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The Effect of Fixed Asset Intensity, Profitability, and Audit Quality on Tax Avoidance: IDX Mining Companies 2021-2024

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Abstract

This study aims to analyze the effect of fixed asset intensity, profitability, and audit quality on tax avoidance in mining companies listed on the Indonesia Stock Exchange (IDX) during the 2021-2024 period. This study employed a quantitative approach using secondary data obtained from companies' annual financial statements. The sample was selected through purposive sampling, resulting in 126 observations. Data were analyzed using multiple linear regression with firm size as a control variable. The research results show that fixed asset intensity has no effect on tax avoidance. Profitability has a positive effect on tax avoidance, while audit quality has a negative effect on tax avoidance. These findings indicate that companies with high profitability tend to engage in more tax avoidance, whereas better audit quality can curb tax avoidance practices. This study provides empirical evidence on the factors that influence tax avoidance in mining companies in Indonesia.

Keywords: *Tax avoidance, Fixed asset intensity, Profitability, Audit quality.*

Introduction

In the context of the increasingly complex global economic dynamics, Indonesia's tax system continues to strive to be a main pillar for financing national development while also reflecting the country's commitment to achieving social justice and improving the general welfare of society. Indonesia's tax system is based on the self-assessment principle, which is designed to enhance the effectiveness of administrative management, reduce the bureaucratic burden on the state, and encourage active public participation in financing national development (Susanto, 2022). However, the flexibility provided also opens up opportunities for taxpayers to manage their tax burden optimally within the law, which ultimately leads to tax practices that can harm state revenue.

Based on the 2025 *Laporan Anggaran Pendapatan dan Belanja Negara* (APBN), more than 82.1% of the country's revenue comes from taxes, up from 77.5% in 2024 (Tamba, 2025). Even so, taxes are often seen as a financial burden by companies because

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they can reduce net profit, which encourages companies to do legal tax planning to maximize tax efficiency without breaking the law. The low level of taxpayer compliance is an indication that companies tend to minimize their tax burden. According to the Revenue Statistics in Asia and the Pacific 2025 report by the OECD, Indonesia's tax ratio in 2023 was only 12%, lower than the Asia-Pacific average of 19.6% (Wildan, 2025). The differing interests between the government and companies make taxes seen both as an obligation and a burden, so many companies are motivated to engage in tax avoidance to ease their tax responsibilities.

Tax avoidance is defined as efforts by taxpayers, whether individuals or companies, to reduce or avoid tax burdens by taking advantage of existing tax regulations without directly breaking the law (Scholes et al., 2015). This practice is different from tax evasion because tax avoidance stays within the legal framework and doesn't involve falsifying information or other legal violations (Rizkiana & Suripto, 2022). Tax avoidance can be seen as an aggressive tax planning strategy that takes advantage of legal loopholes and regulatory uncertainties to reduce a company's tax obligations. Conceptually, this practice is considered legal, but it is often viewed as unethical because it can decrease state revenue that should be used for public interests. From the perspective of agency theory, tax avoidance is driven by company incentive systems that encourage management to optimize taxes to achieve short-term financial (Chandra & Trinawati, 2019; Santoso et al., 2021).

According to a Tax Justice News report, Indonesia is estimated to suffer a potential loss of US$4.86 billion, or around IDR 68.7 trillion, every year due to tax avoidance. Of that amount, about US$4.78 billion comes from companies, while the rest comes from individual taxpayers (Fatimah, 2020). These losses show that tax avoidance practices can have a significant impact on state revenue and the government's budget deficit. One case of tax avoidance at a mining company in Indonesia involved PT Adaro Energy Tbk during the 2009-2017 period. The *Direktorat Jenderal Pajak* (DJP) investigated suspected profit shifting through a subsidiary in Singapore, Coaltrade Services International. The practice was carried out by selling coal to affiliated companies at a lower price. This scheme allowed the company to shift profits to jurisdictions with lower tax rates, reducing the tax burden in Indonesia by US$125 million, or US$14 million per year (Friana, 2019). In addition, the case of PT Bhakti Agung Propertindo Tbk (BAPI) occurred due to administrative non-compliance in reporting tax obligations. Incomplete and non-compliant tax reporting caused the state to lose Rp2.9 billion and led to further legal proceedings (Solikhun, 2024). Various tax practices like these not only hurt state revenue but also show that companies are motivated to keep their tax burden optimal within the legal framework. Therefore, a deeper analysis of factors influencing tax avoidance practices is needed, especially regarding fixed asset intensity, profitability, and audit quality.

