The Effect of Profitability, Leverage, and Operating Cash Flow on Tax Avoidance in Manufacturing Companies in the Various Industries Sector

Rina Nurmalina

Department of Accounting, Politeknik Negeri Bandung, Bandung, Indonesia

Abstract: The practice of tax avoidance is still common in companies. The company as a private sector has an orientation to continue to increase profits by reducing costs including taxes. This is inversely proportional to the public sector where taxes are state revenue that contributes the most to the state. Taxes are generally seen as the biggest cost to the private sector. Therefore, managers take steps to reduce their company's tax liability. Based on the tax justice network, Indonesia is the 4th largest country in the practice of tax avoidance by companies. This study aims to empirically prove the practice of tax avoidance by considering several influencing factors, namely profitability, leverage, and operating cash flow. The research was conducted at manufacturing companies in the various industrial sectors in 2018-2022. The research method used is a quantitative method with data analysis techniques using the help of Eviews12. As for the research sample using the purposive sampling technique, the research sample is known to be 30 companies listed on the Indonesia Stock Exchange. Partially, the results show that profitability and operating cash flow affect tax avoidance, while leverage shows no effect on tax avoidance. And simultaneously the results show that the three variables have an influence on tax avoidance in manufacturing companies in various industrial sectors.

Keywords: tax avoidance; profitability; leverage; operating cash flow.

1. Introduction

Indonesia is a country that is a member of the Organization for Economic Cooperation and Development (OECD). The OECD's mission is to promote policies that improve the economic and social well-being of people around the world. The OECD plays an active role in supporting the activities of the Group of Twenty (G20), one of the policies discussed in the G20 which was held in Indonesia on 15-16 November 2022, namely regarding tax policies that refer to the OECD to encourage the exchange of tax-related information to minimize evasion practices corporate taxes.

In a report released by the Tax Justice Network entitled The State of Tax Justice 2021, Indonesia is the 4th country after India, Japan, and China in cases of tax evasion by companies. The State of Tax Justice 2021 report states that corporate tax abuse is a global economic problem that deprives the government of tax revenues. With the loss of potential state income, it can have an impact on the government budget which should be used for equity, infrastructure development, and so on. The concept of tax avoidance appears and becomes a

common practice in companies (Dakhli, 2021). The company as a private sector has an orientation to continue to increase profits by reducing costs including taxes. This is inversely proportional to the public sector where taxes are state revenue that contributes the most to the state. Taxes are generally seen as the biggest cost to businesses. Therefore, managers take steps to reduce their tax liability (Abdelmoula et al., 2022).

Table 1. Losses due to tax avoidance

Country	Total Annual Tax Loss (USD)	Tax abuse by the Company
India	16,830.3	16,609.8
Jepang	15,159.4	10,094.0
China	13,902.1	3,889.3
Indonesia	2,275.0	2,216.3

Source: The State of Tax Justice Report (2021)

Tax avoidance practice is a legal practice that takes advantage of the weaknesses of the applicable laws and regulations. Much research on tax avoidance has been carried out, this shows that the issue of tax avoidance never goes away. Media reports that are of considerable concern to the general public are regarding tax evasion practices of international companies (Kanagaretnam, et al, 2016). In 2016, the Panama Papers scandal was revealed which shocked the international community. The Panama Papers have the main goal of saving assets from tax collections in their respective countries. The Panama Papers data is additional information in testing tax payment compliance, complementing the data already owned by the Directorate General of Taxes (CNN, 2016).

