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THE EFFECT OF PROFITABILITY, LEVERAGE, AND SALES GROWTH ON TAX AVOIDANCE IN MINING COMPANIES LISTED ON THE INDONESIA STOCK EXCHANGE FOR THE 2023–2024 PERIOD

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Abstract

This study examines the effect of profitability, leverage, and sales growth on tax avoidance among mining companies listed on the Indonesia Stock Exchange during 2023–2024. Tax avoidance is proxied by the Effective Tax Rate (ETR); consequently, a higher ETR indicates a lower tendency toward tax avoidance. The population comprises 182 firm-year units formed by 91 energy-sector companies observed over two years. Using simple random sampling and the Isaac–Michael table at a 5% error level, 119 firm-year observations were selected. Secondary financial-statement data were analyzed with ordinary least squares multiple regression in IBM SPSS Statistics 25. The mean ETR is 0.16924, while the means of return on assets (ROA), debt to asset ratio (DAR), and sales growth are 0.07298, 0.39649, and 0.02229, respectively. The estimated model is ETR = 0.063 + 0.537ROA + 0.171DAR − 0.011SG. Profitability is positively associated with ETR ($t = 3.701$; $p < 0.001$), and leverage is also positively associated with ETR ($t = 2.366$; $p = 0.020$). These positive ETR coefficients imply lower—not higher—tax avoidance as profitability and leverage increase. Sales growth is not significant ($t = -0.197$; $p = 0.844$). The model is jointly significant, $F(3,115) = 4.870$, $p = 0.003$, but its explanatory power is limited ($R^2 = 0.113$; adjusted $R^2 = 0.090$). Residual normality and multicollinearity diagnostics are acceptable; however, the Glejser test indicates heteroskedasticity for DAR ($p = 0.046$), so inferential conclusions should be interpreted cautiously and verified using heteroskedasticity-robust standard errors. The findings suggest that tax outcomes in Indonesian mining companies cannot be inferred from sales expansion alone and remain substantially influenced by factors outside the model.

Keywords: profitability; leverage; sales growth; tax avoidance; effective tax rate; mining companies

BACKGROUND

Tax revenue is central to financing public services and national development, while companies generally seek to manage tax payments as part of their financial decisions. This divergence creates a persistent governance problem. The state expects compliance with the substance and purpose of tax rules, whereas managers may pursue legal arrangements that reduce the effective tax burden. Tax avoidance occupies this contested area: it does not necessarily violate the literal wording of the law, yet aggressive arrangements may weaken the tax base and expose companies to audit, legal, and reputational risks (Mardiasmo, 2016; Suandy, 2008).

The mining industry provides a particularly relevant context. Mining companies manage capital-intensive operations, long investment horizons, volatile commodity prices, sizeable financing needs, and complex accounting estimates. Their activities may involve exploration expenditure, mine development, heavy equipment, transportation, reclamation obligations, foreign-currency exposure, and different timing between commercial and fiscal recognition. These characteristics affect accounting profit, taxable income, debt policy, and the tax expense recorded in financial statements. They also make a single financial ratio an incomplete indicator of tax behavior.

This study focuses on three financial conditions that may shape the effective tax burden. Profitability represents the capacity to generate net income from assets. More profitable companies may face a larger tax base and therefore stronger incentives to plan taxes. At the same time, profitable and highly visible firms may have more to lose from aggressive avoidance and may be subject to stronger scrutiny. Leverage creates interest costs that can reduce taxable income when deductible, but debt is also constrained by financing needs, creditor monitoring, and thin-capitalization rules. Sales growth can enlarge operating activity and potentially profit, yet

in mining it may be accompanied by substantial production, logistics, energy, and development costs, so revenue growth does not automatically translate into taxable income growth.

