International Journal of Research on Financial & Business (IJRFB) ISSN: 3046-4609 (Online)
Vol 5, No 1, 2025, pp. 122 -136 ISSN: 3032-7806 (Print)

THE EFFECT OF FINANCIAL DERIVATIVES, PROFITABILITY, FIRM SIZE, AND AUDIT QUALITY ON TAX AVOIDANCE

Ega Irvan Maulana Zulkifli[1], Helmy Aulia Rachman[2]

[1,2]*Accounting Department, Faculty of Economics and Business, University of Brawijaya, Indonesia*

Abstract. This study aims to examine the effects of financial derivatives, profitability, firm size, and audit quality on tax avoidance, as measured by Cash Effective Tax Rate (CETR). The focus of this research lies on the mining sector, using an empirical approach. The population taken is mining companies listed on the Indonesia Stock Exchange during the 2019-2022 period. The required data comes from the financial statements and annual reports of these companies. The research sample was selected through purposive sampling technique, resulting in 30 companies as samples. The analysis method used is multiple linear regression with SPSS 25. The results showed that the use of financial derivatives had no significant effect on tax avoidance. Meanwhile, profitability, firm size, and audit quality have a significant effect on tax avoidance. These findings are expected to contribute to adding to the literature related to accounting and tax, especially regarding tax avoidance.

Keywords: Audit Quality, CETR, Financial Derivatives, Firm Size, Profitability, Tax Avoidance.

I. INTRODUCTION

To achieve the welfare of the people, the government needs adequate sources of revenue to fund various programs and policies aimed at improving the quality of life of the community. One of the main sources of state revenue is tax, which is a mandatory contribution from the community and business entities to the state based on laws and regulations. Taxes have a vital role in national development, as the proceeds are used to finance important sectors such as education, health, infrastructure, and social security. Without optimal tax revenue, the government will find it difficult to realize programs that support economic equality, poverty alleviation, and welfare improvement. Taxes as the main source of state revenue in the APBN structure, data from the Ministry of Finance published by the Central Statistics Agency in 2023 shows that the RAPBN revenue from taxes amounted to Rp2,016.9 trillion or 99.80% of its target of Rp2,021.2 trillion. Based on this data, it can be concluded that state revenue from taxes has not reached the target set by the Ministry of Finance. One of the main reasons for not achieving the tax revenue target is the effort of taxpayers, both individuals and business entities, to reduce the tax burden they have to pay. The tax collection system in Indonesia is a self-assessment system that allows tax avoidance by taxpayers. This self-assessment system provides the will to calculate, deposit, and report the amount of tax owed individually by taxpayers. The phenomenon of tax avoidance in Indonesia has occurred in coal mining companies owned by the Bakrie Group, namely PT Bumi Resources Tbk, PT Arutmin Indonesia, and PT Kaltim Prima Coal, where the company has indicated tax avoidance of Rp 2.176 trillion.

Based on a report by the Directorate General of Taxes, there were indications of underpayment by three companies, amounting to Rp 1.5 trillion for PT Kaltim Prima Coal, Rp 376 billion for PT Bumi Resources Tbk, and Rp 300 billion for PT Arutmin Indonesia tax in 2007 (Editorial Tax Clinic, 2016). The Director General of Taxes, Mochamad Tjiptardjo, stated that the three companies were involved in tax avoidance practices through their sales engineering strategies (Wijaya, 2009). Therefore, the three companies have violated article 39 of the General Provisions of Taxation Law.

Tax avoidance that is carried out continuously in an unreasonable amount can have a significant impact and can cause losses to the Indonesian state. The direct impact of this practice is the occurrence of congestion or stagnation in the economic cycle. The gap created by the reduction of state revenue from the tax sector has the potential to harm overall economic growth. The existence of tax loopholes utilized by business entities can result in a decrease in revenue that should be channeled to the state treasury to support development and fiscal policy. In addition to these direct impacts, tax avoidance also has indirect consequences by shrinking subsidy funds or social assistance that should be provided by the government to the poor. As a result, the potential for assistance that can improve people's welfare is less than optimal and can hamper the government's efforts to alleviate poverty.

A number of previous studies have discussed the factors that influence tax avoidance, but the results obtained still show quite diverse variations. Some previous studies revealed that variables such as Return on Assets (ROA), leverage, company size, fiscal loss compensation, institutional ownership, and corporate risk have no significant effect on tax avoidance (Moeljono, 2020). Meanwhile, the results of other studies show that leverage affects tax avoidance (Barli, 2018). Second, profitability was found to have a negative effect on tax avoidance (Syuhada et al., 2019). Different results state that profitability has a significant effect on tax avoidance (Janrosl & Efriyenti, 2018). The novelty of this research is the incorporation of the company's financial and non-financial factors as determinants of tax avoidance practices. In the financial aspect, this study focuses on the variables of financial derivatives, profitability, and company size, because these variables are often considered as common tools used by companies in an effort to avoid taxes. On the other hand, in the non-financial aspect, this study highlights corporate governance through audit quality variables in exploring companies involved in tax avoidance practices. Audit quality is an important factor for companies in maintaining the accuracy and transparency of financial statement information. The level of transparency can be achieved when an entity clearly reports tax-related information in the capital market, with the aim of avoiding potential assumptions about tax avoidance practices that may be carried out by the company (Sartori, 2008). In this case, the proxy measurement is the size of the Public Accounting Firm (KAP) which is classified as The Big Four category (Sandy & Lukviarman, 2015).

