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TAX AVOIDANCE FIRM LEVEL CHARACTERISTICS: EVIDENCE FROM INDONESIA

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ABSTRACT

This study examined the tax avoidance characteristics among Indonesian firms. The aim of this study was to provide firm level characteristics of Indonesian public listed companies that conduct tax avoidance, while taking into accounts the scarce literature that studied IFRS adherence and audit quality towards tax avoidance. Five hypotheses were formed to test tax avoidance in Indonesia. Firm size, leverage, last year's profitability, audit quality and IFRS adherence were selected to serve as the predictors in this research. Using 942 firm year observations from 2019-2021, this study used pooled-sample regression to document that firm size, leverage, and audit quality played a distinct role of tax avoidant companies. Firm size and leverage positively affect tax avoidance. On the other hand, audit quality significantly decrease tax avoidance. Meanwhile, IFRS adherence and profitability had no significant impact on tax avoidance. The contribution of this research was to provide recommendation to Indonesian Tax Authority and auditors to strengthen their controls over financial and tax reporting in Indonesia and provide fresh insights to fellow researchers regarding tax avoidance matters in Indonesia.

Keywords: *Tax Avoidance, Indonesian Public Listed Firms, Firm Size, Leverage, Audit Quality*

INTRODUCTION

Taxation is an integral part of a company's financial activities, in addition to finance and accounting function. As required by the Government, companies ideally must make a retribution to the state or country that they operate in. The problem arises when companies are making effort to avoid tax payments to its respective taxation authorities. According to Finance Minister of Indonesia, Indonesian tax authorities has collected Rp1,92 Trillion in 2022, which was gathered from regular payments, fines, and primarily from massive follow up of tax examinations of Indonesian companies. The number alone shows that Indonesian companies still avoid company's income tax payments. As cited from ddtc.com, Italy, Sweden, Bangladesh and England documented Rp 2 Trillion, Rp 877 Billion, Rp 6.8 Trillion and Rp 2 Trillion tax losses from fiscal revenue post in their countries' financial budget for 2021. It shows that worldwide income suffers from its tax collections and many companies globally are still tax avoidant in running their businesses.

Many researchers attempt to explain the nature of tax avoidance. Duhoon & Singh (2023) study the impact of tax avoidance on the decline of firms' value. Moreover, Wang, Richardson & Cao (2024) recently documents the study from China. They argue that zombie firms in China, as depicted by firms with major financial constraints and limitations, are engaging in more corporate tax avoidance to survive. Similarly, Athira & Ramesh (2023) perform test to see how firms react to Covid-19. The result is expected, firms are conducting more tax avoidance to withstand the crisis. From European markets, Hilling, et.al (2021) examine the influence of state ownership that increases tax avoidance by 1:14. Meanwhile, an interesting study by Uribe-Teran (2021) describes that firms with higher equilibrium in terms of revenue are performing more tax avoidance compared to marginalized companies in the short run. Thomsen & Watrin (2018) have described that tax avoidance practices in Europe decrease over time, contradict Hilling, et.al (2021) findings, while American firms do not exhibit significant decline of tax avoidance practices.

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In Indonesian context, there have been contrasting studies that examine company's tax avoidance practice. Fransiska & Diarsyad (2024) documents the study of association between capital intensity, leverage, and tax avoidance, as capital intensity is defined as total assets over total revenue. Additionally, Heriyah (2021) explains the financial characteristics of firms that exhibit tax avoidance conducts, which apparently have ample profits, to certain extent contrasting Fransiska & Diarsyad (2024). Leverage and size of the firm do not influence tax avoidance significantly, contrasting Rahayu, et.al. (2022) that emphasizes liquidity matters or leverage that foster tax avoidance. A prime example from Satyadini, Erlangga, & Steffi (2019) study the magnitude of tax avoidance varies within characteristics of taxpayers. They argue that profitability has positive effect on tax avoidance, while leverage and firm size do not significantly affect tax avoidance, confirming Heriyah's (2021) findings while contrasting Fransiska & Diarsyad (2024). There has been no study yet that describes firmly the characteristics of a firm that conducts tax avoidance.