Empirical evidence is mixed. Some studies report that profitability, leverage, or sales growth are associated with tax avoidance, while others find no effect or a different direction (Umar et al., 2021; Dewi & Priyadi, 2023; Laihah & Widyasari, 2024; Samos et al., 2024). Differences may arise from sector, period, proxy selection, sample construction, and model specification. The present study adds evidence from Indonesian mining companies in 2023–2024 and uses ETR as the dependent variable. This measurement decision requires careful interpretation because ETR is inversely related to avoidance: lower ETR is conventionally read as greater tax avoidance, subject to accounting and fiscal qualifications.

The research asks whether profitability, leverage, and sales growth individually and jointly explain variation in ETR. Its contribution is twofold. First, it evaluates the three financial predictors in the same model, allowing each coefficient to be interpreted conditionally on the others. Second, it separates the statistical direction toward ETR from the substantive direction toward tax avoidance, preventing a positive ETR coefficient from being incorrectly described as a positive effect on avoidance. The article also evaluates the strength and limitations of the evidence rather than treating statistical significance as proof of a large or causal effect.

THEORETICAL FRAMEWORK

Agency theory and corporate tax decisions

Agency theory describes conflicts arising when managers control company decisions but shareholders bear many of the consequences (Godfrey et al., 2010; Scott, 2014). Tax planning can preserve cash and improve after-tax returns, which may align with shareholder interests. However, complex tax arrangements can also reduce transparency, conceal managerial opportunism, and create future penalties or reputation losses. Monitoring by boards, auditors, creditors, regulators, investors, and tax authorities can therefore influence the balance between tax savings and compliance risk.

Profitability may increase both the incentive and the capacity to undertake tax planning because the potential tax amount is larger. Yet high-profit firms also attract attention and may prioritize legitimacy. Leverage can generate a tax shield through deductible interest, but managers cannot select debt solely for tax reasons because excessive leverage increases financial distress and monitoring. Sales growth may increase managerial pressure to sustain performance, although it affects tax only through the resulting cost and profit structure. Agency theory therefore supports the relevance of the variables but does not guarantee a universal coefficient direction.

Tax avoidance and the Effective Tax Rate

ETR is calculated as income tax expense divided by profit before tax. It represents the accounting tax charge relative to reported pre-tax income. A lower ETR can indicate that a company pays or recognizes less tax for each unit of accounting profit and is often used as an inverse proxy for tax avoidance. However, ETR can also be affected by fiscal-loss compensation, deferred tax, permanent differences, tax incentives, nondeductible expenses, and one-off adjustments. Negative values and values above the statutory rate are therefore possible and should not automatically be classified as aggressive or compliant behavior.

The distinction between the dependent measure and the underlying construct is essential. In the regression estimated here, a positive coefficient means the predictor increases ETR. Under the inverse-proxy convention, that pattern indicates lower tax avoidance. A negative coefficient indicates lower ETR and potentially greater avoidance. The article consistently reports both layers so that the numerical and substantive interpretations are not reversed.

Hypothesis development

Profitability measured by ROA captures the efficiency with which assets generate net income. More profitable companies incur greater potential tax costs, but they may also have stronger internal controls, public visibility, and capacity to comply. Prior evidence does not establish a single direction. The first hypothesis is therefore stated as an effect hypothesis: H1—profitability significantly affects tax avoidance as proxied by ETR.

Leverage measured by DAR captures the portion of assets financed by liabilities. Interest may provide a tax shield, suggesting a lower ETR, while creditor scrutiny, financing constraints, and limits on interest deductibility may produce the opposite pattern. H2 states that leverage significantly affects tax avoidance as proxied by ETR. Sales growth represents the change in revenue from the preceding period. Because sales can affect profits and tax pressure but may be offset by operating costs, H3 states that sales growth significantly affects tax avoidance as proxied by ETR. H4 states that profitability, leverage, and sales growth jointly affect ETR.

Table 1. Research hypotheses

Code	Hypothesis
H1	Profitability significantly affects tax avoidance (ETR).
H2	Leverage significantly affects tax avoidance (ETR).
H3	Sales growth significantly affects tax avoidance (ETR).
H4	Profitability, leverage, and sales growth jointly affect tax avoidance (ETR).