This study aims to identify and empirically test the effect of financial derivatives, profitability, company size, and audit quality on tax avoidance practices. The results of the study are expected to contribute to enriching insights in the fields of accounting and taxation, especially related to tax avoidance practices. In addition, this study also aims to add to the existing empirical evidence and become a reference for future studies.

II. LITERATURE

A. Agency Theory

Agency theory explains the relationship between two parties, namely the principal (giver of power) and the agent (recipient of power), which arises because of an employment contract in which the agent is given the power to make decisions, but is still expected to work in the interests of the principal. This relationship often arises in a corporate context, such as between shareholders (principals) and managers (agents) (Indira Yuni & Setiawan, 2019). The agent then has an obligation to carry out the responsibilities given in accordance with the interests of the principal, although sometimes the goals of the agent and the principal are not always in line. Therefore, agency theory seeks to understand and overcome problems that arise due to misalignment of interests between management as agents and owners as principals. Agency theory identifies potential conflicts of interest between agents and principals regarding corporate funding and investment decisions. In particular, the agent's decision regarding the utilization of financial derivative instruments to support the company's operations often causes differences in views with the principal. This is because derivative transactions carry the risk of future losses if carried out without adequate prudence. Therefore, agents are required to ensure that every decision related to derivative transactions always takes into account the long-term interests of the principal, not just for short-term gain. Thus, the potential agency conflict in this case can be minimized. The emergence of this theory is due to agency problems, namely asymmetry or inequality of information between principals and agents (Khoiriyah, 2019). One of the bases for principal decision making is audited financial statements, in which case audit quality which is a combination of reliability, independence, and auditor competence provides added value to decision making. This will create a harmonious relationship between agents and principals to support the company's prospects in the long term. The larger the scale of the company, which is reflected in the complexity of its transactions, the more crucial the optimization of agency relationships becomes. Therefore, in research conducted by (Dewi N & Jati I, 2014), (Rego, 2003) explained that companies tend to practice tax avoidance by utilizing existing loopholes (Musyarofah, 2016). Based on agency theory, tax non-compliance by company management can be explained through differences in interests between the tax authorities as principals and companies as agents. Companies tend to try to avoid taxes in order to maximize profits, while tax authorities consider taxes as potential state revenue. This condition triggers the principal to sacrifice resources to compensate the agent to improve the efficiency and performance of corporate tax compliance. However, sometimes agents actually take advantage of this loophole to commit tax evasion for their own interests. Therefore, it is necessary to align the objectives between the two parties to prevent the risk of tax non-compliance that harms the state. Agents are given the power to make decisions, but are still expected to work in the interests of the principal. However, a conflict of interest can occur if the agent is more concerned with his personal goals than the principal's goals, one of which is in terms of taxation. Fiskus acts as a shareholder who wants the widest possible tax revenue from the public to support state revenue. On the other hand, companies tend to try to minimize their tax obligations in order to increase profits. According to (Hardika S, 2007), these conflicting interests pose a risk to the tax authorities in the form of tax avoidance efforts by companies through legal loopholes or embezzlement (Barli, 2018). Therefore, strengthening good tax governance is needed to harmonize the objectives of both parties, so that tax compliance can be achieved without having to sacrifice business operations

B. Tax Avoidance

Tax avoidance is an effort made by taxpayers legally to minimize the taxes that must be paid by the company. As stated by (Dyreng et al., 2008) this strategy is carried out by utilizing loopholes or weaknesses in tax regulations legally without violating the rules themselves (Sandy & Lukviarman, 2015). In other words, tax avoidance is a legal action taken by taxpayers to reduce the tax burden efficiently, through optimizing the loopholes found in a country's tax system and regulations (Pratama & Rustam, 2023). However, this practice often results in potential tax revenue losses for the state

C. Research Hypothesis

1. The Effect of Financial Derivatives on Tax Avoidande
   Financial derivatives are financial contracts between two or more parties that regulate transactions on an asset or commodity at a mutually agreed time and price. (Arviant & Trisnawati, 2022). There are three types of financial derivatives, namely options, futures and forwards, and swaps. Research (Donohoe, 2011), revealed that companies can utilize financial derivatives as an instrument of tax avoidance (Musyarofah, 2016). This is possible due to the unclear definition of speculative or non-speculative derivative transactions. Therefore (Oktavia & Martani, 2013) assume that tax avoidance is more often practiced by companies using financial derivatives. The use of financial derivatives in this study will be measured using the net fair value of derivative instrument proxy (Oktavia & Martani, 2013).
   H1: Financial derivatives have a positive and significant effect on tax avoidance.

2. Effect of Profitability on Tax Avoidande
   Profitability is considered a key indicator of company performance because it reflects the efficiency and effectiveness of the company in managing its resources to generate profits (Sanjaya & Rizky, 2018). Companies that have a high level of profitability tend to face a greater tax burden because taxes are calculated based on taxable income. To reduce tax burden payments, the company's urge to carry out tax avoidance strategies is getting bigger. This strategy is usually carried out by utilizing the loopholes contained in tax regulations to increase net income. In this study, profitability is measured using the Return on Asset (ROA) ratio, which describes the company's efficiency in generating profits from its assets (Sudibyo, 2022). Then the hypothesis developed is:
   H2: Profitability has a positive and significant effect on tax avoidance.