The fixed asset intensity reflects the proportion of fixed assets to a company's total assets, showing how much the company relies on long- term tangible assets like land, buildings, machinery, and equipment (Horngren et al., 2012). Fixed assets incur depreciation costs, which can reduce taxable income according to tax rules, thus lowering the company's tax obligations (Baihaqqi & Mildawati, 2019). According to agency theory, management has incentives to optimize depreciation to boost after-tax profits and company efficiency (Sunarto et al., 2021).

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Previous studies have shown varying results regarding the impact of fixed asset intensity on tax avoidance. The studies by Hardana & Hasibuan (2023), Darsani & Sukartha (2021), and Widyastut et al (2022) found that fixed asset intensity affects tax avoidance. On the other hand, Jusman & Nosita (2020), Hendayana et al (2024), and Hamdani & Dewi (2025) stated that fixed asset intensity does not influence tax avoidance because depreciation is not always a key strategy in corporate tax planning.

Profitability also becomes a factor that affects tax avoidance. Profitability reflects a company's ability to generate profits through its operational activities and is generally measured using Return on Assets (ROA) (Brigham & Houston, 2021). High profitability indicates good operational performance, but on the other hand, it increases the company's tax obligations since profit becomes the basis for taxation. This situation encourages management to look for tax reduction strategies through tax avoidance (Hardana & Hasibuan, 2023). Previous studies have shown different results regarding the effect of profitability on tax avoidance. Ghozali (2020), Darsani & Sukartha (2021) and Pahala et al (2025) finding that profitability does affect tax avoidance. However Wulandari & Sudarma (2022), Sitepu & Sudjiman (2022), and Koerniawan et al (2025) found that profitability does not affect tax avoidance because companies prioritize compliance with tax regulations.

Another factor that affects tax avoidance is audit quality. Audit quality is the ability of independent auditors to detect and report material misstatements in financial statements according to applicable audit standards (Beasley et al., 2021). Auditors from the big four public accounting firms are generally considered to have higher audit quality compared to non-big four firms because they are supported by better resources, experience, and professionalism (Muslim et al., 2023). High-quality auditors are expected to be able to detect aggressive tax avoidance practices, such as manipulating revenue recognition or excessive depreciation arrangements. According to agency theory, audit quality serves as an external monitoring mechanism that can limit management's opportunistic behavior in performing tax avoidance (Sunarto et al., 2021). research Andriyani & Mahpudin (2021), Rizkiana & Suripto (2022), and Giannopoulos et al (2025) found that audit quality affects tax avoidance. On the other hand, Jusman & Nosita (2020), Ardillah & Prasetyo (2021), Wulandari & Sudarma (2022) argue that audit quality does not affect tax avoidance.

Tax avoidance practices have become a very important issue in Indonesia because they have a direct impact on state revenue, which is the main source of funding for national development. When companies, especially those in strategic sectors, engage in massive tax avoidance, the country's tax base will significantly decrease, which can hinder funding for infrastructure, education, health, and social welfare programs (Sanisahuri et al., 2022) Mining companies are chosen as the research subject because they make a large fiscal contribution through corporate income tax, Article 22 export tax, and other levies, but tax revenue from this sector has been fluctuating and declining. In 2025, tax revenue from the mining sector only reached IDR 188.23 trillion, a contraction of 10.6% compared to the previous year (Siswanto, 2026).The decline is not only influenced by external factors like global commodity price moderation, but also suggests that companies are taking advantage of tax loopholes to reduce their tax burden.

