UNIVERSITAS ANDALAS

FACULTY OF ECONOMICS AND BUSINESS

ACCOUNTING DEPARTMENT

UNDERGRADUATE THESIS

CORPORATE TAX AVOIDANCE: THE ROLE OF PROFITABILITY, LEVERAGE, AND CAPITAL INTENSITY

By:

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Supervisor:

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Submitted in partial fulfilment of the requirements for the degree of Bachelor of Science in Accounting

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APPROVAL

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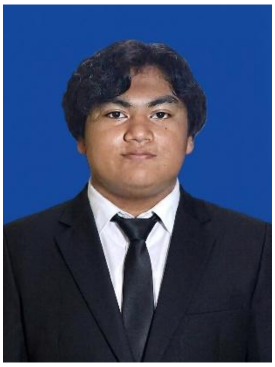
<tr><td rowspan="2"></td><td>Alumna's Faculty Number:</td><td>FAREL ABIYYU FAYYADH</td><td>Alumna's University Number:</td></tr>
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CORPORATE TAX AVOIDANCE: THE ROLE OF PROFITABILITY, LEVERAGE, AND CAPITAL INTENSITY

Undergraduate Thesis by: Farel Abiyyu Fayyadh
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ABSTRACT

This study examines the influence of profitability, leverage, and capital intensity on corporate tax avoidance among Energy and Basic Materials companies listed on the Indonesia Stock Exchange (IDX) during the 2021-2025 period. Tax avoidance is measured using two alternative proxies, the Effective Tax Rate (ETR) and the Book-Tax Difference (BTD), while firm size, revenue growth, and State-Owned Enterprise (SOE) status are employed as control variables. Using purposive sampling, the final research sample consists of 186 companies, yielding 898 firm-year observations, which are analyzed using panel data regression estimated with EViews 14. The results show that profitability has no significant effect on tax avoidance when measured using ETR, but has a positive and significant effect when measured using BTD. Leverage does not significantly affect tax avoidance under either proxy. Capital intensity has no significant effect on ETR but has a positive and significant effect on BTD. Among the control variables, revenue growth is significant under both models, while firm size and SOE status show no consistent effect. These findings indicate that the determinants of corporate tax avoidance are sensitive to the proxy used, and that ETR and BTD capture different dimensions of tax planning behavior. The dual-proxy approach adopted in this study therefore provides a more comprehensive understanding of corporate tax avoidance than a single-proxy design, and contributes recent empirical evidence on tax planning behavior within Indonesia's Energy and Basic Materials sectors during the post-pandemic period.

Keywords: Corporate Tax Avoidance, Profitability, Leverage, Capital Intensity, Effective Tax Rate, Book-Tax Difference, Energy and Basic Materials Sector

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