3. The Effect of Firm Size on Tax Avoidance
   Firm size is a measure or indicator that reflects the size of a company based on various relevant aspects. Company size is often represented by the total assets owned by the company (Ardyansah, 2014). The greater the total assets owned by the company, the greater the scale of the company. Company size is measured based on total assets, where the total asset value is converted into natural logarithm (Ln) form (Moeljono, 2020). The transformation of the total asset value into the natural logarithm (Ln) aims to reduce excessive data fluctuations, but still maintain the proportion of the actual value. The greater the total assets reflect the wider scale of the company. Large companies have more resources, such as tax experts, financial consultants, or technology, to design more sophisticated and legal tax avoidance strategies. In

addition, large companies have more complex operational structures, such as subsidiaries in various jurisdictions, which can be used to take advantage of tax loopholes or move profits to low-tax countries (profit shifting), so the hypothesis developed is:
H3: Firm size has a positive and significant effect on tax avoidance.

4. The Effect of Audit Quality on Tax Avoidande
   Audit quality is one of the most important factors in maintaining the accuracy and transparency of the information contained in a company's financial statements. This level of transparency can be achieved when entities report tax-related information clearly in the capital market, aiming to avoid potential assumptions regarding tax avoidance practices that can be carried out by the company (Sartori, 2008). Financial statements, as a basic instrument in decision-making for company stakeholders, play a central role in providing an accurate and reliable information base. A significant indicator of financial statement quality is the use of audit services from the Big Four Public Accounting Firms (KAP), including PricewaterhouseCoopers (PwC), Deloitte Touche Tohmatsu, KPMG, and Ernst & Young (EY). If the company is audited by the Big Four Public Accounting Firm (KAP), it tends to be more independent because it has a better ability to withstand pressure from management in reporting violations (Kurniasih & Ratna Sari, 2013). Therefore, companies that undergo audits by the Big Four public accounting firms can be considered to have a lower risk of fraud, signaling the crucial role of audit quality from the Big Four public accounting firms in improving the credibility of financial reporting. In measuring audit quality, a proxy can be used by considering the size of the Public Accounting Firm (KAP) chosen by the client, whether it is included in The Big Four Public Accounting Firm (KAP) or not (Sandy & Lukviarman, 2015). The audit quality variable is measured by a dummy variable, given the number one for companies audited by The Big Four Public Accounting Firm (KAP) and the number two for companies audited by Non The Big Four Public Accounting Firm (KAP).
   H4: Audit quality has a negative and significant effect on tax avoidance.

5. Research Framework
   This study aims to determine the effect of audit quality, company size, and leverage on earnings management practices in manufacturing companies. From various theories and previous studies, it is stated that audit quality, company size, and leverage affect earnings management practices. audit quality, company size, and leverage, which are independent variables (X) and earnings management is the dependent variable (Y). The framework can be seen in the following figure:

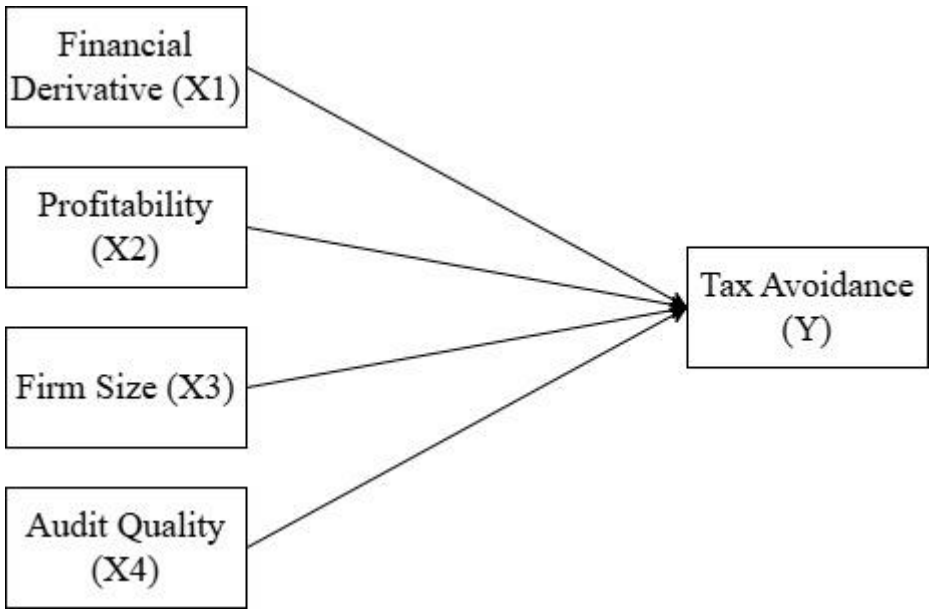

Figure 1 Research Framework

III. RESEARCH METHODOLOGY

A. Type of Research

This research uses a descriptive quantitative approach. This approach aims to analyze the relationship or correlation between research variables using numerical data. The phenomenon under study will be expressed in terms of number or quantity to produce objective conclusions.

