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Tax avoidance determinants: the role of dividend policy as moderating variable

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ABSTRACT

Purpose: Tax avoidance, which is a legally permissible strategy that complies with tax regulations, can affect the state's revenue targets; thus, this study investigates the effects of Profitability, Firm Size, Institutional Ownership, and Leverage on Tax Avoidance, moderated by Dividend Policy.

Methodology/approach: This research uses quantitative data. The sample consists of 10 State-Owned Enterprises (SOEs) listed on the Indonesia Stock Exchange (IDX) from 2019 to 2023, using purposive sampling techniques, which resulted in 50 data points. The analytical method applied is regression moderation analysis, run using the E-Views version 12 program.

Findings: The findings show that Profitability and Institutional Ownership positively affect Tax Avoidance, while Firm Size has a negative impact. Leverage shows no significant effect, with the Dividend Policy moderating the leverage-tax avoidance relationship.

Practical and Theoretical contribution/Originality: This study's findings verify the existence of tax avoidance practices carried out in state-owned companies related to dividend policy decisions made by management and contribute to shareholders' consideration of making decisions at the GMS.

Research Limitation: This research only focuses on the application of tax avoidance in SOEs and does not compare it with private companies.

Keywords: Dividend Policy; Firm Size; Institutional Ownership; Leverage; Profitability; Tax Avoidance.



INTRODUCTION

According to the Tax Harmonization Law, a tax is a monetary levy imposed on individuals or entities by the state following legal authority. It is collected exclusively for the benefit of the state and its residents and is not compensated in any way. According to [Afridayani & Islammia \(2023\)](#), tax is the principal means to enrich a country's economy, carry out government activities, and provide public facilities for the community. Compared to other income sources, taxes, especially the State Budget (APBN), cover a large amount, so taxes are significant for a country's economy. Development, infrastructure, and government operations in general are assisted by tax revenues received by the state from the Community [\(Rosandi, 2022\)](#). In addition, for companies to run smoothly, taxpayers must report their income accurately [\(Feny Destia, 2022\)](#). As a result, effective tax administration is essential for its supervision.

In 2018, the tax ratio exceeded 10 per cent; however, in 2019, this performance declined to 9.8 per cent of GDP. The tax revenue ratio further declined to 8.3 per cent in the fiscal year 2020, coinciding with the onset of the Covid-19 pandemic. In the fiscal year 2022, the tax ratio recovered to a double-digit figure of 10.4 per cent of GDP. Indonesia's low tax ratio is supported by data from the Organisation for Economic Co-operation and Development (OECD), as presented in the 2022 Revenue Statistics in Asia and the Pacific report.

Among several explanations for the low tax revenue ratio is the COVID-19 pandemic. Other possible causes include overly ambitious tax revenue targets or deliberate use of loopholes by some taxpayers to lower their tax liabilities. One way taxpayers avoid or minimize their tax liabilities is through this approach. Many people and companies try to minimize their tax liabilities and maximize their profits using tax avoidance strategies [\(Oktaviani, 2019\)](#). Companies, especially public companies that have to pay a lot of taxes, may experience decreased profits due to taxes. As part of tax planning, tax avoidance takes advantage of loopholes in relevant tax regulations to avoid paying taxes but still within the legal limits. Reduce corporate tax liability [\(Prasatya et al., 2020\)](#).

Tax avoidance is not illegal as long as taxpayers act within the limits permitted by law [\(Anggraeni & Oktaviani, 2021\)](#). Although tax avoidance is not illegal in itself, it is still looked down upon by government authorities, creating a strange conundrum [\(Dhupalonika, 2018\)](#). Although legal, this action is often controversial because it can reduce government tax revenues, which can impact social programs, infrastructure spending, and the country's financial stability [\(Madjid & Akbar, 2023\)](#). State revenues are expected to decrease due to tax avoidance, but taxpayers engage in tax avoidance because they believe it will negatively impact their company's profitability.