METHOD

Research design, population, and sample

The study uses a quantitative explanatory design and secondary data from annual financial statements available through the Indonesia Stock Exchange and company websites. The stated population consists of 91 energy-sector companies associated with mining, oil, gas, coal, supporting services, and distribution. Two observation years produce 182 firm-year population units. Simple random sampling was applied at the firm-year level. Based on the Isaac–Michael table for a population close to 180 at a 5% error level, 119 units were selected.

Treating firm-years as sampling units increases the number of observations but creates a methodological qualification. The same company may appear in both years, so observations may not be fully independent within companies. The source analysis nevertheless applies cross-sectional OLS rather than a panel model. Results are therefore interpreted as associations in the selected firm-year sample. Future replication should preserve the company identifier and use clustered standard errors or panel methods when repeated firms are present.

Variable measurement

Table 2. Operational definitions

Variable	Proxy and formula	Interpretation
Tax avoidance	ETR = income tax expense / profit before tax	Lower ETR conventionally indicates greater avoidance.
Profitability	ROA = net income / total assets	Higher ROA indicates stronger asset profitability.
Leverage	DAR = total liabilities / total assets	Higher DAR indicates more debt-financed assets.
Sales growth	(Sales t − Sales t−1) / Sales t−1	Positive values indicate revenue expansion.

The dependent variable is ETR. Profitability is measured with return on assets, leverage with debt to asset ratio, and sales growth with the annual change in sales divided by prior-year sales. Because the ETR denominator can be small or negative, unusual observations can occur. The source manuscript reports an ETR minimum of −0.265 and maximum of 0.552 but does not document winsorization. This range is retained and discussed as part of the empirical distribution.

Analysis strategy

IBM SPSS Statistics 25 was used for descriptive statistics, classical-assumption diagnostics, and ordinary least squares multiple regression. The estimated equation is $ETR_i = \alpha + \beta_1 ROA_i + \beta_2 DAR_i + \beta_3 SG_i + \varepsilon_i$. Residual

normality was evaluated with graphical checks and the Kolmogorov–Smirnov test. Multicollinearity was evaluated with tolerance and variance inflation factors. Heteroskedasticity was evaluated using a scatterplot and the Glejser test, and serial correlation was examined with the Durbin–Watson statistic. Partial hypotheses use two-tailed t tests at $\alpha = 0.05$; the joint hypothesis uses the F test. R^2 and adjusted R^2 describe model fit.

The model is associational rather than causal. Random selection of observations does not randomly assign profitability, leverage, or sales growth, and the two-year design cannot eliminate reverse causality or omitted-variable bias. Coefficients are consequently interpreted as conditional statistical relationships. The analysis also gives priority to effect direction, uncertainty, diagnostics, and substantive magnitude rather than relying only on p values.

RESULT

Descriptive statistics

Table 3. Descriptive statistics (N = 119)

Variable	Minimum	Maximum	Mean	Std. deviation
ETR	−0.265	0.552	0.16924	0.137341
ROA	−0.214	0.343	0.07298	0.091317
DAR	0.019	0.757	0.39649	0.187568
Sales growth	−0.547	0.535	0.02229	0.229933

The average ETR is 16.924%, below Indonesia's 22% statutory corporate income-tax rate during the observation period. This difference is descriptive and cannot by itself establish aggressive avoidance because ETR reflects deferred tax, fiscal losses, permanent differences, incentives, and other adjustments. The range is wide: Petrosea Tbk in 2024 is reported as the minimum observation (−26.5%), while Radiant Utama Interinsco Tbk in 2023 is the maximum (55.2%). A negative ETR may arise from tax benefits or loss-related accounting and deserves case-level review before behavioral classification.