To emphasize, there has been minimal exposure on audit quality and IFRS adherence among Indonesian firms in respect to tax practice. Hadaming & Daito (2023) recently document that audit quality does not significantly affect tax avoidance among Malaysian firms, while leverage and firm size do not affect it.

The author deems that the overall 'financial quality', including IFRS adherence and audit quality play's dominant role in dissenting Indonesian firms that are healthier in tax practices compared to those who engage in tax avoidances or evasions.

Tax Avoidance

Tax avoidance is a mid-tier unethical tax practice, which stands between proper tax planning and tax evasion which is ultimately classified as tax crime. Companies that have the intention to hinder their tax payment to the Tax Authority tend to deviate their tax planning to utilize loopholes in regulations (country wise) and treaties (between countries). Therefore, it is obvious why OECD are promoting 'tax conservatism' within the last decade to develop healthier tax practices among worldwide firms. As quoted from Forbes.com, United States must endure $200 billion losses every year due to tax avoidance cases, meanwhile Indonesia documented Rp 68.7 trillion losses due to tax avoidance. If it was being compared as percentage towards Indonesian GDP of USD 1.058 trillion in 2020, it has reached 0.5% level, which is a quite significant number. Moreover, as quoted from washingtonpost.com, OECD has found $427 billion of tax losses every year worldwide which shows the significance of 'sunken costs' which could be allocated for building infrastructures.

As evidenced by Sanchez-Ballista & Yague (2020), in case of solving financial obligations and constraints, SMEs' likelihood to engage in income smoothing and tax avoidance incline. SMEs will more likely to engage in tax avoidance to reduce taxes paid to tax authorities. Mansi, Qi, & Shi (2019), utilizing book-to-taxes difference (BTD) also documented similar perspective. Accordingly, firms with lower institutional holdings and not publicly listed are more likely to engage in advertisement to create tax shield. On the contrary, Herusetya & Stefani (2020) in their tax aggressiveness study documented that as firms in Indonesia have positive relationship between its accrual quality and tax aggressiveness. They further argue that real transactions are not being captured or portrayed well by the amount that firms pay as taxes to Government. Therefore, this leads to ambiguous financial conditions that leads to 'supply and demand' between tax income collected by Indonesian Government and companies as well as SMEs in Indonesia.

Tax Avoidance and Firm Size

Waruwu & Kartikaningdyah (2019) documents that firm size, as proxied by total assets do not affect tax avoidance significantly among listed companies in Indonesia. This finding is confirmed by Fransiska & Diarsyad (2024) in their study by using the same sampling pool (from Indonesian Stock Exchange), despite different time periods used. Their results also agree with Heriyah (2020)'s finding about firm size that is insignificant towards tax avoidance. Furthermore, all of them imply that large-size firms receive many attentions from Indonesian Tax Authority that lessen their degree of tax avoidance activities, causing it to be insignificant in their results. However, an opposite view comes from Satyadini, Erlangga & Steffi (2019) which state that firms with ample assets are more likely to commit tax avoidance due to their complex and varied nature and volume of financial transactions.

Despite the contrasting arguments, the author persists in studying the impact of firm size on tax avoidance. The author finds it logical to partially confirm Heriyah (2020), Waruwu & Kartikaningdyah (2019), and Fransiska & Diarsyad (2024) that large scale firms in Indonesia are being further scrutinized by Indonesian Tax Authority, causing them to pay more taxes and avoid less taxes, particularly during the time period of 2019 – 2021 due to massive follow up of tax examinations. Therefore, the first hypothesis is formed:

H1: Firm size negatively affects tax avoidance

Tax Avoidance and Leverage

Rani, Susetyo, & Fuadah (2018) describe leverage as a factor that has positive effect on tax avoidance. Their findings support debt covenant hypothesis, which states that companies with high leverage will make effort to increase commercial or reported earnings. In contrast, Rahayu, et.al (2022) do not find leverage to be significant factor that fosters or decreases tax avoidance. They further emphasize that debt financing is used in line with creditor's trust and company ethics, which does not align well with tax avoidance. Heriyah (2020) confirms this finding, with an additional argument that interest expenses on debts could be used as fiscal correction in reporting the fiscal income to tax authority. However, international evidence from Wang, Richardson, & Cao (2024) show that China firms who engage in tax avoidance are mostly under intense pressure of financial constraints or debts. Their studies are in line with Athira & Ramesh (2023) which state financial constraints promote aggressiveness in tax planning of international firms.