Two BUMN companies in the Health sector 2023 experienced a case that resulted in tax evasion. This incident has consequences for revenue categories, cost of goods sold (HPP), and operating expenses, thus contributing significantly to the losses incurred in 2023. In 2023, KAEF reported a net loss caused by the parent company owner of IDR 1.48 trillion, in stark contrast to the previous year's loss of IDR 190.4 billion. In particular, KAEF's net sales grew 7.93%, reaching IDR 9.96 trillion, compared to the previous year's figure of IDR 9.23 trillion. The Audit Board of Indonesia (BPK) also revealed that PT Indofarma Tbk (INAF) and its subsidiary, PT Indofarma Global Medika, were involved in activities that showed fraudulent behaviour. Furthermore, they must cooperate with shareholders and the Ministry of State-Owned Enterprises to report problems related to PT Indofarma Tbk and its subsidiaries to law enforcement agencies.

The tax dispute between PGN and DJP relates to transactions conducted in 2012 and 2013. Furthermore, the dispute in 2013 revolved around different interpretations of the company's billing framework. In June 1998, the company changed gas prices to US\$/MMBtu and RP/m³ denominations, driven by the depreciation of the Rp against the US \$. In contrast, the company asserted that prices in US\$/MMBtu and RP/m³ were single units of gas prices exempt from VAT.

A business in Indonesia is considered a state-owned enterprise (SOE) if the government owns the majority or all of its shares, as stated in Law No. 19 of 2003. Tax avoidance is a bad idea since the government owns most of the companies. Both taxes and profits are received by the state from SOE companies. The state treasury will be lighter due to tax avoidance by the majority owner. However, if management refrains from carrying out legal tax planning, the distribution of wealth to other shareholders (non-state) will be suboptimal. Studies comparing private companies with SOEs are still in their infancy, and most existing research studies focus on tax avoidance strategies used by companies in general or in a narrow context ([Kuswanto, 2023](#)). This is especially the case in Indonesia.

Several previous studies have shown that tax avoidance can be influenced by various factors, such as Profitability, Company Size, Institutional Ownership, Leverage, and Moderate Dividend Policy. The findings show that profitability [Faradilla & Bhilawa \(2022\)](#), company size [Mailia \(2020\)](#), institutional ownership [Suryatna \(2023\)](#), leverage [Faradilla & Bhilawa \(2022\)](#), and dividend policy as a moderation have a significant positive effect on tax avoidance ([Saputra, 2023](#)). Conversely, previous studies also present alternative evidence showing that profitability [Mailia \(2020\)](#), company size [Saputro \(2021\)](#), institutional ownership [Afridayani & Islammia \(2023\)](#), leverage [Nibras & Hadinata \(2020\)](#), and dividend policy as a moderation have no impact on tax avoidance ([Apsari & Setiawan, 2018](#)). The differences in research findings make the determinants of tax avoidance exciting and worthy of further investigation.

The results of this study are anticipated to bridge the gaps identified in previous research results. Previous investigations have concentrated mainly on the methodology of tax avoidance within firms as collective entities or have limited their analysis to specific domains, with few studies exploring the differences between state-owned and private firms, especially in the Indonesian context. [Kuswanto \(2023\)](#) conducted an analysis comparing the financial performance of state-owned and private firms listed on the Indonesia Stock Exchange. The findings of this study indicate significant differences in the financial performance of state-owned firms compared to their private counterparts, particularly regarding profitability metrics. In contrast, [Mardiyani's \(2017\) study](#) concluded that there is no substantive difference between state-owned and private pharmaceutical firms when assessed through the lens of economic value added. Therefore, the gap in research regarding the performance differences between state-owned and private firms requires further scientific examination.

The novelty of this study lies in the concentrated examination of state-owned firms listed on the IDX from 2019 to 2023. The selection of state-owned firms was informed by the variance identified in previous studies, allowing the researchers to add to their findings by exploring the state-owned sector. Next, the researchers included two additional variables: firm size, Institutional Ownership, and moderated dividend policy. 2019-2023 was deliberately chosen because data from the last five years remains relevant and applicable to contemporary circumstances.

Profitability refers to the capacity of a company to generate money. The profitability percentage is a good indicator of a company's capacity to achieve satisfactory income levels.