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Based on this phenomenon, this study aims to analyze the impact of fixed asset intensity, profitability, and audit quality on tax avoidance in mining companies listed on the Indonesia Stock Exchange for the 2021-2024 period, and it is expected to provide empirical evidence on the factors that affect tax avoidance.

Literature Review and Hypothesis Development

Literature Review

1. Agency theory

Agency theory explains the contractual relationship between principals (owners) and agents (management), where the owners give management the authority to run the company and make operational decisions to increase the company's value (Jensen & Meckling, 1976). In this relationship, conflicts of interest can arise due to differences in goals between owners and management, worsened by information asymmetry, giving management the opportunity to act opportunistically for their own benefit (Kamayuli & Artini, 2022).

According to Eisenhardt, (1989), agency conflicts occur when management prioritizes personal interests over the owners' interests. In the context of taxation, such opportunistic behavior can show up as tax avoidance, which is a legal effort to reduce tax burdens and boost after-tax profits (Chen et al., 2010).

2. Dependent Variable

Tax Avoidance

Tax avoidance is a method used by companies reduce their tax burden by fully taking advantage of the scope of interpretation allowed by tax regulations (Scholes et al., 2015). It's measured using the Cash Effective Tax Rate (CETR). The formula for calculating CETR in this study is formulated as follows:

$$CETR = \frac{Cash\ Tax\ Paid}{Pretax\ Income}$$

3. Independent Variable

Fixed Asset Intensity

The fixed assets intensity shows how much a company invests in fixed assets compared to its total assets, clarifying how much the company mobilizes its resources in the form of tangible assets to support its operations (Hery, 2017). The formula for measuring fixed asset intensity in this study is as follows:

$$IAT = \frac{Total\ Fixed\ Assets}{Total\ Assets}$$

Profitability

Profitability serves as the main benchmark in evaluating a company's ability to pursue goals to achieve profits within a set period, while also measuring management's efficiency in managing and optimizing the company's resources (Kasmir, 2019). The formula for measuring profitability in this study is formulated as follows:

$$ROA = \frac{Net\ Profit}{Total\ Assets}$$

Audit Quality

Audit quality measures the likelihood that an auditor will detect and document differences or deviations in a client's accounting (DeAngelo, 1981). To measure audit quality, a dummy variable is used in this study as follows: Score 0 if the company is audited by a non big four office of public accountant. Otherwise score 1 if the company is audited by big four office of public accountant

4. Control Variable

Firm Size

Firm size is an overview of how big or small a company is, which can be seen from its operational scale and its ability to manage the resources it owns (Riyanto, 2011). In this

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study, company size is measured using the natural logarithm of total assets because it is considered more stable and can reduce the differences in scale that are too large between companies. The formula for measuring company size is as follows:

$$SIZE = Ln(Total\ Assets)$$

Hypothesis Development

1. The Effect of Fixed Asset Intensity on Tax Avoidance

Hery, (2017) states that fixed asset intensity is a measure of the size of fixed asset investment compared to the company's total assets. Fixed assets used in company operations will experience depreciation, which is recognized as an expense and can reduce pre-tax profit (Weygant et al., 2019). The higher the fixed asset intensity, the greater the depreciation expense that the company can use to legally reduce taxable income. This condition provides an opportunity for the company to engage in tax avoidance through managing fixed asset depreciation. This is in line with research by Ghozali (2020), Darsani & Sukartha (2021), and Azwar & Fitrijanti (2024) which found that fixed asset intensity has a positive effect on tax avoidance. Based on this explanation, the first hypothesis is formulated as follows:

H1: Fixed asset intensity has a positive effect on tax avoidance

2. The Effect of Profitability on Tax Avoidance

Profitability shows a company's ability to generate profit through the management of its assets (Kasmir, 2019). High profitability will increase the company's tax burden, which encourages management to implement tax planning strategies to maximize after-tax profit. This situation can increase the tendency of companies to engage in tax avoidance. This is supported by research from Hardana & Hasibuan (2023), Azwar & Fitrijanti (2024), and Hendayana et al (2024) which states that profitability has a positive effect on tax avoidance. Based on this explanation, the second hypothesis is formulated as follows:

H2: Profitability has a positive effect on tax avoidance.