Average ROA is 7.298%, with values from −21.4% to 34.3%. Its standard deviation exceeds its mean, indicating substantial dispersion and the coexistence of loss-making and highly profitable observations. Average DAR is 39.649%, suggesting that roughly two-fifths of assets are financed by liabilities in the average observation. Its range from 1.9% to 75.7% shows materially different funding structures. Sales growth averages only 2.229%, while its standard deviation is 22.993%. Revenue performance is therefore highly heterogeneous, spanning a 54.7% contraction to a 53.5% increase.

The descriptive pattern matters for inference. Sales growth has large dispersion around a near-zero mean, yet this variation does not translate into a significant conditional association with ETR. ROA also varies widely and becomes the strongest standardized predictor in the regression. DAR is more centered but still contributes independently. The statistics show that mining companies faced substantially different operating and financing conditions during 2023–2024.

Regression diagnostics

Table 4. Diagnostic results

Diagnostic	Statistic	Decision
Residual normality	K–S statistic = 0.052; p = 0.200	Normality not rejected
Multicollinearity—ROA	Tolerance = 0.828; VIF = 1.207	No problematic collinearity
Multicollinearity—DAR	Tolerance = 0.795; VIF = 1.259	No problematic collinearity
Multicollinearity—SG	Tolerance = 0.954; VIF = 1.049	No problematic collinearity

Diagnostic	Statistic	Decision
Glejser—ROA	p = 0.060	Not significant at 5%
Glejser—DAR	p = 0.046	Heteroskedasticity indication
Glejser—SG	p = 0.567	Not significant at 5%
Autocorrelation	Durbin–Watson = 2.231	No autocorrelation under reported bounds

The Kolmogorov–Smirnov result does not reject residual normality, and all VIF values are close to one. Multicollinearity is therefore unlikely to explain the coefficient pattern. The Durbin–Watson value is also within the bounds reported by the source manuscript. The heteroskedasticity evidence is mixed: visual scatterplot inspection finds no clear pattern, but the Glejser regression gives p = 0.046 for DAR. A formal test should not be dismissed solely because a plot appears random. Conventional OLS coefficients remain unbiased under exogeneity, but their usual standard errors may be unreliable when error variance is nonconstant. The reported t and F tests should therefore be treated cautiously pending replication with HC-type robust standard errors or bootstrap confidence intervals.

Multiple regression and hypothesis tests

Table 5. Multiple regression results; dependent variable: ETR

Predictor	B	Std. error	Standardized β	t	p	Decision
Constant	0.063	0.036	—	1.728	0.087	—
ROA	0.537	0.145	0.357	3.701	<0.001	H1 supported
DAR	0.171	0.072	0.233	2.366	0.020	H2 supported
Sales growth	−0.011	0.054	−0.018	−0.197	0.844	H3 not supported

The estimated equation is ETR = 0.063 + 0.537ROA + 0.171DAR − 0.011SG. Holding DAR and sales growth constant, a 0.10 increase in ROA is associated with an ETR increase of about 0.0537, or 5.37 percentage points. Holding the other predictors constant, a 0.10 increase in DAR is associated with an ETR increase of about 0.0171, or 1.71 percentage points. The sales-growth estimate is close to zero: a 0.10 increase corresponds to an ETR decrease of only 0.0011, and the estimate is statistically indistinguishable from zero.

ROA has the largest standardized coefficient (β = 0.357), followed by DAR (β = 0.233). Both coefficients are positive for ETR. Because lower ETR proxies greater avoidance, the substantive implication is an inverse association with tax avoidance: more profitable and more leveraged observations display higher effective tax rates and therefore lower indicated avoidance. Sales growth has a small negative coefficient but no statistical support. H1 and H2 are supported as effect hypotheses, while H3 is not supported.

Table 6. Model summary and simultaneous test

R	R^2	Adjusted R^2	Std. error	F	df	p
0.336	0.113	0.090	0.131046	4.870	3, 115	0.003

The complete model is statistically significant, F(3,115) = 4.870, p = 0.003, supporting H4. However, R^2 is 0.113 and adjusted R^2 is 0.090. The three predictors explain only 9.0% of ETR variation after adjustment for model size. Approximately 91% remains associated with omitted conditions, random variation, and measurement effects. Statistical significance therefore coexists with limited explanatory power; the model is informative but not sufficient for classifying company-level tax behavior.