The author preliminary follows the argument of Wang, Richardson, & Cao (2024) and Athira & Ramesh (2023) to scrutinize that financial constraints foster tax avoidance and Rani, Susetyo & Fuadah (2018). Firms with high financial pressures may have financial motives that are not ethical and conduct tax avoidance to preserve cash and banks balance. This is in line with stakeholders' expectations for firms to persist in increasing shareholders' wealth. Thus, second hypothesis is formed:

H2: Leverage positively affects tax avoidance

Tax Avoidance and Profitability

Waruwu & Kartikaningdyah (2019) argue that profitability as proxied by ROA (Return on Assets) has significant negative impact on tax avoidance. They are in line with the agency theory of higher reported earnings that causing them to pay less taxes to the authority due to manager's irrational behaviors, particularly when employee performance bonus presents. From international evidence, Hilling, et.al (2021) state that profitability is positively significant towards tax avoidance. Sweden firms that are profitable are more likely to invest in new opportunities rather than paying taxes. Rahayu, et.al (2022) also confirm the same notion that profitability increases tax avoidance due to window-dressing the financial statements.

The author keens on studying the profitability among Indonesian listed firms that have impact on tax avoidance in general. It is interesting to see the sequential impact of last year's profits by standing preliminarily with Hilling,et.al (2021) and Rahayu, et.al. (2022) findings. Therefore, third hypothesis is formed as follows:

H3: Last year profitability positively affects tax avoidance.

Tax Avoidance and IFRS Adherence

Okafor, Akindayomi & Warsame (2019) describe IFRS adoption in Africa that lessen tax avoidance practices. On the contrary, Braga (2017) state that Brazilian firms are more likely to pay less taxes and being avoidant of taxes during IFRS adoption. Indonesian evidence comes from Kiryanto & Lestari (2017). Studying pre- and post- IFRS implementation in 2015, they come up with evidence that IFRS significantly affect tax avoidance in terms of cash collected by the Indonesian Tax Authority, which decline in value post-IFRS implementation. Partially contradicts Okafor, Akindayomi & Warsame (2019), Queku, et.al. (2023) document that IFRS implementation in the short run increases degree of tax avoidance, while in the long run it reduces tax being paid to Government / Tax Authorities.

The author preliminary agrees with Okafor, et.al (2019) and Kiryanto & Lestari (2017) for IFRS adoption being a tool to decrease tax avoidance conducts in Indonesia. Promoting conservatism in all financial aspects, new adoption of IFRS 15,16,17 is expected to produce more accountable financial statements, and thus more accurate taxes being paid to Indonesian Tax Authority. The fourth hypothesis is formed:

H4: IFRS adherence negatively affects tax avoidance.

Tax Avoidance and Audit Quality

Gunn, Koch, & Weyzig (2020) imply audit quality as the determinant of tax avoidance among Netherlands firms. Nevertheless, they question the transparency, objectivity, and independence of auditors. Prime audit quality ideally and preliminarily assumed to decrease the level of unethical finance behavior such as tax avoidance. Satyadini, Erlangga & Steffi (2019) further emphasized the essential audit penalty for firms who act against audit conducts to allow them to unethically perform tax avoidance. They further show that firms are reluctant to pay the penalties hence make them pay taxes in accordance with prevailing regulations. Henceforth, the fifth and final hypothesis is formed as follows:

H5: Audit quality negatively affects tax avoidance.