Several previous researchers measured tax avoidance by using the Effective Tax Rate (ETR) proxy including those used by (Awaliah et al., 2022), (Dakhli, 2021), (Gaaya et al., 2017), and (Sutomo & Djaddang, 2017). Measurement is used by using a comparison between the portion of the tax burden to profit before tax, the lower the ETR value generated, the higher the value of tax evasion, and vice versa. The graph below indicates tax evasion by the manufacturing sector listed on the Indonesian stock exchange in 2018-2022.
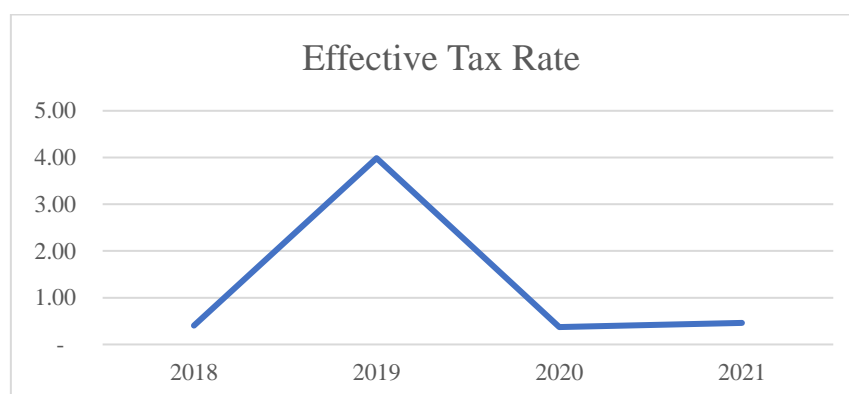

Figure 1. Tax Avoidance of Manufacturing Companies in the Various Industry Sectors 2018-2022
Source: Data processed by the author (2023)

Based on Figure 1, the ETR value tends to fluctuate. 2019 showed a high ETR value, this could mean that in that year companies in the various industrial sectors tended to be low in

practicing tax avoidance on average. However, the opposite condition occurred in 2020-2021, a decrease in the value of ETR in that year indicated higher tax evasion for companies in various industries. When it is related to the economic conditions in 2020-2021, the economy has experienced a slowdown due to the Covid-19 pandemic, where all sectors experienced a slowdown in growth and decreased margins, allowing companies to avoid taxes to reduce costs incurred that year.
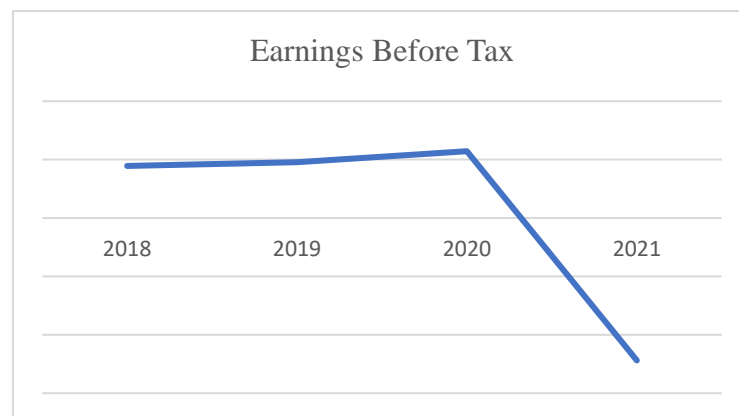

Figure 2. Profit Before Tax Manufacturing Companies in the Various Industry Sectors 2018-2022
Source: Data processed by the author (2023)

Figure 2 shows a decrease in profit before tax, especially in 2020-2021 where this is in line with the ETR value which has decreased in that range of years (see Graph 1.1). The ETR value is proxied by the comparison between the tax expense and profit before tax, where the lower the ETR value generated, the higher the tax evasion value, and vice versa. Therefore, this study will examine the practice of tax avoidance in Manufacturing Companies in the 2018-2022 Various Industry Sectors.

Based on the results of previous research, several factors can affect ETR including profitability, leverage, and operating cash flow. However, several previous studies also stated that these factors did not affect tax avoidance by companies. Taxes are calculated based on the company's profitability, when the company experiences a profit, the company is required to pay taxes and vice versa. Private companies are usually profit-oriented so this allows for a tendency to hide their income to reduce the amount of tax paid because taxes are a cost for the company. Research conducted by (Sutomo & Djaddang, 2017) and (Wardan, n.d.) proves that company profitability affects tax evasion. However, several previous studies have shown different results, that the profitability achieved by the company does not necessarily indicate that the company is doing tax evasion, research that shows different results, namely (Anna Mei Rani et al., 2021) and (Prasatya et al., 2020).