B. Population and Sample

The population in this study are mining sector companies listed on the Indonesia Stock Exchange (IDX). This sector was chosen because it has complex business activities and involves large financial transactions, as well as easily accessible financial data. The research sample consists of mining sector companies selected based on certain criteria, namely having complete financial reports available on the official IDX website.

C. Data Collection Method

The data collection method used in this research is secondary data and literature review. Secondary data in the form of financial reports of mining sector companies obtained from the official IDX website.

D. Data Analysis Method

The analysis method used in this research is multiple linear regression with the help of IBM SPSS 25 software. Before testing the hypothesis with the F test and t test, classical assumption testing is carried out to ensure that the regression model meets the Best Linear Unbiased Estimation (BLUE) requirements. Classical assumption testing includes multicollinearity, autocorrelation, heteroscedasticity, and normality tests.

IV. RESULT AND DISCUSSION

A. Respondent Characteristics

The population in this study are all mining sector companies listed on the Indonesia Stock Exchange (IDX) in 2019, 2020, 2021, and 2022 and not delisted during that period. Based on

research (Musyarofah, 2016) the sample criteria used include: (1) the company was not delisted during the study period; (2) reported audited financial statements; (3) conducted derivative transactions during the study period; and (4) reported the fair value of derivative transactions during the study period. The selection of these sample criteria is intended to make the research data relevant according to the analysis to be carried out regarding the use of financial derivatives. Based on the purposive sampling technique, 30 companies were obtained as research samples during 2019, 2020, 2021, and 2022. This research data comes from 30 audited financial reports of mining sector sample companies published in 2019, 2020, 2021, and 2022. All data was obtained through access to the official website of the Indonesia Stock Exchange (IDX), namely www.idx.co.id. Thus, the research data comes directly from trusted sources and can be accounted for its validity. The sample selection was carried out through a selection process using predetermined criteria. The characteristics of the 30 companies in the mining sector that became the research sample are presented in Table 1. The following are the characteristics of the sample companies used in this study.

Table 1. Respondent Characteristics

Sampling Criteria	Total
Data on mining companies *listed* on the IDX in the period 2019-2022	184
Data on companies that did not conduct derivative transactions in the 2019-2022 period	(112)
Data on companies that experienced losses in the 2019-2022 period	(34)
Data of companies that did not report the fair value of derivatives in the period 2019-2022	(8)
Total Observation Data	30

Source: Primary Data Processing (2022)

B. Descriptive Statistical Test Results

This study analyzes one dependent variable, namely tax avoidance (Y) and four independent variables including financial derivatives, profitability, firm size, and audit quality (X). The results of descriptive statistical analysis for all research variables are shown in table 2. Descriptively, these results inform the numerical description of the tax avoidance variable and the four factors that are thought to influence it in the sample companies. These descriptive statistics include the average value (mean) and standard deviation which are useful for presenting research data as well as supporting the process of analyzing the results of further hypothesis testing.

Table 2. Descriptive Statistical Test Results

Variables	Mean	Std.Dev	N
CETR	0,3377	0,17002	30
DER	-0,0007	0,01760	30
ROA	0,1193	0,15045	30
SIZE	30,8190	0,86870	30
KA	0,1380	0,28072	30

Source: Primary Data Processing (2022)

Based on table 2, the results of descriptive statistical analysis of tax avoidance variables show an average value of 0.3377 and a standard deviation of 0.17002. The financial derivatives variable has an average value of -0.0007 and a standard deviation of 0.01760. Meanwhile, the profitability variable as measured by ROA (Return On Assets) obtained an average value of 0.1193 and a standard deviation of 0.15045. The firm size variable proxied by the logarithm of total assets shows an average value of 30.8190 and a standard deviation of 0.86870. Finally, the audit quality variable measured based on KAP Big Four or Non-KAP Big Four auditors has an average value of 0.1380 and a standard deviation of 0.28072.

This descriptive statistic provides a numerical description of the research data which is useful in analyzing the results of hypothesis testing the effect of the independent variables in the regression model on the dependent variable.

C. Classical Assumption Test Results

In this study, the classical assumption test consisting of normality test, multicollinearity test, heteroscedasticity test and autocorrelation test is carried out on the regression model that analyzes the effect of the independent variable on the dependent variable. The dependent variable used is tax avoidance (Y). Meanwhile, there are four independent variables including financial derivatives, profitability, firm size, and audit quality (X). The purpose of the classical assumption test is to ascertain whether the data to be analyzed has met the assumptions of linear regression so that the resulting regression model is valid, accurate and accountable. The following is a summary of the results of the classical assumption test that has been carried out in the study:

1. Data Normality Test

The data normality test aims to evaluate whether the residuals or confounding variables in the multiple linear regression model are normally distributed or not (Ghozali, 2011). One of the important prerequisites for a regression model to produce a Best Linear Unbiased Estimator (BLUE) is that the residual assumption must be normally distributed. Therefore, it is important to perform a normality test on the residuals to verify whether the regression model, which is used to estimate the effect of the independent variables on the dependent variable, meets the classical assumptions and is suitable for interpreting the results. When the residual data has a normal distribution, the regression model is considered capable of correctly representing the true phenomenon. This research involves a normality test by utilizing the Kolmogorov Smirnov test. The regression model is said to be normally distributed if the test produces an asymp. Sig (2-tailed) is greater than the significance value of 0.05. The results of the normality test using the Kolmogorov smirnov test in this study are as in table 3.