The research framework is as the following:

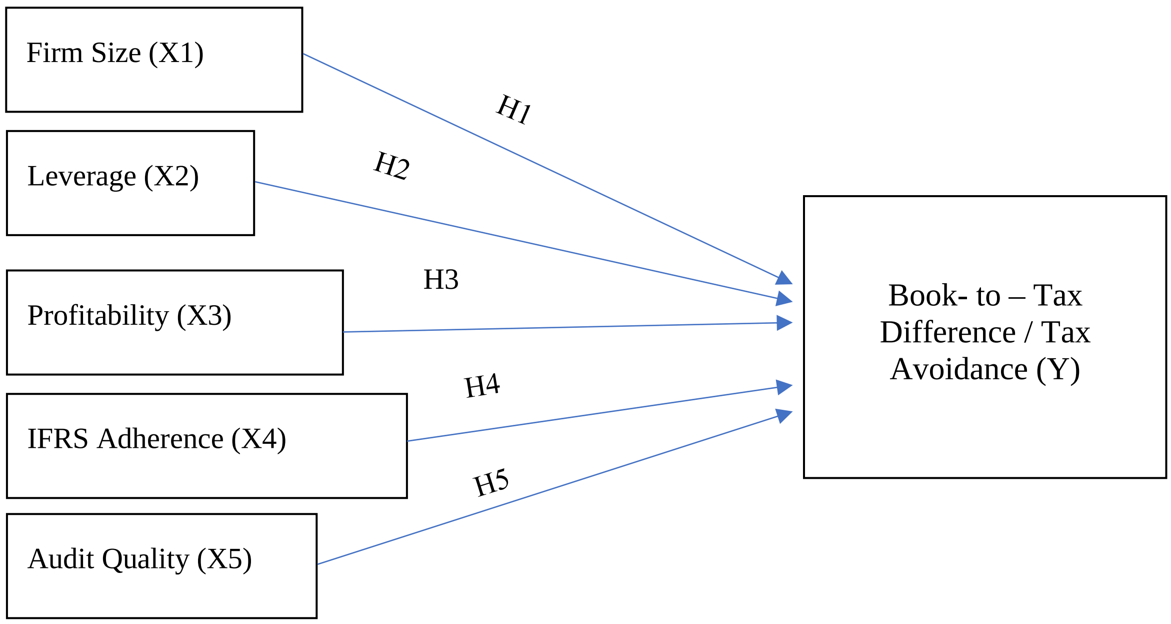

Figure 1 Research Framework

METHODS

I use deductive approach to test the hypotheses derived from our literature review. The data used is secondary data from OSIRIS database. The data is analyzed using cross sectional (pooled sample) of Indonesian firms' financial statement from 2019-2021 and pooled regression.

The author uses 5 predictors to determine the extent of tax avoidance among Indonesian listed companies as portrayed in below table.

Table 1. Operationalization of Constructs

Variable Name	Indicators	Operational Variable
<u>Dependent Variable:</u>		
Book – Tax Difference (BTD)	The difference between commercial and fiscal income, deflated by total assets	$BTD = \frac{\text{NPATt} - FIt}{TA_t} X\ 100\%$ Where: BTD = Book – Tax Difference at firm year $_t$ NPAT = Net Profit after taxes at firm year $_t$ FI = Fiscal income (loss) at firm year $_t$ TA = total assets at firm year $_t$
<u>Independent variables:</u>		
Firm Size (FS)	Measured by total assets	FS: Ln of total assets at firm year t
Leverage (LEV)	Measured by total long-term debts deflated by total assets	$LEVt = \frac{\text{LTD t}}{\text{TA t}}$ Where: LEV = leverage of firm at year t LTD = total long-term debts of firm at year t TA = total assets of firm at year t
Last year's profitability	Measured by last year audited net income deflated by total assets (last year's Return on Assets / ROA)	$LYP = \frac{NI\ t-1}{\text{TA t} - 1}$ Where: LYP = last year's firm profitability NI_{t-1} = net income (audited) from last year audit results TA_{t-1} = total assets of firm at year t-1
IFRS Adherence (IFRS)	Dummy variable whether the Company follows and adhere to latest IFRS 15,16,17	1: adhere to IFRS 15,16,17 and written on Notes to Financial Statements – Accounting Standards Adopted 0: did not adhere to IFRS 15,16,17 yet or no disclosure in Notes to Financial Statements – Accounting Standards Adopted
Audit Quality (AQ)	Dummy variable whether the Company is audited by BIG 4 Audit Firms	1: audited by PWC, KPMG, Deloitte, and E&Y at firm year t 0: not audited by PWC, KPMG, Deloitte, and E&Y at firm year t