A more significant profit margin can indicate solid financial performance, which can attract investors to invest in the company, increasing stock prices and overall value ([Dewi & Sudiarta, 2017](#)). The ability of a company to convert its assets and equity into adequate profits can be assessed using profitability measures ([Leksono et al., 2019](#)). The divergence of interests between agents and principals is evident within the agency theory framework regarding profitability as an independent variable of tax avoidance. In this context, agents are characterized as managerial personnel, while principals are entities subject to government regulation. The government aspires to increase national income through taxation, in contrast to the tendency of managers to minimize tax liabilities in pursuit of increased profits. However, it is argued that increased profits lead to increased profitability ([Irianto & S.Ak, 2017](#)).

The purpose of this study is to analyze and understand more deeply how tax avoidance, a legal strategy carried out in accordance with applicable tax regulations, can impact achieving state revenue targets. The study focuses on how profitability, company size, institutional ownership, and leverage affect corporate tax avoidance. This study also seeks to determine how dividend policy functions as a moderating factor that can strengthen or enhance the relationship between these variables and tax avoidance.

As corporate profits increase, so does the tax to be paid. Companies are more likely to use tax avoidance strategies when the tax burden increases. [Arinda & Dwimulyani \(2018\)](#), [Anggraeni & Oktaviani \(2021\)](#), and [Faradilla & Bhilawa \(2022\)](#) found similar results, which are supported by this statement. The results of this study confirm that tax avoidance tactics are positively and significantly influenced by the level of profitability.

H₁: Profitability affects tax avoidance

Revenue, total assets, and total equity are three metrics that classify company size ([Herawati & Jaeni, 2024](#)). Company size is helpful in financial and business analysis, impacting several strategic and operational areas. Larger organizations can more easily take advantage of tax loopholes because more transactions occur in larger organizations ([Saputro, 2021](#)).

Companies with many employees and significant market capitalization are more stable and profitable. Large companies can take advantage of loopholes created by small companies to reduce or eliminate their tax liabilities. According to [Mailia \(2020\)](#), [Hermawan et al. \(2021\)](#), and [Riskatari & Jati \(2020\)](#), this statement strengthens research findings that show the impact of company size on tax reductions.

H₂: Company size affects tax avoidance

Institutional ownership refers to the percentage of a company's shares held by entities such as trusts, government agencies, and foreign investors. This indicates the level of involvement of institutional investors in the ownership of the company's shares ([Ristanti, 2022](#)). A company's tax burden is proportional to the number of shareholders it owns. When shareholders can reduce their tax bill, they pressure management to prioritize financial performance over personal gain ([AA Putri, 2019](#)).

Institutions are subject to higher levels of scrutiny according to the number of shares they own. The likelihood that management will take steps to avoid paying taxes decreases as the level of scrutiny increases. According to previous studies conducted by [Suryatna \(2023\)](#), [VR Putri & Putra \(2017\)](#), and [AA Putri et al. \(2020\)](#), a company's capacity to avoid taxes is influenced by its ownership. Simply put, companies tend to engage in tax avoidance when the level of institutional ownership is higher.

H₃: Institutional Ownership affects tax avoidance

Leverage, as articulated in 169/PMK. 010/2015, relates to financial and operational methodologies that affect a company's performance and valuation. These methodologies allow a company to change the book value of assets, thus impacting the debt-to-equity ratio and comprehensive financial *leverage*.

Leverage is a financial indicator that measures the extent to which an entity is funded through debt. It is assessed using the ratio of total liabilities compared to the entity's capital framework, which is usually defined as the debt-to-equity ratio. According to several studies by [Faradilla & Bhilawa \(2022\)](#), [Hermawan et al. \(2021\)](#), and [Prasatya et al. \(2020\)](#), *leverage* has a positive impact on *Tax Avoidance*.