Table 3. Kolmogorov Smirnov test

		Unstandarized Residual
N		30
Normal Parameters	Mean	0,0000000
	Std. Dev	0,12755537
Most Extreme Differences	Absolute	0,113
	Positive	0,113
	Negative	-0,073
Test Statistic		0,113

		Unstandarized Residual
N		30
Asymp. Sig. (2-tailed)		0,2

Source: Primary Data Processing (2022)

From the data listed in table 3 above, the results of testing the normality of the data using the Kolmogorov Smirnov test show that Asymp. Sig (2-tailed) of 0.2> 0.05, which means it can be concluded that the regression model fulfills the assumption of normality in accordance with the test results or it can be said that the data is normally distributed.

2. Multicollinearity Test

Multicollinearity test is conducted to detect correlation between independent variables in the research regression model. The test is done by checking the Tolerance value and Variance Inflation Factor (VIF). The regression model is free from multicollinearity problems if the VIF value is less than 10 and the Tolerance value is greater than 0.10, which indicates the absence of multicollinearity. The multicollinearity test results in this study are presented in table 4 to check whether the non-multicollinearity assumption is met in the regression model used. Overall, the multicollinearity test is important to ensure the validity of the regression model in the study.

Table 4. Multicollinearity Test Results

Variables	Tolerance	VIF
DER	0,949	1,053
ROA	0,842	1,187
SIZE	0,932	1,073
KA	0,834	1,199

Source: Primary Data Processing (2022)

Through the examination of table 4 above, information can be obtained that the data used in this study does not show multicollinearity or interrelationships between independent variables. This is illustrated by the Variance Inflation Factor (VIF) value for each variable, which is in the range between 1 and 10. The financial derivatives variable shows a value of 1.053, the profitability variable of 1.187, the firm size variable of 1.073, and the audit quality variable of 1.199. In addition, the Tolerance value for each variable is also below 1, with the financial derivatives variable of 0.949, the profitability variable of 0.842, the firm size variable of 0.932, and the audit quality variable of 0.834. Therefore, it can be concluded that there are no indications of multicollinearity problems that arise in this research framework.

3. Autocorrelation Test

The autocorrelation test aims to detect residual correlation between observations in the regression model. Testing is done with the Durbin-Watson statistical value to determine the presence or absence of autocorrelation. It is considered that there is no autocorrelation if the Durbin-Watson value is between the upper limit (dU) and the lower limit (dL) at the 5% significance level. The results of the autocorrelation test on this research regression model are shown in table 5 to check whether the non-autocorrelation assumption is met based on the Durbin-Watson statistical value. Thus, it can be concluded whether autocorrelation occurs or

not in the analyzed regression model. Overall, this test is important to ensure that the regression model used is valid and the results can be interpreted.

Table 5. Autocorrelation Test Results

R	R Square	Adj. R Square	Std. Error	Durbin Watson
0,661	0,437	0,347	0,137	1,728

Source: Primary Data Processing (2022)

From the Durbin-Watson test output in Table 5 above, it is illustrated that the results of the autocorrelation test using the Durbin-Watson value show a number of 1.728. This figure is within the range of -2 to +2. Therefore, it can be concluded that in the context of this study, the data does not show the presence of significant autocorrelation.

4. Heteroscedasticity Test

Heteroscedasticity testing has been run to assess whether there is an inequality of variance of the residuals between observations within the framework of the regression model. The testing method involves the Scatterplot test, where a marker of heteroscedasticity is considered to be present if the scatterplot graph shows an inconsistent pattern (wavy, widened, or narrowed), and the points are scattered unevenly above and below zero on the Y-axis. The results of the heteroscedasticity test on the research regression model, as shown in Figure 2, are designed to evaluate the presence or absence of heteroscedasticity in the data.

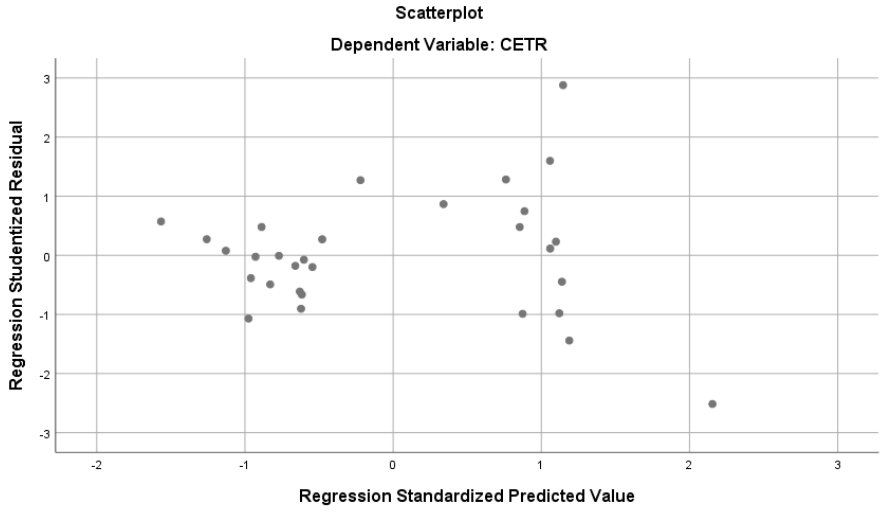

Figure 2. Heteroscedasticity Test Results

From the illustration in Figure 2 which shows the results of the heteroscedasticity test using a scatterplot, it can be seen that the pattern formed does not show any irregularities such as wavy, widened, or narrowed. The distribution of points is randomly located on both sides of the number 0 on the Y-axis, without forming a certain pattern.