Source: Author

The breakdown of data collection process is as follows:

Table 2. Sample Derivation

Total firm year observations 2019-2021	1.560
Less:	
Incomplete FS (financial statement) data	(410)
FS denominated in foreign currency	(98)
FS of bank companies	(110)
Final firm year observations	942

Source: Data Processing Results

In addition, this research winsorized 2% of firm year observations to remove outliers. The data then entered to STATA to be analysed further for descriptive and Pooled Least Squares regression analysis. Correlation is done by SPSS.

ANALYSIS

Descriptive Statistics

Table 3 displays the descriptives of our properties of samples used in our analysis. The total number of observations is 942. The mean of BTD is -0.0094 with maximum value of 0.1613. The standard deviation indicates the variations of earnings persistence among Indonesian firms is 9.39% across year 2019-2021.

Table 3. Descriptive Statistics Results

Variable	Obs	Mean	SD	Min	Max	Median
BTD	942	-0.0094	0.0939	-0.5159	0.1613	-0.0051
FS	942	14.4365	1.7148	11.0455	18.1951	14.0618
LEV	942	0.0186	0.1027	-0.3639	0.2770	0.0126
LYP	942	0.3347	0.5748	-0.3057	2.6133	0.0578
AQ	942	0.2600	0.4410	0.0000	1.0000	0.0000
IFRS	942	0.9900	0.1170	0.0000	1.0000	1.0000

Notes: BTD, book tax difference; FS, firm's size; LEV, leverage; LYP, last year's profitability; AQ, audit quality; IFRS, IFRS adherence

Source: Data Processing Results

It could be inferred that most Indonesian firms during 2019-2021 has complied with latest IFRS development (IFRS 15,16,17) by seeing IFRS' median of 1.000. Despite being adherent to IFRS, median of AQ is 0.0000, depicted that many Indonesian companies are still not using Big 4 audit firms (PWC, EY, Deloitte, and KPMG) for their assurance services.

The highest standard deviation came from variable FS (1.7148) and LYP (0.5748). It could be interpreted that Indonesian firms are vary in size, despite being listed on the same stock exchange board. For LYP, the variations of ROA for last year audit results are 57% among emitents. It is well-expected since ROA used total assets which is the proxy for FS which has high standard deviation (1.7148). Furthermore, LYP's mean of 0.3347 shown that the average Indonesian firm's profitability during 2019-2021 is 33.47% of its total assets. LEV has mean of 0.0186, showing Indonesian firms' low reliance (1.8%) on long term debts compared to its total assets, being the maximum value of 27.70% of leverage.

Correlation Analysis

Table 4 portrays the correlation test results. This research is free from multicollinearity as there are no variables which has correlation above 0.8 value. Several significant magnitudes of correlation happened between BTD and LEV (0.590), FS and LEV (0.214), and AQ and LEV (0.197). High correlation between BTD and LEV is expected since both variables used TA (total assets) as their denominator. FS and LEV have significant correlation since the component of assets present in both variables, the difference in construct only at the natural logarithm existed in FS. AQ and LEV also have significant correlation due to many Indonesian companies are audited by Big 4 Audit firms to obtain credibility and assurance for applying bank loan facilities.

Table 4. Correlation Results

	BTD	FS	LEV	LYP	IFRS	AQ
BTD	1.000					
FS	0.192**	1.000				
	(0.000)					
LEV	0.590**	0.214**	1.000			
	(0.000)	(0.000)				
LYP	0.036	0.157**	-0.035	1.000		
	(0.276)	(0.000)	(0.287)			
IFRS	-0.027	0.021	-0.039	0.024	1.000	
	(0.416)	(0.523)	(0.235)	(0.461)		
AQ	0.081*	0.480	0.197**	0.069*	-0.012	1.000
	(0.012)	(0.000)	(0.000)	(0.034)	(0.721)	