In addition to profitability, tax avoidance practices can be affected by leverage. Leverage is a ratio measuring how much of a company's assets are sourced from debt financing. When a company obtains debt, interest costs will automatically appear which can reduce the company's profits. When a company takes debt from a third party, the company will try to increase profits to pay off the debt principal and interest expenses. In the business sector, companies will prioritize paying interest expenses rather than paying taxes, so this can encourage companies to avoid taxes (Sutomo & Djaddang, 2017). Research conducted by (Anna Mei Rani et al., 2021), (Frans et al., 2021), and (Prasatya et al., 2020) proves that leverage affects tax evasion. However, it is different from the research conducted by (Sutomo &

Djaddang, 2017) showing results that have no effect between leverage and tax avoidance.

The third factor to be tested in its effect on tax avoidance is operating cash flow. Operating cash flow is the result of the company's operational activities. Therefore, operational activities provide the greatest contribution to determining the company's profitability (Susilowati et al., 2020). If the cash flow from the sale of goods or services increases, it will also contribute to the increase in the tax burden that must be borne by the company. Thus, the company will try to reduce the tax burden so that the amount of tax that must be paid is lower. In situations like this, companies tend to tax avoidance by reducing the tax burden so that the profits earned by the company remain high (Susilowati et al., 2020). Research conducted by (Kim & Im, 2017) shows the results that operating cash flow affects tax avoidance. The results of this study are supported by (Susilowati et al., 2020) which shows that there is a negative effect on tax avoidance. Not much research has been done on the effect of operating cash flow on tax avoidance, so the authors are interested in proving the relationship between these variables.

Based on the phenomenon that occurred and the gaps in previous research, the authors are interested in conducting another test to find out and analyze the effect of Profitability, Leverage, and Operating Cash Flow on Tax Avoidance in Manufacturing Companies in Various Industries Sector in 2018-2021.

2. Literature Review

2.1. Tax Avoidance

The practice of tax avoidance is an effort to reduce the tax burden by exploiting loopholes in tax regulations to minimize the tax burden payable. Thus, this practice of tax avoidance has implications for the loss of state tax revenue due to the loss of potential tax sources. The measurement proxy used in this study is the Effective Tax Rate (ETR). ETR measurement is based on the total income tax expense divided by pre-tax profit.

Some of the functions of the ETR are as an analysis tool for company financial statements, used to find out the tax burden borne by the company in a certain period, and functioned as an analysis tool for company tax avoidance. Corporate tax calculations based on financial statements are reports that are quite confidential so to analyze the level of tax evasion by companies, previous researchers used the ETR proxy.

In research conducted by (Awaliah et al., 2022), ETR is used in calculating corporate tax avoidance practices in companies in Indonesia that are listed on the Indonesia Stock Exchange. Research conducted over 5 years shows that the property and real estate sector is the sector with the greatest tax avoidance, this is based on the results of the ETR calculation which shows the lowest result among other companies listed on the IDX.

2.2. Profitability

In Kasmir (2015) profitability is a ratio to assess a company's ability to seek profits or profits in a certain period. This ratio provides a measure of the level of effectiveness of a company's management as indicated by the profit generated from sales or investment income. Profitability is a performance measurement that shows a company's ability to utilize its assets efficiently in generating company profits (Sutomo & Djaddang, 2017). Profitability can be proxied by Return on Assets (ROA), the higher the ROA value indicates the better company performance, and vice versa.

2.3. Leverage

In funding its business, the company has several sources of funds. Sources of funds that can be obtained are loans or own capital (Kasmir, 2015). The decision to choose to use own capital or borrowed capital must be done with the right calculation. In this case, the leverage ratio is the ratio used to measure the extent to which a company's assets are financed with debt, meaning the amount of debt used by the company to finance its business activities when compared to using its capital (Kasmir, 2015). In (Sutomo & Djaddang, 2017) the company's operational activities, when using loan funds, the impact on the company has an interest expense.

2.4. Operating Cash Flow

Operating cash flow is the cash flow associated with the company's operations during a certain period. Usually included in operating cash flow are cash receipts from consumers, debt payments, employee costs (salaries and benefits), interest payments, tax payments, and other expenses related to operational activities. The amount of cash flow from operating activities is an indicator that determines whether an organization's operations can generate sufficient cash flow to pay off loans, maintain the organization's operating capabilities, pay dividends and taxes, and make new investments without relying on outside sources of funding. Therefore, the greater the operating cash flow ratio indicates the greater the profit received, which will encourage companies to practice tax avoidance (Gazali et al., 2020).