DISCUSSION

Profitability and tax avoidance

Profitability is positively and significantly associated with ETR. The numerical result is B = 0.537, β = 0.357, t = 3.701, and p < 0.001. Because ETR is inversely related to avoidance, the result indicates that more profitable mining-company observations tend to exhibit lower tax avoidance. This distinction corrects a common interpretive error: the positive coefficient is not evidence that profitability increases avoidance; it is evidence that profitability increases the effective tax rate used as the inverse proxy.

One explanation is that higher-profit firms have a larger capacity to pay tax and a lower need to obtain marginal cash savings through aggressive arrangements. They may also have stronger accounting systems, internal controls, professional tax functions, and governance processes. In a resource-extraction sector with high public visibility, profitable firms can face greater attention from investors, auditors, tax authorities, and civil society. The expected cost of a disputed tax position may include penalties, management time, financing consequences, and reputational damage. Managers may therefore choose compliant planning rather than arrangements that sharply depress ETR.

The result also qualifies a simple agency prediction. Higher profit increases the potential tax expense and could motivate managers to minimize tax. Yet agency behavior is constrained by monitoring and legitimacy. A firm that reports strong profitability also provides a clearer tax base to outsiders, while unusual reductions in ETR may trigger scrutiny. Consequently, the relationship observed here may represent the combined effects of ability to pay, monitoring intensity, and risk management rather than the absence of tax planning.

The descriptive distribution reinforces the need for case-level caution. ROA ranges from losses to 34.3%, and ETR includes negative observations. In loss years or periods affected by deferred tax, the conceptual link between current profitability and accounting ETR can be nonlinear. The OLS coefficient summarizes an average linear association across this heterogeneous sample; it does not imply that every profitable company is less tax aggressive or that a specific ROA increase mechanically causes a fixed tax response.

The finding differs from studies that associate higher profitability with greater avoidance incentives, including the argument summarized by Laihah and Widyasari (2024). It is more compatible with evidence that profitability need not increase aggressive avoidance when compliance, scrutiny, and reputation are salient. Differences across studies can arise because some use cash ETR, book-tax differences, or long-run measures; include different sectors; trim unusual ETR values; or estimate panel models. The current result should therefore be understood as context-specific evidence from selected Indonesian mining firm-years in 2023–2024.

Leverage and tax avoidance

Leverage is positively associated with ETR (B = 0.171; β = 0.233; t = 2.366; p = 0.020), implying lower indicated avoidance as DAR rises. At first glance, this appears inconsistent with the tax-shield mechanism: interest expense can reduce taxable income and might lower the effective tax burden. Several features of mining finance provide an alternative interpretation. Debt may primarily fund equipment, exploration, development, transportation, and other long-lived investment rather than serve as a tax-planning instrument. The debt ratio also includes liabilities that do not necessarily generate deductible interest.

Higher leverage can increase monitoring. Credit agreements, audits, covenants, and refinancing needs may require transparent financial reporting and discourage uncertain tax positions. A highly leveraged firm already faces liquidity and solvency risk; adding a disputed tax exposure could raise expected distress costs. Creditors may consequently discipline managerial choices in a way that offsets the potential benefit of interest deductions. Indonesia's thin-capitalization restrictions similarly reduce the ability to obtain unlimited tax benefits through excessive related or external debt.

The coefficient should not be overextended. A 10-percentage-point difference in DAR is associated with only a 1.71-percentage-point difference in ETR, conditional on ROA and sales growth. Moreover, the Glejser test

identifies DAR as related to the absolute residual, so the reported conventional standard error of 0.072 may be distorted. Since the p value of 0.020 is not extremely small, a robust-standard-error re-estimation could affect the strength of the inference. The direction of B is directly supported by the supplied output, but the exact confidence attached to the significance decision requires verification.