3. The Influence of Audit Quality on Tax Avoidance

Audit quality shows an auditor's ability to find and report errors in a company's financial statements (DeAngelo, 1981). A high-quality audit can improve oversight of management policies, including in managing tax obligations (Arens et al., 2017). Independent and competent auditors tend to be more capable of limiting tax avoidance practices through stricter audit processes. This aligns with research by Andriyani & Mahpudin (2021) and Giannopoulos et al (2025) which found that audit quality has a negative effect on tax avoidance. Based on this explanation, the third hypothesis is formulated as follows:

H3: Audit quality has a negative effect on tax voidance

Research methods

This study uses a quantitative approach. The research object is mining companies listed on the Indonesia Stock Exchange (IDX) during the 2021-2024 period. The data used is secondary data sourced from annual financial reports that have been officially published. In the sample selection process, this study applies a purposive sampling technique based on the following criteria:

1. Mining companies listed on the Indonesia Stock Exchange for the 2021-2024 period.
2. Companies that haven’t issued complete annual financial statements and haven’t been audited for the 2021-2024 period.
3. Companies that experienced losses in the 2021- 2024 period.

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Analysis of research data based on these criteria resulted in 126 observation data with the following explanation.

Table 1. Sample Criteria

No	Criteria	Quantity
1.	Mining companies listed on the Indonesia Stock Exchange for the 2021-2024 period	55
2.	Companies that haven't issued complete annual financial statements and haven't been audited for the 2021-2024 period	(7)
3.	Companies that experienced losses in the 2021- 2024 period	(15)
	Number of companies that meet the sample criteria	33
	Total samples from 2021-2024	132
	Outlier data	(6)
	Final sample	126

Source: data processed by the author (2026)

The data analysis in this study is based on multiple regression analysis, where the calculations are done using the Statistical Package for the Social Sciences (SPSS 25). The regression equation for this study can be represented as follows:

$$\mathbf{CETR = \alpha + \beta^1 IAT + \beta^2 ROA + \beta^3 KA + \beta^4 SIZE + e}$$

Description:
CETR : Cash effective tax rate
α : Constanta
β^{1234} : Regression coefficient
IAT : Fixed Asset Intensity
ROA : Profitability
KA : Audit Quality
SIZE : Firm Size
e : Error

Before that, classical assumption tests are carried out first to meet the basic assumptions in statistical analysis and hypothesis testing to see the influence of the research model.

Results and Discussion

Results

Descriptive Statistical Test

Table 2. Descriptive Statistical Test

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
IAT	126	,00230	,81750	,2176151	,19394531
ROA	126	,00130	,61630	,1464944	,14376486
KA	126	,00000	1,00000	,4682540	,50098316
CETR	126	,00060	1,56710	,3360770	,27723766
SIZE	126	12,81980	29,70340	21,1928794	4,49587383
Valid N (listwise)	126				

Source: SPSS 25 (2026) output

Based on Table 2, The fixed asset intensity variable (IAT) has a minimum value of 0.0023 and a maximum of 0.8175, with an average proportion of the company's fixed assets at 0.2176 of total assets. The profitability variable (ROA) has a minimum value of 0.0013 and a maximum of 0.6163, with an average of 0.1464, which shows the company's ability to generate profit from its assets. The audit quality variable (KA) has a minimum value of 0 and a maximum of 1, with an average of 0.4682, indicating that some sample companies obtain audit quality according to the research criteria. The firm size variable (SIZE) has a minimum value of 12.8198 and a maximum of 29.7034, with an average of 21.1928, showing the average size of the sample companies used in the study. Meanwhile, the tax avoidance variable, proxied by CETR, has a minimum value of 0.0060 and a maximum of 1.5671, with an average of 0.3360, indicating the level of corporate tax payments relative to pre-tax profit during the research period.