2.5. Research Hypothesis

Profitability is a ratio that assesses a company's ability to make a profit (Kasmir, 2015). Profitability is the basis for calculating corporate taxes, when a company experiences a profit, the company is required to pay taxes. The greater the profit earned by the company, the higher the tax payable that must be paid by the company. Private companies are profit-oriented companies so there is always a possibility that when companies earn high profits there will be a tendency for companies to hide their income to reduce the amount of tax to be paid by devising ways through effective tax planning through tax avoidance schemes (Sutomo & Djaddang, 2017). Thus the company's net profit can be optimal in accordance with the company's expectations. Research conducted by (Sutomo & Djaddang, 2017) and (Wardan, n.d.) proves that company profitability affects tax evasion. So the hypothesis in this study is as follows:

H₁: Profitability affects tax avoidance

Leverage is the ratio used to measure how much the company's assets are financed by debt (Kasmir, 2015). Research conducted by (Frans et al., 2021), (Prasatya et al., 2020), and (Anna Mei Rani et al., 2021) proves that leverage affects tax evasion. The higher the value of the company's leverage allows the company's interest expense to increase thereby reducing the company's profitability. When a company is indebted to third parties, the company will try to increase profits to pay the debt principal and interest expenses. As a business sector, companies will prioritize paying interest expenses rather than paying taxes, so this will encourage companies to avoid taxes

H₂: Leverage affects tax avoidance

Research conducted by (Susilowati et al., 2020) shows the results that operating cash flow affects tax avoidance. The results of this study are supported by (Kim & Im, 2017) which shows that there is a negative effect on tax avoidance. Operating cash flow is generated from the company's operational activities, therefore operating activities provide the greatest

contribution in determining the company's profitability. If cash from the sale of goods or services increases, the company's tax burden also increases, so the company suppresses the tax burden so that the deferred tax burden on the company is lower. Under these conditions, companies tend to practice tax avoidance, namely by reducing the tax burden so that the profits earned by the company remain high (Susilowati et al., 2020). So the hypothesis of this study is as follows:

H₃: Operating Cash Flow affects tax avoidance

3. Research Methods

The research method used in this study is the quantitative method, where research emphasizes testing theory through variable measurements (Wardan, n.d.). This research was conducted to examine the effect of the independent variables on the dependent variable, namely tax avoidance. The independent variables used consist of profitability, leverage, and operating cash flow.

The population used in this study is Manufacturing Companies in the various industrial sectors listed on the Indonesia Stock Exchange (IDX) in 2018-2021. The sample used in this study is purposive sampling with the criteria listed in Table 2.

Table 2. Sample and research criteria

No.	Criteria	Amount	Acc. to Criteria
1.	Manufacturing Companies in the various industrial sectors listed on the IDX	47	47
2.	The company's financial statements that have been audited, published on the IDX, and are in the observation 2018-2021	47	36
3.	The company's financial statements have fulfilled the components of the financial statements required in the study, namely profit before tax, tax expense, profitability, leverage, and operating cash flow.	36	30
	Companies that are Sample	30	30
	Total Research Sample (2018-2021)	30x4 = 120	

Source: Data processed by the author (2023)

Based on the sample selection criteria, the samples used in this study amounted to 30 issuers from the total population with a sample of 120 processed data. The type of data used in this study is secondary data sourced from annual financial reports listed on the Indonesia Stock Exchange (IDX) which were obtained through the website idx.co.id. The variables and indicators used in this study are described in Table 3.2 below.