Notes: BTD, book tax difference; FS, firm size; LEV, leverage; LYP, last year's profitability; IFRS, IFRS adherence; AQ, audit quality

** Correlation is significant at 0.01 level (2-tailed)
* Correlation is significant at 0.05 level (2-tailed)

Source: Data Processing Results

Regression Results

Table 5 displays the regression analysis using pooled least squares method. The adjusted R-square shows magnitude of 36%. It depicts that 36% of dependent variable BTD (tax avoidance) could be explained by 5 independent variables. This research's coefficient of determination is higher compared to Rahayu, et.al. (2022) which documented 25% and Fransiska & Diarsyad (2024) with 8% of adjusted R-square.

From global studies, Thomson & Watrin (2018) documented R-square of 19% by studying US and EU firm characteristics. Using different mix of variables, Hilling,et.al (2021) documented 9%. By using Pseudo R-square, Wang, Richardson & Chia (2024) evidenced 14%. Is short, this research's adjusted R-square of 36% is comparable to international evidence as well as national research.

The model's F-statistic is 19.29 with sig. of 0.000000 which signifies a valid and robust model for determining the factors of tax avoidance practices among Indonesian firms. It is a good fit to predict or estimate tax avoidance practice in Indonesia.

Table 5. Pooled Least Squares Regression Results

	BTD	
Variables	**Coefficient**	**p-value**
FS	0.0054612	0.002
LEV	0.5359457	0.000
LYP	0.0051888	0.145
IFRS	-0.0064402	0.761
AQ	-0.0181331	0.005
_cons		
Observations		942
Prob > F		0.0000
R-Square (Overall)		0.3599

Source: Data Processing Results

The table presents the pooled data regression for 942 firm year observations from 388 Indonesian firms. The data is collected from Osiris database from 2019-2021. The variables presented in table are calculated as follows: BTD: Book to Tax Difference at year t; FS: Ln of Total Assets at year t; LEV: leverage at year t; LYP: ROA at year t-1; AQ: dummy (1: audited by Big 4 Audit Firms; 0: not audited by Big 4 Audit Firms); IFRS: dummy (1: there is disclosure of IFRS 9,15,16,17; 0: no disclosure);

Hypotheses Testing & Results Discussions

Firm Size

The result for firm size is significant (p-value of 0.002) with coefficient of 0.005. It is on a different sign (+) than expected (-), therefore our hypothesis is rejected. It could be interpreted that firm size fosters tax avoidance among Indonesian firms. This finding confirms Heriyah (2020), Waruwu & Kartikaningdyah (2019) and Fransiska & Diarsyad (2024). All of them argue that firm size decrease tax avoidance because of high level monitoring by Indonesian Tax Authority for large emitents.

Moreover, the result confirms Satyadini, Erlangga, & Steffi (2019) which state that large scale firms are more likely to exhibit tax avoidance. It can be inferred that large Indonesian firms are having tendency to perform unethical tax planning to hinder tax payment to Indonesian Tax Authority. Apparently, high level of monitoring defies the notion that as firm's size and complexity increase, it would (based on company's initiatives) adhere to prevailing tax regulation strictly. There is sufficient evidence that large firm tax examination and scrutinization does not always yield the actual taxes being paid to the Government.

Leverage

With significant result (p-value of 0.000) and coefficient of 0.535, our hypothesis is accepted. Indonesian companies with high degree of leverage are associated with more tax avoidance. This result confirms Wang, Richardson, & Cao (2024) from China, Athira & Ramesh (2023), and Rani, Susetyo & Fuadah (2018) from emerging markets.

This finding contradicts the debt covenant hypothesis and fiscal correction on interest expenses which reduces fiscal income. Fiscal corrections could be arranged to reduce taxes paid and firms with high debts are likely to do the arrangement. Additionally, firms under financial pressure are having tendency to preserve cash and bank balance to maintain constant payment of debt's principal and interest until maturity of the loan. They are more likely to make efforts to reduce actual taxes paid, thus contradicts Rahayu, et.al (2022) findings.