Thus, it can be concluded that there is no significant indication of heteroscedasticity in this research model. This shows that the assumption of homoscedasticity has been met, so the regression model is suitable for use.

D. Hypothesis Testing

1. Determinant Coefficient Test (R^2)

The coefficient of determination (R^2) shows the extent to which the regression model is able to explain variations in the dependent variable with respect to the independent variables. In this study, the independent variables analyzed include financial derivatives, profitability, firm size, and audit quality to explain the dependent variable, namely tax avoidance. Table 6 presents the coefficient of determination (R^2) test results of the regression model, which aims to measure the extent to which variations in tax avoidance can be explained by the four independent variables.

Table 6. R Square Test

R	R Square	Adj. R Square
0,661	0,437	0,347

Source: Primary Data Processing (2022)

From the output of the coefficient of determination test (Adjusted R Square) listed in Table 6, it can be concluded that the Adjusted R Square value reaches 0.347. This means that the financial derivatives variable (X1), profitability (X2), firm size (X3), and audit quality (X4) together have an influence of 34.7% on tax avoidance (Y). Meanwhile, the remaining percentage, which is 65.3% ((100% - 34.7%) = 65.3%), is explained by other factors that are not included in the regression analysis in this study, such as institutional ownership, company risk, audit quality, audit committee, proportion of independent commissioners, and other variables (Dewi N & Jati I, 2014).

2. F Statistical Test

The F statistical test is used to assess the simultaneous influence of all independent variables in the regression model on the dependent variable, with a significance level of 0.05. If the probability value of F is greater than 0.05, then the null hypothesis (H0) is accepted, while the alternative hypothesis (Ha) is rejected. Table 7 below presents the results of the F statistical test in this study.

Table 7. F Statistical Test Results

Model	F	Sig.
Regression	4,855	0,005

Source: Primary Data Processing (2022)

The F statistical test results show an F value of 4.855 with a significance level (Sig.) of 0.005. Because the significance value is smaller than 0.05, it can be concluded that the regression model is simultaneously significant, meaning that the financial derivatives variable (X1), profitability (X2), company size (X3), and audit quality (X4) together have a significant influence on the dependent variable, namely tax avoidance (Y).

3. T Statistical Test

The t statistical test is used to evaluate whether each independent variable has an individual influence on the dependent variable. The results of the t statistical test in this study can be found in Table 8 below:

Table 8. Statistical Test Results

Var	B	Sig.	T	Hypothesis
Con	-2,434	0,015		
DER	-0,105	0,944	-0,071	Rejected
ROA	-0,439	0,026	-2,374	Accepted
SIZE	0,091	0,006	2,982	Accepted
KA	0,209	0,046	2,096	Accepted

Source: Primary Data Processing (2022)

The results of the linear regression model are as follows:

$$Y = (-2.434) + (-0.105) + (-0.439) + 0.091 + 0.209 + e$$

E. Discussion of the Research Results

1. Effect of Financial Derivatives on Tax Avoidance

Based on the results of the t statistical test in Table 8, it can be concluded that the financial derivatives variable in this study has no significant effect on tax avoidance. This finding is consistent with research (Arviant & Trisnawati, 2022), which also shows that financial derivatives have no significant impact on tax avoidance practices. One of the reasons underlying this result is the limited number of samples in the study, which is only 30 companies. As a result, financial derivatives do not appear to have an influence on tax avoidance in this study.

2. Effect of Profitability Tax Avoidance

Based on the results of the t statistical test in table 8 above, it can be concluded that the profitability variable in this study has an effect on tax avoidance. The results of this study are in line with research conducted by (Indira Yuni & Setiawan, 2019) which states that profitability affects tax avoidance. The difference in principles between agents and principals makes the tendency to optimize personal interests such as maintaining high net income for incentives or bonuses, while owners prefer tax efficiency to increase company value. In this context, tax avoidance can be one of the manager's strategies to meet the owner's expectations by reducing the company's tax burden (Indira Yuni & Setiawan, 2019)

3. The Effect of Firm Size on Tax Avoidance

Based on the results of the t statistical test in table 8 above, it can be concluded that the firm size variable in this study has an effect on tax avoidance. The results of this study are in line with research conducted by (Indira Yuni & Setiawan, 2019) which states that firm size has an effect on tax avoidance. Based on the concept of agency theory, it shows that the larger the size of the company, the more complex it is. Large company size provides management with greater resources and expertise to design complex and diverse tax strategies, with the aim of reducing tax liabilities.