Table 3. Variable Operationalization

No.	Variable	Sub Var.	Indicator	Scale	Reff
1.	*Effective Tax Rate*	ETR	$ETR = \dfrac{Tax\ Expense}{Earning\ before\ Tax}$	Ratio	(Dakhli, 2021)

No.	Variable	Sub Var.	Indicator	Scale	Reff
2.	Profitability	ROA	$ROA = \dfrac{Net\ Income}{Total\ Asset}$	Ratio	(Kasmir, 2015)
3.	Leverage	DER	$DER = \dfrac{Total\ Liabilities}{Total\ Equity}$	Ratio	(Kasmir, 2015)
4.	Operating Cash Flow	CFO	$CFO = \dfrac{Operating\ Cash\ Flow}{Total\ Asset}$	Ratio	(Kim & Im, 2017)

Source: Data processed by the author (2023)

The data analysis technique in this study used multiple linear regression analysis with the help of Eviews12. The research model is indicated by the following equation:

$$ETR = a + \beta 1.ROA + \beta 2.DER + \beta 3.CFO + \varepsilon$$

4. Results and Discussion

4.1. Descriptive Statistical Analysis

The research was conducted on Manufacturing Companies in the various industrial sectors listed on the Indonesia Stock Exchange (IDX) in 2018-2021. The following is an overview of the condition of the company under study related to the variables used in the study.

Table 4. Descriptive Statistics

Variable	Minimum	Maximum	Mean	Std. Deviation
ETR	-1.43	2.34	0.20	0.39
ROA	-0.63	0.23	0.00	0.11
DER	-3.43	3.54	0.78	1.18
CFO	-0.26	0.87	0.05	0.12

Source: Data processed by the author (2023)

Based on the results of research data processing in Table 4.1, it can be seen that the minimum, maximum, average, and deviation values of each variable were used in the study. The ETR variable as a measurement proxy for tax evasion has an average value of 0.20 with a standard deviation of 0.39, the minimum ETR value of -1.43 is the company Prima Alloy Steel Universal, Tbk (PRAS) with a maximum value of 2.34 is a company Goodyear Indonesia Tbk (GDYR). The ETR value illustrates that the lower the ETR value, the more likely the company is to practice tax avoidance, and vice versa.

Meanwhile, the ROA value has a minimum value of -0.63 and a maximum value of 0.23, this value is obtained from the Garuda Maintenance Facility Aero Asia Tbk (GMFI) and Selamat Sempurna Tbk (SMSM) companies. The ROA value indicates that the higher the ROA value, the higher the profitability generated by the company. Garuda has the lowest ROA value in 2020 when viewed from the net income generated by the company in 2020 GMFI experienced a loss of (IDR4,637,171,140,420). Whereas the SMSM company has the highest ROA value in 2018, producing a net profit of IDR633,550,000,000 with a sizeable total asset ownership of IDR 2,801,203,000,000 so the resulting ROA ratio is the highest.

The DER value as a proxy for leverage has a minimum ratio value of -3.43, which is found in the Garuda Maintenance Facility Aero Asia Tbk (GMFI) company in 2020 and the maximum value is in the Ever Shine Tbk (ESTI) company of 3.54 in 2019, This ratio explains that the higher the value of the ratio, the higher the liabilities that must be borne by the company.

The last variable in this study is operating cash flow (CFO), the minimum value generated is -0.26 found in the Garuda Maintenance Facility Aero Asia Tbk (GMFI) company in 2018 and the maximum value is 0.87 found in the Goodyear company Indonesia Tbk in 2020. Operating cash flow shows a comparison between the amount of money coming in and going out in a period, so the higher the value of the operating cash flow, it shows that the income is greater than the expenditure.

4.2. Regression Model Selection

The panel data regression analysis in this study was processed using Eviews version 12. In the first step, the authors conducted an analysis of the appropriate regression model to describe the results of the study. The model selection test was carried out by the Chow test and the Hausman test with the results and explanation below.

1) Chow Test

This test was carried out by comparing the Common Effect Model (CEM) and the Fixed Effect Model (FEM). The following is the analysis and results.

Table 5. Chow Test

Effect Test	Statistic	d.f.	Prob.
Cross-Section F	0.498	(29,72)	0.9805
Cross-Section Chi-square	19.197	29	0.9161

Source: Data processed by the author (2023)

Decision-making in determining the selected model is by looking at the p-value. The p-value based on the Chow test is 0.98, this value is greater than the significance value of 0.05. so that the selected model is the Common Effect Model (CEM).

2) Hausman Test

The Hausman test was carried out by comparing the Fixed Effect Model (FEM) with the Random Effect Model (REM) to determine the right model in determining the regression results.