H₄: Leverage affects tax avoidance

Dividend policy refers to the decisions taken by a company's financial management team regarding the distribution or retention of profits. Companies should prioritize dividend distribution as a means of distributing wealth to shareholders. According to [Kuswanto \(2023\)](#), companies are more likely to manage taxes when their dividends increase. Dividend policy is related to tax avoidance, according to several previous studies by [Erianto and Cardinal \(2024\)](#) and [Anderson et al. \(2022\)](#). Two studies that show dividend policy as a moderating element in tax avoidance are [Maryanti and Ayem \(2022\)](#) and [Mery \(2017\)](#). In line with signal theory, Signal theory was initially formulated in 1973. According to [Spence \(1973\)](#), signal theory embodies information asymmetry that motivates companies to disclose financial statements to external parties, namely investors, who act as signal recipients. Shareholder welfare will be positively affected by significant dividends. The company will also benefit from the entry of attractive new potential investors. As a result, the theory proposed is:

H₅: Dividend policy moderates the effect of profitability variables on tax avoidance

As an indication of strong corporate performance and management's dedication to providing shareholders with returns, dividend payments are generally viewed as a positive indication by investors. This is because dividends are usually more attractive to companies with significant levels of institutional ownership. Tax avoidance incentives can also be reduced in this way. Dividend policy is a moderating component related to tax avoidance, according to research by [Apsari and Setiawan \(2018\)](#) and [Gunarianto \(2023\)](#). So, the hypothesis explained is:

H₆: Dividend policy moderates the influence of company size variables on tax avoidance

Because of their focus on long-term corporate growth rather than quick profits, institutional investors tend to have longer investment horizons than individual investors. As a result, corporate executives may feel pressured to prioritize long-term profits by reducing the dangers of aggressive tax avoidance strategies. Studies by [Saputra \(2023\)](#), [Wirianto et al.](#)

(2021), and Setyawati (2019) highlight the importance of dividends as a moderating variable of tax avoidance.

H₇: Dividend policy moderates the effect of institutional ownership on tax avoidance

Leverage and tax avoidance variables, influenced by dividend policy, summarize the nuanced relationship between financial strategy and corporate governance. *Leverage*, usually measured by the debt-to-equity ratio, has been shown to influence tax avoidance behaviour, as evidenced by many studies. Tax avoidance incentives can be reduced through this approach. Studies show that dividend policy moderates tax avoidance [Apsari & Setiawan \(2018\)](#), and [Saputra \(2023\)](#). Thus, the proposed hypothesis is established.

H₈: Dividend policy moderates the effect of leverage on tax avoidance

METHOD

Focus on demographic study. This consists of state-owned enterprises listed on the Indonesia Stock Exchange (IDX) from 2019 to 2023, totalling 27 BUMN. The methodology used For the acquisition sample is taking samples with purpose. Below is the representation of the sample selection criteria shown in table 1:

The data used in this study is categorized as secondary data, which refers to information obtained from existing sources from published works, records, or research conducted by manufacturing companies traded on the Indonesia Stock Exchange. Documentary data often manifests as evidence, documentation, or historical records systematically collected in an archival repository. Companies in the manufacturing industry listed on the Indonesia Stock Exchange (IDX) between 2019 and 2023 were analyzed using financial reports. The reports are available at www.idx.co.id

Company profitability can be defined as the ratio of sales, assets, and capital to the profits generated ([Nurhasan, 2023](#)). The Return on Equity (ROE) ratio is a way to see how well a company is performing in converting its equity investments into profits ([Hardianti, 2022](#)). The method for determining the ROE ratio is given below ([Rosandi, 2022](#)):

$$ROE = \frac{\text{Laba Bersih Setelah Pajak}}{\text{Total Ekuitas}}$$

Size Company size is a quantification of the size of a company. The size of a company is determined by its assets and capital. According to [Anita \(2015\)](#), large organizations can overcome asset-related constraints because they have enough assets to support them. In this case, total assets are converted using the natural logarithm. Organization size can be calculated using the formulas:

$$\text{Size} = \ln(\text{Total Assets})$$

Sample Criteria	Amount
Amount Population	27
Companies that did not pay dividends between 2019-2023	(17)
Companies that meet the criteria specified sample.	10
Number of sample data (10 x 5)	50

Table 1.
Criteria
Sampling

Institutional ownership has a significant role in shaping corporate policy. [Prasetyo \(2018\)](#) states that managers are not advised to engage in opportunistic behaviour when institutional investors increase supervision. Shareholders will have confidence in the company's success because of this. To determine institutional ownership it can be assessed using the following formula ([Ariawan & Setiawan, 2017](#)):

$$KI = \frac{\text{Saham yang Dimiliki Institusional}}{\text{Saham yang Beredar}}$$