Classical Assumption Test

Normality Test

Based on the research data, it doesn’t meet the normality assumption yet because the Asymp. Sig (2-tailed) value obtained is 0.000. This condition indicates that there are some observations with extreme characteristics, so

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an outlier process is carried out to improve the data distribution.

The results of the normality test after handling outlier data showed an Asymp Sig. (2-tailed) value of 0.071. This value is greater than 0.05, so it can be concluded that the research data is normally distributed. Therefore, the regression model meets the normality assumption.

Multicollinearity Test

The multicollinearity test results show that all independent variables have tolerance values above 0.10 and Variance Inflation Factor (VIF) values below 10. The fixed asset intensity variable has a tolerance of 0.932 and a VIF of 1.073, profitability is 0.960 and 1.042, audit quality is 0.743 and 1.346, and firm size is 0.752 and 1.330. These results indicate that there are no signs of multicollinearity among the independent variables, so the regression model meets the multicollinearity assumption and is suitable for further analysis.

Heteroscedasticity Test

Based on the heteroskedasticity test, all independent variables have significance values greater than 0.05, namely IAT at 0.632, ROA at 0.196, KA at 0.8479, and SIZE at 0.714. Therefore, it can be concluded that the regression model does not show signs of heteroskedasticity.

Autocorrelation Test

Based on the autocorrelation test was carried out using the Runs Test. The test results showed an Asymp Sig. (2-tailed) value of 0.074, which is greater than 0.05, so there are no signs of autocorrelation in the regression model, meaning the residuals are random and the regression model meets the autocorrelation assumption.

Multiple Regression Analysis

Table 3. Multiple Regression Analysis

Coefficients[a]

Model		Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	,353	,220		1,610	,110
	IAT	-,165	,094	-,147	-1,764	,080
	ROA	-,535	,105	-,420	-5,100	,000
	KA	,101	,043	,221	2,363	,020
	SIZE	,084	,043	,181	1,944	,054

a. Dependent Variable: CETR

Source: SPSS 25 (2026) output

Based on the results of the multiple regression analysis in Table 3, the following equation was obtained:

CETR= 0,353 – 0.165IAT – 0, 535ROA + 0,101KA + 0,084SIZE + e

Hypothesis Testing

Determinant Coefficient Test (R^2)

Table 4. Determinant Coefficient Test (R^2)

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,460[a]	,211	,185	,20553905

Source: SPSS 25 (2026) output

Based on Table 4, the Adjusted R Square value is 0.185. This shows that 18.5% of the variation in tax avoidance can be explained by the variables of fixed asset intensity, profitability, audit quality, and company size. Meanwhile, the remaining 81.5% is explained by other variables outside the research model.

F Test

Table 5. F Test

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1,369	4	,342	8,104	,000[b]
	Residual	5,112	121	,042		
	Total	6,481	125			

Source: SPSS 25 (2026) output

Based on Table 5, the significance value is 0.000, which is smaller than the 0.05

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significance level. This result shows that the variables of fixed asset intensity, profitability, audit quality, and firm size simultaneously affect tax avoidance.

t Test

Table 6. t Test

Coefficients[a]

Model		Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	,353	,220		1,610	,110
	IAT	-,165	,094	-,147	-1,764	,080
	ROA	-,535	,105	-,420	-5,100	,000
	KA	,101	,043	,221	2,363	,020
	SIZE	,084	,043	,181	1,944	,054

a. Dependent Variable: CETR

Source: SPSS 25 (2026) output

Based on the t-test results in Table 6, we got the following results:

1. For the fixed asset intensity variable, it has a significance value of 0.080, which is higher than the significance level (a = 0.05). The regression coefficient is -0.165, indicating a negative relationship with CETR. However, this effect is not significant, so it is known that fixed asset intensity does not affect tax avoidance. Therefore, the first hypothesis (H1) is **rejected**.
2. The profitability variable has a significance value of 0.000, which is smaller than the significance level (a = 0.05), so it is known that profitability affects tax avoidance. The regression coefficient value of -0.535 shows that profitability has a negative effect on CETR. Since CETR is inversely related to tax avoidance, this negative coefficient indicates that profitability has a positive effect on tax avoidance. Therefore, the second hypothesis (H2) is **accepted**.
3. The audit quality variable has a significance value of 0.020, which is smaller than the significance level (a = 0.05), so it is known that audit quality affects tax avoidance. The regression coefficient value of 0.101 shows that audit quality has a positive effect on CETR. Since CETR has an inverse relationship with tax avoidance, this positive coefficient indicates that audit quality has a negative effect on tax avoidance. Therefore, the third hypothesis (H3) is **accepted**.