Table 6. Hausman Test

Test Summary	Chi-Sq.Statistic	Chi-Sq. d.f.	Prob.
Cross-Section Random	0.859	3	0.835

Source: Data processed by the author (2023)

Based on Table 6, the results of the Hausman test yield a probability value or p-value of 0.835, where this number is greater than the significance value of 0.05 so the most appropriate model for calculating regression values in research is the Random Effect Model (REM).

4.3. Regression Analysis

After determining the appropriate model to use in regressing the research variables, a regression test was carried out to determine the effect of profitability, leverage, and operating cash flow on tax evasion, with the results in Table 7.

Table 7. Regression Analysis

Variable	Coefficient t- Statistic	Std. Error	Prob.
C	0.213461	0.048873	0.0000
ROA	0.884776	0.360289	0.0158
DER	0.024580	0.033952	0.4708
CFO	-0.763781	0.326458	0.0213

Source: Data processed by the author (2023)

Based on the results of the regression test in Table 7 using the Random Effect Model (REM), the following equation is obtained:

ETR = 0.21+0.88ROA+0.02 DER-0.76CFO+e

From this equation, a constant value (α) of 0.21 is obtained, which means that if the ROA, DER, and CFO variables are 0, then the value of tax avoidance (ETR) is a constant value of 021. Then the value of the regression coefficient on ROA (β1) is 0.88 which means shows that if there is an increase in the value of ROA by 1 unit, the practice of tax avoidance will increase by 0.88 assuming the other independent variables are constant.

4.4. T-Test

A partial test or T test is conducted to see the effect of independent variables on the dependent variable individually. Based on Table 4.4 it can be seen the probability value or p-value of each variable. The probability value for the profitability variable proxied by ROA is 0.015, which indicates that the value is less than 0.05, besides that the coefficient value of ROA is positive so this indicates that the first hypothesis which states profitability influences tax avoidance practices in Manufacturing companies in the various industrial sectors in 2018-2021 are proven.

The second hypothesis states that leverage proxied by DER affects tax avoidance. The probability value shown in Table 4.4 is 0.47 so the second hypothesis in this study does not show that leverage affects tax evasion, because the p-value is greater than the significance value, namely 0.05.

Furthermore, the probability value of operating cash flow proxied by the CFO has a negative effect, this can be seen in Table 4.4 which shows the CFO coefficient value is negative and the probability value is 0.02 where this value is smaller than the significance value. So it can be said that the third hypothesis is proven, CFO affects tax evasion.

4.5. F-Test

The F test was carried out to see how the influence of ROA, DER, and CFO together on tax avoidance practices in manufacturing companies in the various industrial sectors in 2018-2021.

Table 8. F-Test

R-squared	0.148047	Mean dependent var	0.202752
Adjusted R-souared	0.122741	S.D. dependent var	0.394322
S.E. of regression	0.369330	sum squared resid	13.77687
F-statistic	5.850377	Durbin-Watson stat	1.792032
Prob(F-statistic)	**0.00 1002**		

Source: Data processed by the author (2023)

The results of the F test presented in table 8 show a probability value or p-value of 0.001 meaning that this value is smaller than the significance value of 0.05 so that it can be interpreted that the independent variables used in the study are profitability, leverage, and operating cash flow together. - together to influence the practice of tax avoidance that occurs in Manufacturing companies in the various industrial sectors in 2018-2021.

4.6. Determinant Coefficient (R2)

The coefficient of determination determines how much the independent variable affects the dependent variable. In Table 8 the R-Squared value is 0.148 or 15%, this shows that the independent variables used in the study, namely profitability, leverage, and operating cash flow, can influence tax avoidance practices in Manufacturing companies in the various industrial sectors in 2018-2021, which is equal to 15%, while the remaining 85% is another variable that can affect tax evasion that is not examined in this study.

4.7. Discussion

4.7.1. *Profitability affects tax avoidance*

The probability value of the profitability variable proxied by ROA shown in table 4.4 is 0.0158 and the positive coefficient value illustrates that profitability has a positive influence on tax avoidance practices in Manufacturing companies in the various industrial sectors in 2018-2021.