Leverage based on 169/PMK. 010/2015 is a financial indicator that assesses the extent to which an entity's funding comes from debt. The analysis of this indicator uses the ratio of total liabilities in relation to the entity's capital composition so that *leverage* is calculated using the Debt Equity Ratio (DER) formula.

$$DER = \frac{\text{Total Kewajiban}}{\text{Total Ekuitas}}$$

Companies must align their fiscal and business financial statements to reconcile accounting profit with tax profit. Companies carry out this alignment through an adjustment or reconciliation process using the Book Tax Difference (BTD) formula ([Windarti & Sina, 2017](#)). The BTD proxy is used because it represents the overall difference between accounting and taxable profit:

$$BTD = \frac{\text{Laba Akuntansi} - \text{Laba Fiskal}}{\text{Total Aset}}$$

A company's dividend policy is its approach to handling its income. If a company's stock price continues to rise, investors are getting a larger share of the company's profits or tax refunds, which in turn means that the value of their shares increases ([Apsari & Setiawan, 2018](#)). [Estralita Trinawati \(2019\)](#) states that the Dividend Payout Ratio (DPR) indicates the proportion of income allocated to shareholders in the form of monetary disbursements. Typically, dividend payments are determined using this ratio, which is defined as follows:

$$DPR = \frac{\text{Dividen yang Dibayarkan}}{\text{Laba Bersih}}$$

The methodological approach for this study uses panel data analysis techniques facilitated by the Eviews version 12 application. Data analysis includes descriptive statistics, assessment of normality, multicollinearity, heteroscedasticity, and autocorrelation, along with model selection tests (including the Chow test, Hausman test, and Lagrange Multiplier (LM) test), hypothesis testing, coefficient determination, and Moderated Regression Analysis (MRA) using the following equation.

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_1.Z + \beta_6 X_2.Z + \beta_7 X_3.Z + \beta_8 X_4.Z + \epsilon$$

Description: Y : Tax Avoidance α : Constant X1 : ROE X2 : Company Size X3 : Institutional Ownership X4 : DER X5 : Dividend Policy $\beta_1 - \beta_8$: Regression Coefficient ϵ : Error Term

RESULTS AND DISCUSSION

Examine descriptive statistics to obtain a comprehensive understanding of the study variables used, including the average, standard deviation, maximum value, and minimum value for each variable studied.

Based on table 2 above, the independent variables on profitability assessed through Return on Equity (ROE) in a sample of 10 SOEs from 2019 to 2023, showed a maximum profitability index of 0.434, while the minimum index recorded was 0.009. The average profitability index was at 0.117, indicating the company's efficiency in generating profits through asset utilization from 2019 to 2023, with a standard deviation of 0.077.

The independent variable related to firm size, operationalized as SIZE, was assessed across ten state-owned companies from 2019 to 2023. The highest recorded firm size was 35.315, while the minimum value reached 29.548. The mean value of 32.522 indicates that the average aggregate assets of the companies during the given period were assessed at 32.522, accompanied by a standard deviation of 1.967.

The independent variable related to institutional ownership, measured using KI in 10 BUMN from 2019 to 2023, shows a maximum institutional ownership value of 0.994, while the minimum value recorded is 0.555. The average value is calculated at 0.891, indicating that, on average, institutional shares from 2019 to 2023 are valued at 0.891, accompanied by a standard deviation of 0.118.

The independent variable, leverage assessed through the Debt-to-Equity Ratio (DER) in ten state-owned companies from 2019 to 2023, revealed a maximum leverage value of 17.071, compared to a minimum value of 0.374. The average value was recorded at 3.865, indicating that, on average, the debt issued by these companies to support their operational activities during the specified period was 3.865, accompanied by a standard deviation of 4.408.