4. Effect of Audit Quality on Tax Avoidance

Based on the results of the t statistical test in table 8 above, it can be concluded that the audit quality variable in this study has a positive and significant effect on tax avoidance. The results of this study are not in line with research conducted by (Sandy & Lukviarman, 2015) which states that audit quality has a negative and significant effect on tax avoidance. The results showed that the higher the audit quality, the more tax avoidance practices increase.

This is due to the limited number of samples in the study, which only involved 30 companies as samples.

V. CONCLUSION

This study aims to analyze the effect of financial derivatives, profitability, company size, and audit quality on tax avoidance practices using the Cash Effective Tax Rate (CETR) proxy. This study was conducted on mining sector companies listed on the Indonesia Stock Exchange (IDX) during the 2019-2022 period. The research sample consisted of 30 companies, and data analysis was carried out using the linear regression method.

Based on the results of data collection and analysis that has been done, it is concluded that financial derivatives do not have a significant influence on tax avoidance practices. In contrast, profitability and firm size are proven to have a significant effect on tax avoidance. In addition, audit quality also shows a significant influence on tax avoidance practices, especially in companies that are mostly audited by the Big Four Public Accounting Firm (KAP).

ACKNOWLEDGEMENT

The author would like to express gratitude to all the people who have helped in the completion of this study.

REFERENCES

Ardyansah, D. & Z. (2014). Pengaruhh Size, Leverage, Profitability, Capital Intensity Ratio dan Komisaris Independen Terhadap Effective Tax Rate (ETR). . Diponegoro Journal of Accounting, 3(2), 1–9.

Arviant, W., & Trisnawati, E. (2022). PENGARUH DERIVATIF KEUANGAN DAN TAX AVOIDANCE TERHADAP PENGUNGKAPAN PAJAK PADA PERUSAHAAN MANUFAKTUR. Jurnal Multiparadigma Akuntansi, 4(1), 470–478.

Barli, H. (2018). PENGARUH LEVERAGE DAN FIRM SIZE TERHADAP PENGHINDARAN PAJAK (Studi Empiris pada Perusahaan sektor Property, Real Estate dan Building Construction yang Terdaftar di Bursa Efek Indonesia Periode Tahun 2013-2017). Jurnal Ilmiah Akuntansi Universitas Pamulang, 6(2).

Dewi N, N., & Jati I, K. (2014). Pengaruh Karakter Eksekutif, Karakteristik Perusahaan, dan Dimensi Tata Kelola yang Baik Pada Tax Avoidance di Bursa Efek Indonesia. E-Jurnal Akuntansi, 6(1), 249–260.

Donohoe, M. P. (2011). Financial Derivatives in Corporate Tax Avoidance: Why, How, and Who? SSRN Electronic Journal. https://doi.org/10.2139/ssrn.1985763

Dyreng, S. D., Hanlon, M., & Maydew, E. L. (2008). Long-Run Corporate Tax Avoidance. The Accounting Review, 83(1), 61–82. https://doi.org/10.2308/accr.2008.83.1.61

Ghozali, I. (2011). Aplikasi Analisi Multivariate dengan Program IBM SPSS 19. Semarang: Badan Penerbit Universitas Diponegoro, 68.

Hardika S, N. (2007). Perencanaan Pajak sebagai Strategi Penghematan Pajak. Jurnal Bisnis Dan Kewirausahaan, 3(2), 103–112.

Indira Yuni, N. P. A., & Setiawan, P. E. (2019). Pengaruh Corporate Governance dan Profitabilitas terhadap Penghindaran Pajak dengan Ukuran Perusahaan Sebagai Variabel Pemoderasi. E-Jurnal Akuntansi, 29(1), 128. https://doi.org/10.24843/eja.2019.v29.i01.p09

Janrosl, V., & Efriyenti, D. (2018). ANALISIS IMPLEMENTASI GOOD CORPORATE GOVERNANCE, UKURAN PERUSAHAAN, LEVERAGE DAN PROFITABILITAS TERHADAP TAX AVOIDANCE (STUDI KASUS PT BANK RIAU KEPRI TBK). Jurnal EKOBISTEK Fakultas Ekonomi, 7(2), 23–31.

Khoiriyah, Y. (2019). Pengaruh Good Corporate Governance dan Return On Assets Terhadap Tax Avoidance 141 (Vol. 13, Issue 2). https://tribun.news.com/indonesia-

Kurniasih, T., & Ratna Sari, M. M. (2013). Pengaruh Return on Assets, Leverage, Corporate Governance, Ukuran Perusahaan Dan Kompensasi Rugi Fiskal Pada Tax Avoidance. Buletin Studi Ekonomi, 18(1).

Moeljono, M. (2020). Faktor-Faktor yang Mempengaruhi Penghindaran Pajak. Jurnal Penelitan Ekonomi Dan Bisnis, 5(1), 103–121. https://doi.org/10.33633/jpeb.v5i1.2645

Musyarofah, E. (2016). Pengaruh Derivatif Keuangan, Leverage, dan Ukuran Perusahaan Terhadap Penghindaran Pajak (Tax Avoidance). Universitas Islam Negeri Syarif Hidayatullah.