Discussion

1. The Effect of Fixed Asset Intensity on Tax Avoidance

The test results show that the fixed assets intensity does not affect tax avoidance. This indicates that the proportion of fixed assets a company owns does not determine the level of tax avoidance in mining companies. Even though fixed assets generate depreciation expenses that can be used to reduce taxable income, these depreciation expenses are not necessarily used by companies as a way to lower their tax burden. This can happen because investment in fixed assets is more aimed at supporting operational activities and increasing productivity rather than as a tax avoidance strategy. Additionally, mining companies generally have large fixed assets as a result of their operations, so differences in the proportion of fixed assets between companies do not significantly influence the level of tax avoidance they carry out.

The results of this study are in line with the research by Hendayana et al (2024), Koerniawan et al (2025), and Hamdani & Dewi (2025) which found that fixed asset intensity does not affect tax avoidance. These findings indicate that the amount of a company's investment in fixed assets is not necessarily followed by an increase in tax avoidance practices because fixed assets play a bigger role in supporting the company's operational activities. However, this study's results are not in line with the research by Ghozali (2020), Darsani & Sukartha (2021), and Azwar & Fitrijanti (2024) which found that fixed asset intensity has a positive effect on tax avoidance.

2. The Effect of Profitability on Tax Avoidance

The test results show that profitability has a positive effect on tax avoidance. This indicates that companies with high profitability tend to engage in more tax avoidance compared to companies with lower profitability. High profitability reflects a company's ability to generate higher profits, which, in turn, increases the tax burden they have to pay. This situation encourages companies to implement various tax planning strategies to reduce their tax obligations and maintain their profit levels.

These findings are in line with research by Hardana & Hasibuan (2023), Hendayana et al (2024), and Azwar & Fitrijanti (2024), which found that profitability has a positive effect on tax avoidance. The findings indicate that the higher the company's profits, the greater the company's drive to manage taxes efficiently. However, this study's results do not align with the research by Sitepu & Sudjiman (2022), Wulandari & Sudarma (2022), and Koerniawan et al (2025).

3. The Influence of Audit Quality on Tax Avoidance

The test results show that audit quality has a negative effect on tax avoidance. This indicates that companies with better audit quality tend to have lower levels of tax avoidance. Qualified auditors generally carry out audit procedures more effectively and thoroughly, enabling them to identify policies or transactions that could pose risks in financial reporting and taxation. With better oversight, companies become more cautious in making decisions related to tax management, so the tendency to engage in tax avoidance can decrease.

The results of this study are in line with the research by Andriyani & Mahpudin (2021) and Giannopoulos et al (2025) which found that audit quality has a negative effect on tax avoidance. These results show that auditors with high audit quality are able to improve oversight of management actions, making companies more likely to comply with their tax obligations. However, the results of this study do not align with the research by Ardillah & Prasetyo (2021) and Wulandari & Sudarma (2022).

Conclusion

Based on the analysis and discussion, it can be concluded that fixed asset intensity does not affect tax avoidance in mining companies listed on the Indonesia Stock Exchange for the 2021- 2024 period. This indicates that fixed asset ownership is used more to support company operations rather than as a means to reduce tax burden.

On the other hand, profitability is shown to have a positive effect on tax avoidance, suggesting that companies with higher profit levels tend to engage in tax planning to minimize the taxes they have to pay. Meanwhile, audit quality negatively affects tax avoidance, indicating that the better the audit quality, the lower the company's tendency to engage in tax avoidance practices due to more effective oversight of tax policies and reporting.

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