The dependent variable on tax avoidance, measured through Book Tax Differences (BTD) in a sample of 10 SOEs from 2019 to 2023, shows a maximum BTD value of 0.075, while the minimum value recorded is 0.000. The average value is at 0.016, indicating that the frequency of adjustment or reconciliation during the 2019-2023 period is assessed at 0.016, accompanied by a standard deviation of 0.017.

Examination of the dividend policy moderation variable, measured through the Dividend Payout Ratio (DPR) in 10 SOEs from 2019 to 2023, reveals a maximum DPR value of 0.999 and a minimum of 0.013. The average DPR is calculated at 0.467, indicating that the average dividend distribution by these companies during the specified period is assessed at 0.467, accompanied by a standard deviation of 0.253.

Descriptive Statistics					
	N	Mean	Minimum	Maximum	Std, Deviation
Profitability (ROE)	50	0.117511	0.009737	0.434171	0.077167
Company Size (SIZE)	50	32,52200	29.54868	35.31545	1,967651
Institutional Ownership (IP)	50	0.891010	0.555000	0.994000	0.118212
Leverage (DER)	50	3.865915	0.374953	17.07140	4,408521
Tax Avoidance (BTD)	50	0.016681	0.000312	0.075462	0.017832
Dividend Policy (DPR)	50	0.467226	0.013060	0.999999	0.253518

Source: Research Data, 2024

Table 2.
Results of
Descriptive
Analysis Test

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Model Specification	Statistics	P-Value	Model
Chow Test	Chi-square Prob	0.0000	Fixed Model (FEM)
Hausman test	Random cross-section prob	0.0633	Random Model
LM Test	Cross-section Prob	0.0001	Random Model (REM)

Table 3.
Model Selection Test Results

Source: Research Data, 2024

Variables	Coefficient	Std. Error	Prob.	Hypothesis
ROE	0.123	0.014	0.000	Accepted
SIZE	-0.004	0.001	0.005	Accepted
KI	0.030	0.012	0.023	Accepted
DER	-0.000	0,000	0.129	Rejected
DPR	0.164	0.079	0.046	Accepted
ROE*DPR	-0.003	0.034	0.913	Rejected
SIZE*DPR	-0.005	0.003	0.071	Rejected
KI*DPR	0.033	0.050	0.508	Rejected
DER*DPR	-0.003	0.001	0.033	Accepted

Table 4.
Hypothesis Test Results

Source: Research Data, 2024

	Panel Data Regression	MRA
R-squared	0.6301	0.8653
Prob(F-statistic)	0.0000	0.0000

Table 5.
Results of the Determination Coefficient Test

Source: Research Data, 2024

Common effects model (CEM), fixed effects model (FEM), and random effects model (REM) are appropriate methodologies for panel data analysis. Model specification checks include Chow, Hausman, and Lagrange multiplier tests.

According to the table 3 above, the Chi-Square statistic reveals a probability value of 0.0000, below the significance level of 0.05. Consequently, the optimal model identified in the Chow test is unequivocally a fixed effects model. The cross-sectional random probability value is at 0.0633, which exceeds the threshold of 0.05; thus, it can be concluded that the most appropriate model according to the Hausman test is a random effects model, with a probability value of 0.0001, which is also below 0.05. Therefore, it can be concluded that the optimal model, according to the LM test, is indeed a random effects model. Given that the random effects model was selected on two separate occasions during the model estimation process, it is reasonable to consider it the most suitable model for this study.

One approach to testing moderating variables is through moderation analysis. When using moderated regression analysis, all assumptions related to regression are met. The analysis conducted on the research data used a significance threshold of 0.05. This indicates that if the significance value is <0.05 , there is a significant impact; conversely, if the significance value exceeds 0.05, this indicates no significant effect

Based on table 4, the profitability variable positively affects tax avoidance, as evidenced by the probability value falling below the 5% significance threshold. This finding supports the acceptance of hypothesis H1. Precisely, as a firm's profitability increases, so does its tax liability, thus increasing the likelihood of the firm engaging in a tax avoidance strategy: high levels of profitability are correlated with amplified tax burdens. Consequently, management tends to allocate profits to minimize fiscal liabilities, especially tax liabilities. Effective tax planning is critical in facilitating this goal, thus allowing the firm to reduce its tax payments. The relationship between profitability and tax avoidance can be explained through agency theory, which states that managerial incentives can encourage tax evasion to increase firm value and personal remuneration, leading to potential conflicts of interest when managers prioritize personal interests over shareholder welfare. This complexity is explored in the literature on the dual aspects of tax avoidance. The results of this study are in line with the statements put forward by [Arinda & Dwimulyani \(2018\)](#), [Anggraeni & Oktaviani \(2021\)](#), and [Faradilla & Bhilawa \(2022\)](#), showing that profitability has an impact on tax avoidance.

