

ABSTRACT

This study aims to analyze and test the effect of profitability, leverage, and company size on tax avoidance and earnings management, and examine the role of earnings management as a mediating variable in the relationship between these factors and tax avoidance. The object of this study is the food and beverage sub-sector manufacturing companies listed on the Indonesia Stock Exchange (IDX) during the period 2020–2023. The selection of this sub-sector is based on the positive growth trend of the food and beverage sector despite the impact of the COVID-19 pandemic. The sample was selected based on certain criteria, resulting in 30 companies with a total of 120 annual observations. The research approach used is quantitative with secondary data obtained through documentation of the company's annual report. The dependent variable in this study is tax avoidance, as measured by the Effective Tax Rate (ETR), while the independent variables include profitability (ROA), leverage (DER), and company size (Ln total assets). Earnings management as a mediating variable is measured using discretionary accruals based on the Modified Jones Model. Data analysis techniques include descriptive statistics, classical assumption tests, multiple linear regression analysis, and sobel test. The results of the study indicate that profitability, leverage, and company size have a positive effect on tax avoidance. Profitability has a positive effect on earnings management, but leverage and firm size do not have an effect on earnings management. In addition, earnings management does not affect tax avoidance and does not mediate the relationship between profitability, leverage, and firm size on tax avoidance.

Keyword : Profitability, Leverage, Company Size, Earning Management, Tax Avoidance