ROA is generated from a comparison between net income and company assets. Therefore, the higher the ratio value of ROA, the higher the value and performance of the company. In other words, the company is increasingly capable of generating profits. Based on research data on manufacturing companies in various industrial sectors, the profitability ratio and ETR value show unidirectional results. When a company experiences an increase in the value of ROA, the value of tax avoidance which is proxied by the ETR shows a tendency for companies to practice tax evasion higher. The results of this test prove the first hypothesis that when a company earns a higher profit percentage, the tendency to carry out tax avoidance will be higher to reduce the amount of tax paid through effective tax planning.

The results of this study are in line with (Wardan, n.d.) that the relationship between profit and taxes is directly proportional so that when company profits increase, the tax that must be paid by the company will also increase, and vice versa. This research is also supported by research conducted by (Sutomo & Djaddang, 2017) that profitability has a positive effect on the practice of tax evasion in manufacturing companies.

4.7.2. *Leverage affects tax avoidance*

The proxy for measuring leverage in this study uses DER, based on Table 4.4 the probability value for DER is 0.47, where this figure is more than the significance value of 0.05. So it can be

concluded that leverage has no effect on tax evasion in Manufacturing companies in the various industrial sectors in 2018-2021. The DER ratio produced in the year of the study showed fluctuating numbers, so it can be said that the size of the company's liabilities does not affect the practice of tax avoidance in manufacturing companies in the various industrial sectors. This research is in line with research conducted (Andy, 2018), (Sutomo & Djaddang, 2017), (Susilowati et al., 2020) that the higher the level of debt in a company does not affect the practice of tax avoidance.

4.7.3. *Operating Cash Flow affects tax avoidance*

Operating cash flow proxied by CFO shows a probability value of 0.02 with a coefficient value of -0.76. This shows that CFO has a negative effect on tax avoidance in Manufacturing companies in the various industrial sectors in 2018-2021.

The cash flow ratio indirectly shows the company's profit level. Research conducted by (Kim & Im, 2017) and (Susilowati et al., 2020) shows a negative effect of operating cash flow on tax evasion. Cash flow from operating activities provides a greater percentage of the company's profit, when sales value increases, the company's tax burden will also increase, so the company will reduce the tax burden so that the tax burden becomes lower than it should be. In manufacturing companies in various industrial sectors it is proven that when the value of operating cash flows generated is low, the resulting ETR value is also low, this shows the opposite effect where an increase in the value of operating cash flows does not necessarily affect tax avoidance practices in manufacturing companies in various industrial sectors.

5. Conclusion

The conclusions from the results of this study are as follows;

1) Profitability proxied by Return on Assets (ROA) shows positive results with a p-value of 0.01. The profitability value with the ETR in Manufacturing companies in the various industrial sectors in 2018-2021 shows a value that is in line. When the company experiences an increase in profits, the value of tax avoidance also indicates a tendency for tax avoidance practices to increase.
2) The leverage proxied by the Debt to Equity Ratio (DER) shows the result that leverage has no effect on tax avoidance with a probability value of 0.47. The size of the debt indicated by the fluctuating value in the year of the study did not influence the company to practice tax avoidance.
3) Operating cash flow shows the result that operating cash flow has a negative effect on tax evasion, with a probability value of 0.02. When a company experiences a decrease in the value of operating cash flows, the resulting ETR value is low, this shows the opposite effect where an increase in the value of operating cash flows does not necessarily affect the practice of tax avoidance in manufacturing companies in various industrial sectors.

As for the suggestions that the authors propose to future researchers use other variables besides those used in this study or add years of research to prove further the influence of what drives companies to practice tax avoidance.

References

Abdelmoula, L., Chouaibi, S., & Chouaibi, J. (2022). The effect of business ethics and governance score on tax avoidance: a European perspective. *International Journal of Ethics and Systems*. https://doi.org/10.1108/IJOES-12-2021-0219

Andy. (2018). Pengaruh Return On Assets, Debt To Equity Ratio, Debt To Assets Ratio, Ukuran Perusahaan Dan Deferred Tax Expense Terhadap Tax Avoidance (studi empiris pada Perusahaan Jasa sektor perhotelan, restoran, dan pariwisata yang terdaftar di Bursa Efek Indonesia. *Jurnal Ekonomi Dan Bisnis*, *16*(2), 42–53.