The measurement of the firm size variable has a significant negative effect on tax avoidance, as evidenced by the coefficient value of -0.0043 with a corresponding probability of 0.0052, less than the threshold of 0.05. This indicates that Hypothesis 2 is validated. Specifically, as the size of the firm increases, so do its assets, thereby increasing its capacity to accommodate tax liabilities. In addition, large firms usually have more professional human resources, which facilitates the reduction of tax avoidance. The detrimental impact of organizational size on tax avoidance can be explained through agency theory, which explains the conflict of interest among various stakeholders, including managers and shareholders. As firms grow and exhibit greater structural complexity, the need to improve corporate governance arises, thereby reducing tax avoidance behaviour. The findings of this study are in line with previous studies by [Mailia \(2020\)](#), [Hermawan et al. \(2021\)](#), and [Riskatari & Jati \(2020\)](#), who emphasized that the size of an organization has an impact on its tax avoidance strategy.

According to the findings from the t-test conducted in this study, institutional ownership shows a positive and statistically significant impact on tax avoidance, with a coefficient value of 0.0302 and a probability value of t-statistics lower than the set significance threshold ($0.0238 < 0.05$). Consequently, hypothesis 3 is validated, indicating that institutional ownership positively and significantly impacts tax avoidance. The escalation of institutional equity shares implies that business entities tend to minimize tax obligations imposed by fiscal regulations, exacerbating tax evasion. Increased institutional ownership is correlated with increased company control by external stakeholders, facilitating tax avoidance. This aligns with the goal of shareholders who aim to gain large profits, thus requiring managers to implement cost-reduction strategies, including tax avoidance. Through agency theory, institutional ownership can increase tax avoidance by aligning the interests of managers and shareholders, thereby reducing agency costs and conflicts that lead to suboptimal decisions, with empirical research showing its moderating effect on tax avoidance behaviour through effective corporate governance. Specific previous investigations have been established through research conducted by [Suryatna \(2023\)](#), [VR Putri & Putra \(2017\)](#), and [AA Putri et al. \(2020\)](#) that the tendency of companies to engage in tax avoidance is influenced by their ownership structure. Companies are more likely to pursue tax avoidance strategies when there is a high level of institutional ownership.

According to the findings obtained from the t-test, it is proven that the leverage variable shows a calculated coefficient value of -0.0008, with a significance level of 0.1290 ($0.1290 > 0.05$). As a result, it can be concluded that H4 is rejected, indicating no effect of leverage on tax avoidance. This indicates that a company's leverage level does not affect its tax avoidance strategy. The ratio of increasing liabilities relative to total liabilities does not accurately represent the escalation of corporate interest obligations; furthermore, short-term liabilities sourced from financial institutions exceed long-term liabilities, imposing a disproportionate interest burden on small firms. Various investigations conducted by [Rachman \(2023\)](#), [Nibras & Hadinata \(2020\)](#) and [Sari et al. \(2022\)](#) have established that leverage does not affect tax avoidance.

According to the findings of the analysis, it was determined that the significance value related to the correlation between institutional ownership and tax avoidance profitability was 0.913, which exceeded the threshold of 0.05. This indicates no significant interaction between profitability and its influence on tax avoidance. Consequently, the fifth hypothesis is invalid, stating that dividend policy is not a moderating factor between profitability and tax avoidance. This indicates that the existence of a dividend policy in a company does not affect the relationship between profitability and tax avoidance because dividend policy is integrally involved in the company's operations; thus, the presence or absence of dividend allowances does not affect tax avoidance strategies through profitability. This finding is consistent with research conducted by [\(Astrela and Putu, 2023\)](#), which states that dividend policy does not moderate the relationship between profitability and tax avoidance. Although dividend policy affects tax planning and firm valuation, it does not change the relationship between profitability and tax avoidance, as evidenced by a study of Indonesian consumer goods firms, which showed that although the policy may affect the impact of tax avoidance on firm value, it does not mediate the relationship between profitability and tax avoidance.