This result differs from research emphasizing leverage-induced tax shields (Umar et al., 2021) but is plausible in a setting where financing needs, restrictions on deductibility, and creditor oversight dominate. It also highlights a measurement issue: DAR is not the same as interest-bearing debt, and total liabilities may include trade payables, provisions, and tax liabilities. Future research should separate interest-bearing debt, related-party debt, interest expense, and thin-capitalization exposure to test the tax-shield channel more directly.

Sales growth and tax avoidance

Sales growth has no significant effect on ETR ($B = -0.011$; $\beta = -0.018$; $t = -0.197$; $p = 0.844$). The estimate is both statistically weak and substantively small. The sample contains substantial sales variation—standard deviation 22.99%—but revenue changes do not reliably explain the effective tax rate after profitability and leverage are controlled. H3 is therefore not supported.

The absence of a relationship is economically reasonable. Sales are a top-line measure, whereas income tax depends more directly on taxable profit. Mining revenue is exposed to commodity prices, sales volumes, exchange rates, and contract timing. A sales increase can be accompanied by higher extraction, processing, fuel, freight, royalty, employee, reclamation, or financing costs. Conversely, revenue may fall while margins improve. The weak coefficient suggests that the cost and margin consequences of sales growth are more relevant to tax than growth itself.

Sales growth also may affect tax with a lag. Expansion can require exploration and capital expenditure before revenue materializes, while tax depreciation and fiscal-loss carryforwards can influence subsequent periods. A two-year window and a contemporaneous linear equation may be too short to capture these dynamics. Annual percentage growth can also be volatile when the prior-year sales base is low. These factors can attenuate a stable cross-sectional relationship even when sales expansion matters to long-run tax planning.

The result aligns with studies reporting that sales growth does not independently determine tax avoidance once other financial conditions are included, while differing from evidence that growth increases avoidance incentives (Dewi & Priyadi, 2023; Samos et al., 2024). The practical interpretation is not that sales growth is irrelevant to all tax decisions, but that it is not a reliable standalone indicator of ETR in this sample. Investors and regulators should avoid using rapid revenue growth as a direct proxy for aggressive tax behavior.

Joint model, explanatory power, and omitted factors

The F test indicates that ROA, DAR, and sales growth jointly improve prediction relative to an intercept-only model. Yet the adjusted R^2 of 0.090 is modest. This combination is possible because a model can identify nonzero average relationships while leaving most individual variation unexplained. The result should not be described as a strong predictive model, and the unexplained 91% should not be attributed to any single omitted factor.

Potential determinants outside the model include firm size, capital intensity, inventory intensity, corporate governance, audit quality, ownership structure, political connections, tax-loss carryforwards, deferred tax positions, fiscal incentives, related-party transactions, international operations, commodity type, and changes in regulation. The accounting quality of ETR itself also contributes to unexplained variation. Adding variables should be theory-driven and accompanied by specification checks rather than undertaken merely to raise R^2.

The firm-year sampling design warrants additional attention. If companies appear twice, errors may be correlated within firms. OLS standard errors that assume independent observations can then be too small. The two-year period also makes fixed-effects estimation difficult, but clustered inference remains possible if identifiers are retained. A census of eligible companies or transparent inclusion criteria may be more

reproducible than randomly selecting firm-years, particularly because availability and interpretability of ETR data are central to the analysis.

Diagnostic qualification and evidence strength

Most diagnostics are favorable: residual normality is not rejected and VIF values do not signal multicollinearity. However, the heteroskedasticity tests disagree. Visual scatterplots are subjective and can miss moderate variance changes, while the Glejser test provides a formal p value below 0.05 for DAR. The defensible conclusion is that heteroskedasticity cannot be ruled out. It is not methodologically sufficient to retain conventional inference simply because the scatterplot appears random.