Anna Mei Rani, Mulyadi, & Dwi Prastowo Darminto. (2021). Determinan Penghindaran Pajak dengan Komisaris Independen sebagai Moderasi pada Perusahaan Manufaktur Sektor Industri Barang Konsumsi. *Jurnal Riset Akuntansi & Perpajakan (JRAP)*, *8*(02), 112–126. https://doi.org/10.35838/jrap.2021.008.02.21

Awaliah, R., Damayanti, R. A., & Usman, A. (2022). Tren Penghindaran Pajak Perusahaan di Indonesia yang Terdaftar di BEI Melalui Analisis Effective Tax Rate (ETR) Perusahaan. *Akrual: Jurnal Bisnis Dan Akuntansi Kontemporer*, *15*(1), 1–11. www.idx.co.id

Dakhli, A. (2021). The impact of ownership structure on corporate tax avoidance with corporate social responsibility as mediating variable. *Journal of Financial Crime*. https://doi.org/10.1108/JFC-07-2021-0152

Dang, V. C., & Tran, X. H. (2021). The impact of financial distress on tax avoidance: An empirical analysis of the Vietnamese listed companies. Cogent Business and Management, 8(1). https://doi.org/10.1080/23311975.2021.1953678

Frans, Darmansyah, & Widarto Rachbini. (2021). Peran Kualitas Auditor pada Determinan Tax Avoidance Perusahaan Customer Goods. *Jurnal Riset Akuntansi & Perpajakan (JRAP)*, *8*(02), 127–144. https://doi.org/10.35838/jrap.2021.008.02.22

Gaaya, S., Lakhal, N., & Lakhal, F. (2017). Does family ownership reduce corporate tax avoidance? The moderating effect of audit quality. *Managerial Auditing Journal*, *32*(7), 731–744. https://doi.org/10.1108/MAJ-02-2017-1530

Gazali, A., Karamoy, H., & Gamaliel, H. (2020). Pengaruh Leverage, Kepemilikan Institusional dan Arus Kas Operasi Terhadap Penghindaran Pajak Pada Perusahaan Tambang yang Terdaftar di Bursa Efek Indonesia Periode 2014-2019. *Jurnal Riset Akuntansi Dan Auditing "GOODWILL,"* *11*(2), 83–96.

Kanagaretnam, K., Lee, J., Lim, C. Y., & Lobo, G. J. (2016). Relation between auditor quality and tax aggressiveness: Implications of cross-country institutional differences. Auditing, 35(4), 105–135. https://doi.org/10.2308/ajpt-51417

Kim, J. H., & Im, C. C. (2017). The study on the effect and determinants of small-and medium-sized entities conducting tax avoidance. *Journal of Applied Business Research*, *33*(2), 375–390. https://doi.org/10.19030/jabr.v33i2.9911

Prasatya, R. E., Mulyadi, J., & Suyanto, S. (2020). Karakter Eksekutif, Profitabilitas, Leverage, dan Komisaris Independen Terhadap Tax Avoidance Dengan Kepemilikan Institusional Sebagai Variabel Moderasi. *Jurnal Riset Akuntansi & Perpajakan (JRAP)*, *7*(02), 153–162. https://doi.org/10.35838/jrap.v7i02.1535

Susilowati, A., Dewi, R. R., & Wijayanti, A. (2020). Faktor-Faktor yang Mempengaruhi Tax Avoidance. *Jurnal Ilmiah Universitas Batanghari Jambi*, *20*(1), 131. https://doi.org/10.33087/jiubj.v20i1.808

Sutomo, H., & Djaddang, S. (2017). Determinan Tax Avoidance Perusahaan Manufaktur di Indonesia. *Jurnal Riset Akuntansi & Perpajakan (JRAP)*, *4*(01), 32–46. https://doi.org/10.35838/jrap.v4i01.148

Tax Justice Network. (2021). The state of tax justice 2021. November, 1–72. https://taxjustice.net/wp-content/uploads/2021/11/State_of_Tax_Justice_Report_2021_ENGLISH.pdf

Wardan, D. A. (n.d.). *The Effect of Audit Committee , Leverage , Return on Assets , Company Size , and Sales Growth on Tax Avoidance*. *Idx*, 171–185.