The analysis shows that the significance level of 0.071, exceeding the threshold of 0.05, reveals no interaction between dividend policy and firm size in moderating tax avoidance; as a result, the sixth hypothesis is rejected, stating that dividend policy does not affect the relationship between firm size and tax avoidance. Previous studies have shown that dividend policy does not affect the relationship between firm size and tax avoidance, thus supporting the idea that the policy does not significantly change this association [\(Devi & Suardana, 2022\)](#).

The analysis revealed a significance value of 0.508, exceeding the threshold of 0.05, indicating no interaction between dividend policy and institutional ownership in influencing tax avoidance, thus rejecting the seventh hypothesis, which states that dividend policy is a moderator of institutional ownership in tax avoidance. [Moeljono's research \(2023\)](#) shows that dividend policy does not affect the relationship between institutional ownership and tax avoidance, revealing that financial decisions, such as dividend policy, fail to increase the impact of institutional ownership on tax avoidance behaviour.

The analysis shows that dividend policy negatively moderates the relationship between leverage and tax avoidance, as evidenced by a significance value of 0.033, thus validating the sixth hypothesis that dividend policy reduces the effect of leverage on tax avoidance, reflected in the negative coefficient. [Maduma & Naibaho's research \(2022\)](#) shows that dividend policy affects the interaction between leverage and tax avoidance, as increased dividend distributions can reduce the tax advantages of debt, thus affecting the leverage ratio; In addition, disclosing debt entities can improve firm valuation by reducing interest-related tax liabilities, suggesting that dividend policy serves to weaken the correlation between

leverage and tax avoidance. The interaction between leverage, tax mitigation, and dividend strategy is complex and can be shaped by the principles of signalling theory. Signalling theory states that dividends can act as an indicator to investors regarding a firm's fiscal stability and anticipated growth. When signalling theory is integrated with dividend strategy, it can reduce the correlation between leverage and tax mitigation. This is because the signalling consequences of dividends can obscure the financial consequences of leverage and tax planning methodologies.

The coefficient of determination is analyzed to assess the extent of the impact and effect of all independent variables in the study on the corresponding dependent variables. The coefficient of determination test results vary between 0 and 1. A higher value of the coefficient of determination observed in this study indicates a stronger correlation between the independent variables included in the study and their related dependent variables.

As indicated by the R-squared value in this study that shown in table 5, the coefficient of determination was calculated to be 0.6301, which corresponds to 63.01% for the unmoderated regression analysis. In contrast, the R-squared value for the moderated regression analysis was 0.8653. The findings indicate that profitability, capital intensity, and firm size factors are highly influential in contributing to tax avoidance, accounting for 63.01% in unmoderated regression and 86.53% in the context of moderated regression.

CONCLUSION

This study examines the determinants influencing tax avoidance strategies, specifically profitability, firm size, institutional ownership, and leverage, with dividend policy as a moderating variable in state-owned enterprises listed on the Indonesia Stock Exchange from 2019 to 2023. The findings of this investigation indicate that profitability and institutional ownership significantly affect tax avoidance. In contrast, firm size shows a significant negative impact on tax avoidance. Meanwhile, leverage does not appear to be related to tax avoidance, and dividend policy does not moderate the relationship between profitability, firm size, and institutional ownership on tax avoidance. However, dividend policy can reduce the effect of leverage on tax avoidance.

A limitation of this study is its exclusive focus on entities classified as state-owned enterprises in the Indonesian jurisdiction. Future researchers are anticipated to expand the scope of their sample selection to include state-owned enterprises not only in Indonesia but also in various countries. This approach will facilitate the achievement of diverse findings. Furthermore, researchers may consider combining or substituting the variables in this investigation with alternative factors that potentially influence tax avoidance.

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