Profitability

LYP is insignificant (with p-value of 0.145) towards BTD/ tax avoidance proxy. Therefore, the third hypothesis is rejected. This finding does not confirm Waruwu & Kartikaningdyah (2019) which states ROA significantly decreases tax avoidance or Hilling, et.al (2021) that states ROA significantly increases tax avoidance. There is no evidence that the performance of last year's audited results can affect the tax avoidance conduct of a firm. One explanation is due to the last year's profit results are commercial based and not used for fiscal purposes. In fact, many disclosures of financial statements, such as revaluation of fixed assets and depreciation distinguish the use of commercial and fiscal information, allowing them to obtain different net profit only for commercial / public reporting to OJK (Indonesian Financial Authority) and fiscal net profit for tax reporting to DJP (Indonesian Tax Authority).

IFRS Adherence

It is evidenced that IFRS Adherence in Indonesia, particularly IFRS 15,16,17 as being the most recent update does not significantly affect tax avoidance. The p-value of 0.761 states that it is insignificant towards tax avoidance. Contradicting Okafor,et.al (2019), Braga (2017) and Kiryanto & Lestari (2017), the author does not find IFRS adherence to produce more accurate and profitable fiscal financial statements, as opposed to more prudent commercial financial statements. The primary reason is that IFRS do not directly rule fiscal financial statements. It is stated in DJP's website that Indonesian Fiscal Authority follow the Prime Minister of Finance regulation and Government regulation related to taxes and fiscal financial statements preparation. In fact, those regulations take precedence over global financial reporting regulations such as IFRS and previously GAAP.

Audit Quality

AQ is deemed to significantly decrease tax avoidance, as depicted in coefficient of -0.006 and p-value of 0.005. This result confirms Gunn, Koch, & Weyzig (2020) and Satyadini, Erlangga, & Steffi (2019) that state good audit quality reduces and eliminates unethical finance behavior such as tax avoidance. Indonesian firms are evidently having tendency to reduce its tax avoidance if properly audited. The due date of annual audit which is one month before tax reporting (31 March from the end year closing on 31 December, and 30 April from end of year closing on 31 December) allows public-listed companies in Indonesia to ideally finish their audit properly before submitting their annual tax return.

CONCLUSION

As a conclusion, Indonesian firms who exhibit large firm size, high degree of leverage, and poor audit quality are prone to perform tax avoidance. This finding confirms confirms Heriyah (2020), Waruwu & Kartikaningdyah (2019), Fransiska & Diarsyad (2024), Wang, Richardson, & Cao (2024), Athira & Ramesh (2023), Rani, Susetyo & Fuadah (2018), Gunn, Koch, & Weyzig (2020) and Satyadini, Erlangga, & Steffi (2019). Contrasting Waruwu & Kartikaningdyah (2019), Okafor,et.al (2019), Braga (2017) and Kiryanto & Lestari (2017), and Hilling, et.al (2021), this research does not document significant relationships between IFRS adherence and profitability towards tax avoidance.

The author would like to address recommendations to Indonesian Tax Authorities and audit firms in Indonesia. First, as the taxation regulator of Indonesia, DJP is expected to tighten the control over firm level tax examinations and routinely follow-up not only in annual basis, but also monthly basis to ensure that prevailing tax regulations have been adhered. Secondly, audit firms in Indonesia are expected to maintain its independence and improve its audit quality over financial reporting, both statutory and publicly listed financial statements. Even if the management is the one who is responsible for such financial statements, it is the auditor's duty to give assurance of its reliability and faithful representation of its financial accounts which serve as the basis for fiscal accounts.

In addition, this research benefits fellow researchers, academicians, and students. For researchers and academicians, it could serve as a reference for further tax avoidance research as it depicts the characteristics of firms that conduct tax avoidance.

The limitation of this research includes a short time frame (3 years from 2019-2021). The avenue for further research may include pre- and post- covid-19 / pandemic (up until 2022 onwards) control variable to properly measure the effect of tax avoidance during pandemic financial constraints, in which we acknowledge that many firms are forced to shut down during pandemic and considers the Indonesian economic recovery starting from 2022 onwards.

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