M.Si, 2021), (Widodo & Wulandari, 2021) (Nababan & Primasari, 2019) which expresses otherwise.

The p-value of a capital intensity variable of < 0.01 or less than 0.10 means that the variable is significant. The second hypothesis is accepted, capital intensity has a direct effect on tax avoidance. If the capital intensity in the company is large, the depreciation expense that occurs will be even greater. This can result in higher tax avoidance because the company is trying to shift the tax burden so that tax payments are not too large. This is in accordance with the agency's theory which explains that the total tax burden on companies is more suppressed, the company's idle funds will be invested in the form of fixed asset investments by managers with the aim that profit receipts in the form of depreciation are used as tax deductions so that the tax expense profit becomes low (Rosdiana, 2018). The findings are the same as those (Widodo & Wulandari, 2021), (Suciarti et al., 2020), (Marini et al., 2019), (Nugraha & Mulyani, 2019), (Rifai & Atiningsih, 2019) which state tax avoidance is influenced by capital intensity. But contrary to (Muniroh, 2022), (Dewi & Oktaviani, 2021), (Bandoro & Ariyanto, 2020) state otherwise.

The p-value of a company size variable < 0.01 or less than 0.10 means that the variable is significant. The third hypothesis is accepted, company size has a direct effect on tax avoidance. The greater the type of company size and the more stable the company's profit, the greater the mandatory contribution borne will cause the company to tend to do tax avoidance. In other words, companies will increasingly take advantage of existing loopholes. This is in accordance with the agency's theory that describes company size the larger the size of a company will have large assets, tend to be capable and consistent in generating profits. This is in line with (Jannah & Dimyati, M.Si, 2021), (Sarpingah, 2020), (Ayu & Kartika, 2019), (Nababan & Primasari, 2019), (Putri & Putra, 2017), (Tristianto & Oktaviani, 2016) which states tax avoidance is influenced by company size. Nevertheless, it is not in line with (Yusrizal et al., 2022), (Bandoro & Ariyanto, 2020), (Widodo & Wulandari, 2021), (Ernawati et al., 2019), (Andharini & Kanti, 2018) which state otherwise.

The value of profitability significance indirectly of 0.09 or less than 0.10 means that the variable is significant. The fourth hypothesis is accepted, namely that profitability indirectly affects tax avoidance through leverage as an intervening variable. The significant effect of profitability indirectly on tax avoidance through leverage is caused when the level of profitability of large companies will tend to entrust the use of sources of wealth to the company's internals, namely retained earnings when the level of small profitability of the company tends to use external sources of wealth. This is in accordance with the agency's theory which explains that the tax burden on the company will be managed as well as possible by the agent so that the agent's performance compensation is not reduced. This resulted in reduced company profits due to eroded tax burdens (Olivia & Dwimulyani, 2019). When the company's profits are large, the company will tend to suppress its external sources such as debt. In other words, when the profit owned is large, it is unlikely that the company will be financed by debt. When profits are in large companies, the burden of mandatory contributions that will be paid is even greater so that tax avoidance practices will be carried out. On the other hand, the smaller the level of profitability in the company, the company will rely on external sources of wealth from the company. Findings (Yusrizal et al., 2022), (Jannah & Dimyati, M.Si, 2021) state that leverage does not play a role in the profitability relationship or it says profitability has no indirect effect on tax avoidance.

The significance value of the capital intensity variable indirectly amounting to 0.22 or greater than 0.10 means that the variable is insignificant. The fifth hypothesis is rejected, capital intensity indirectly has no significant effect on tax avoidance through leverage as an intervening variable. Capital Intensity does not have a significant effect on leverage because when capital intensity is high, the company will receive a small profit. If the profit obtained by the company is small, the level of leverage will be higher. This is in accordance with the agency's theory which explains that the total tax burden on companies is more suppressed, the company's idle funds will be invested in the form of fixed asset investments by managers with the aim that profit receipts in the form of depreciation are used as tax deductions so that the tax expense profit becomes low (Rosdiana, 2018). When the level of debt is high, then the tendency of the company to tax avoidance is not carried out. Capital intensity is capital derived from debt, if the capital is greater, the debt is greater.

The p-value of the company size variable indirectly indicates a result of < 0.01 or less than 0.10 means that the variable is significant. The sixth hypothesis is accepted that company size indirectly has a significant effect on tax avoidance through leverage as an intervening variable. Company size if larger it is, the need for funds in fulfilling daily activities will also be greater. The funding-debt ratio will also increase based on the size of the company. This is because a company that is large in size has a large net worth, the need for the company to owe the debt or the company is financed by debt is getting bigger and tax avoidance practices will be carried out. This is in accordance with the agency's theory that describes company size the larger the size of a company will have large assets, tend to be capable and consistent in generating profits. Findings (Yusrizal et al., 2022), (Jannah & Dimyati, M.Si, 2021) state that leverage does not play a role in the relationship of company size or said and company size has no indirect effect by tax avoidance.

Conclusion

The conclusion is that profitability, capital intensity, and company size have a direct effect on tax avoidance, profitability, and company size indirectly affect tax avoidance through leverage as an intervening variable, capital intensity does not indirectly affect tax avoidance through leverage as an intervening variable. This research implies that the application of tax planning to financial companies must be carried out optimally and in accordance with tax law regulations in order to reduce the level of tax avoidance and no mistakes occur in the future. Tax avoidance measures are taken by companies in order to be able to divert the payment of tax burdens to the next month or other means that the company thinks is better with a record of not violating tax rules and can take advantage of existing loopholes. The limitation of this study is that the low R2 value is still below 50%. Suggestions for further research can add more varied variables related to tax avoidance, for example, institutional ownership, corporate social responsibility (CSR), corporate governance, and so on, besides that it can also modify the research model used using moderation variables.

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