A revised analysis should report heteroskedasticity-consistent standard errors such as HC3, which is often appropriate in smaller samples, together with 95% confidence intervals. A wild bootstrap could provide another check. Influence diagnostics—including studentized residuals, leverage values, Cook's distance, and DFBETAs—are important because ETR has negative and high observations and both ROA and growth display wide ranges. Robust regression or sensitivity analyses with economically justified ETR bounds could show whether a few cases drive the coefficients, but exclusions must be disclosed and not selected to obtain significance.

Normality should also be interpreted appropriately. OLS does not require the raw variables to be normal; the concern is the error distribution for exact small-sample inference. With 119 observations, minor graphical departures are less important than heteroskedasticity, dependence, omitted variables, and influential cases. Durbin–Watson is designed for ordered observations and is less central in a randomly sampled firm-year cross-section. If repeated firms exist, cluster dependence is a more relevant issue than serial ordering in the spreadsheet.

Theoretical and practical implications

The findings refine the agency perspective. Profit and debt may create incentives for tax planning, but monitoring, risk, legitimacy, and financing constraints can alter the observed direction. Profitability and leverage are associated with higher ETR in this sample, suggesting that more financially capable or more closely monitored firms do not necessarily pursue lower accounting tax rates. Sales growth, meanwhile, does not directly capture the profit and fiscal mechanisms through which tax outcomes arise.

For managers, the results support integrating financing, profitability, and tax-risk governance. Tax planning should be documented, consistent with commercial substance, and reviewed for legal and reputational exposure. For investors and creditors, ETR should be examined over multiple years and reconciled with current tax, deferred tax, unusual items, and cash taxes; a single-year low rate is not conclusive evidence of misconduct. For tax authorities, risk-based monitoring should combine profitability and leverage with transaction-level, ownership, governance, and historical compliance indicators rather than relying on one financial ratio.

For researchers, the modest R^2 and diagnostic issue are constructive findings. They indicate that tax avoidance is a multidimensional outcome and that model quality depends on measurement and inference, not only significant coefficients. A longer panel, robust or clustered standard errors, alternative proxies such as cash ETR and book-tax differences, and explicit treatment of loss observations would materially strengthen the evidence. Comparing results across proxies would also reveal whether conclusions reflect actual tax-payment patterns or accounting tax-expense recognition.

CONCLUSION

This study analyzes 119 selected firm-year observations of mining and energy companies listed on the Indonesia Stock Exchange during 2023–2024. Profitability measured by ROA has a positive and significant association with ETR, and leverage measured by DAR also has a positive and significant association with ETR under conventional OLS inference. Because ETR is an inverse proxy, these findings indicate lower tax avoidance as profitability and leverage increase. Sales growth is not significantly associated with ETR. The three predictors are jointly significant, but adjusted R^2 is only 0.090, demonstrating limited explanatory power.

The most important substantive conclusion is that coefficient interpretation must follow the proxy. Positive effects on ETR are not positive effects on tax avoidance. The results suggest that monitoring, compliance capacity, creditor oversight, and the operating characteristics of capital-intensive mining companies may outweigh simple tax-incentive arguments. Sales expansion alone does not provide sufficient information about taxable profit or avoidance behavior.

The evidence should nevertheless be treated with appropriate caution. The Glejser test indicates heteroskedasticity for DAR, and repeated companies may create within-firm dependence. ETR is also influenced by deferred tax, fiscal losses, incentives, and temporary or permanent differences. The model supports conditional associations, not causality or company-level accusations. Before final publication, the regression should be reproduced from the underlying dataset using robust or clustered standard errors and influence diagnostics.

Future studies should use longer panels, transparent firm inclusion criteria, and multiple tax-avoidance measures. They should examine corporate governance, capital intensity, firm size, tax-loss positions, related-party transactions, commodity characteristics, and policy changes. These improvements would clarify why profitability and leverage are related to ETR and whether the relationships persist across time, sectors, and alternative definitions of tax avoidance.

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