Oktavia, O., & Martani, D. (2013). TINGKAT PENGUNGKAPAN DAN PENGGUNAAN DERIVATIF KEUANGAN DALAM AKTIVITAS PENGHINDARAN PAJAK. Jurnal Akuntansi Dan Keuangan Indonesia, 10(2), 129–146. https://doi.org/10.21002/jaki.2013.07

Pratama, N., & Rustam, A. (2023). Pengaruh Financial Distress, Good Corporate Governance, Dan Nilai Perusahaan Terhadap Tax Avoidance. Telaah Ilmiah Akuntansi Dan Perpajakan, 1(1), 172–187.

Redaksi Klinik Pajak. (2016, August 31). KPK: Perusahaan Tambang Banyak Mengemplang Pajak. Klinik Pajak.

Rego, S. O. (2003). Tax-Avoidance Activities of U.S. Multinational Corporations*. Contemporary Accounting Research, 20(4), 805–833. https://doi.org/10.1506/VANN-B7UB-GMFA-9E6W

Sandy, S., & Lukviarman, N. (2015). Pengaruh Corporate Governance Terhadap Tax Avoidance: Studi Empiris Pada Perusahaan Manufaktur. Jurnal Akuntansi Dan Auditing Indonesia, 19(2), 85–98.

Sanjaya, S., & Rizky, M. (2018). Analisis Profitabilitas Dalam Menilai Kinerja Keuangan Pada PT. Taspen (Persero) Medan. KITABAH: Jurnal Akuntansi Dan Keuangan Syariah.

Sartori, N. (2008). Effects of Strategic Tax Behaviors on Corporate Governance. SSRN Electronic Journal. https://doi.org/10.2139/ssrn.1358930

Sudibyo, H. (2022). PENGARUH PROFITABILITAS, LEVERAGE, DAN PERTUMBUHAN PENJUALAN TERHADAP PENGHINDARAN PAJAK . Jurnal Akuntansi Dan Manajemen Bisnis, 2(1), 78–85.

Syuhada, A., Yusnaini, Y., & Meirawati, E. (2019). Pengaruh Good Corporate Governance dan Profitabilitas Terhadap Tax Avoidance Pada Sektor Pertambangan. Jurnal Penelitian Dan Pengembangan Akuntansi, 13(2), 127–139.

Wijaya, A. (2009, December 11). Tiga Perusahaan Tambang Grup Bakrie Diduga Rekayasa Laporan. Tempo.Co.

Panjaitan, A. J. L., & Aqamal Haq. (2023). Pengaruh Profitabilitas, Leverage, dan Intensitas Modal Terhadap Agresivitas Pajak. Jurnal Ekonomi Trisakti, 3(1), 1795–1804. https://doi.org/10.25105/jet.v3i1.16330

Rusydi K, M. (2013). Pengaruh Ukuran Perusahaan Terhadap Aggressive Tax Avoidance di Indonesia. Jurnal Akuntansi Multiparadigma, 4(2), 322–329.

Putri, Z., Kusufiyah V, Y., & Anggraini, D. (2021). DAMPAK DEBT TO EQUITY RATIO, PERTUMBUHAN PENJUALAN DAN UKURAN PERUSAHAAN PADA PENGHINDARAN PAJAK. Jurnal Ekonomi Dan Bisnis Dharma Andalas, 23(2), 407–421.

Chrysilla, J., & Sandra, A. (2023). DETERMINAN INDIKASI TAX AVOIDANCE PERUSAHAAN MULTINASIONAL. Jurnal Ekonomi Dan Bisnis Dharma Andalas, 25(2), 625–641.

Abdel-khalik, A. R., & Chen, P.-C. (2015). Growth in financial derivatives: The public policy and accounting incentives. Journal of Accounting and Public Policy, 34(3), 291–318. https://doi.org/10.1016/j.jaccpubpol.2015.01.002

Mahardika, D. (2018). BERBAHAYAKAH INSTRUMEN DERIVATIF DALAM KONTEKS AKUNTANSI? Jurnal Akuntansi Multiparadigma, 9(3). https://doi.org/10.18202/jamal.2018.04.9025

Sukmandari, N., & Anwar, S. (2022). THE EFFECT OF TAX AVOIDANCE AND PROFITABILITY ON THE FIRM VALUE WITH GOOD CORPORATE GOVERNANCE AS AN MODERATING. COSTING: Journal of Economic, Business and Accounting, 6(1), 115–122.

Kusufiyah, Y. V., & Anggraini, D. (2022). Trend Penghindaran Pajak Pada Perusahaan Makanan dan Minuman Yang Terdaftar di Bursa Efek Indonesia. Jurnal Ekonomi Dan Bisnis Dharma Andalas, 24(1), 217–226. https://doi.org/10.47233/jebd.v24i1.396

Kusufiyah V, Y., & Anggraini, D. (2023). Penghindaran Pajak Perusahaan Makanan Dan Minuman Yang Terdaftar Di Bei Sebelum dan Selama Pandemi Covid-19. Jurnal Ekonomi Dan Bisnis Dharma Andalas, 25(1), 11–21.

Kusufiyah V, Y., & Anggraini, D. (2022). FAKTOR-FAKTOR DAN TREND PENGHINDARAN PAJAK PADA PERUSAHAAN PERTAMBANGAN YANG TERDAFTAR DI BURSA EFEK INDONESIA. Jurnal Ekonomi Dan Bisnis Dharma Andalas, 24(2), 493–508.