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The Effects of Profitability, Fixed Asset Intensity and Executive Characteristics on Tax Avoidance in Muslim Countries

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Abstract

Tax avoidance has become a critical issue due to the conflict of interest between companies seeking to reduce their tax liabilities and the government striving to increase state revenue. This study aims to explore and analyze the influence of profitability, fixed asset intensity, and executive characteristics on tax avoidance among companies in the industrial sector listed on the Indonesia Stock Exchange from 2020 to 2024, both individually and collectively. An associative quantitative method was used in this study to investigate the causal relationships among the variables. The data were obtained from the official website of the Indonesia Stock Exchange and cover five observation periods, namely 2020 through 2024. The population for this study consisted of 65 companies, and 12 companies were selected as the sample based on specific criteria. The sample was obtained using purposive sampling, resulting in a total of 60 data points. To ensure the reliability and accuracy of the proposed model, descriptive statistical tests, classical assumption tests, multiple linear regression analysis, and hypothesis testing were conducted using SPSS version 26. The conclusions that can be drawn from the findings of this study are: i) profitability is not influenced by tax avoidance; ii) the fixed-asset intensity variable has a negative and significant effect on tax avoidance; iii) the executive character variable has a positive and significant effect on tax avoidance; and based on these combined results, profitability, fixed-asset intensity, and executive character significantly influence tax avoidance. The results of this study have implications for the tax audit process in terms of enhancing oversight of companies with specific characteristics, thereby minimizing aggressive tax avoidance.

INTRODUCTION

Taxes are financial contributions that individuals or business entities are required to pay to the state in accordance with applicable regulations. These payments are mandatory and do not provide direct compensation; the funds are used to promote the general welfare of society (Khalimi, 2020). As taxpayers, all business entities have a financial responsibility to pay their tax contributions based on the provisions of valid laws and regulations, which include calculating the amount of pre-

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tax net income and multiplying that amount by the applicable tax rate. Taxes are considered an expense that must be paid. Income tax must be paid by companies to the government as compensation for the use of specifically allocated assets, through tax payments made by company owners or business managers to the government (Selptiawan, 2021).

Legal efforts to reduce the amount of tax liability by exploiting loopholes in valid tax laws can be defined as tax avoidance. This strategy is generally implemented by identifying gray areas in tax laws to take advantage of available opportunities to minimize the tax burden. The government has made various efforts to collect taxes, but companies also continue to innovate to reduce their tax burden. Taxpayers' lack of awareness regarding the importance of complying with tax obligations is a serious problem in Indonesia. Many companies engage in various activities to avoid tax obligations, resulting in a discrepancy between reported commercial profit and profit from a fiscal perspective, known as the accounting-tax profit difference (Book-Tax Difference). Differences between taxable and accounting profits can arise due to timing differences in recognizing revenue and expenses, or due to differences in the accounting models used in financial statements and tax returns. A larger difference indicates a higher likelihood that the company is engaging in tax avoidance (Nasihin et al., 2023).

In recent years, from 2020 to 2024, the issue of corporate tax transparency has continued to be a focus of public attention. Numerous national news reports have highlighted the rise in alleged tax avoidance practices by large corporations, particularly amid post-pandemic economic pressures that demand optimal fiscal contributions from the private sector. This situation is particularly relevant for companies listed on the stock market, as tax avoidance practices have a direct impact on investor sentiment and economic stability. The implications of this issue indicate that various business entities operating within the country tend to seek loopholes to minimize their tax obligations without violating applicable tax laws (Hulu & Santosa, 2023).

Profitability is defined as a financial metric used to assess the effectiveness and capacity of a business entity to generate operating profits (Andini et al., 2025). Companies with high profitability tend to pay higher nominal taxes due to a surge in pre-tax profits. However, this situation is often exploited by management to implement more aggressive tax planning in order to minimize the tax burden (Hulu & Santosa, 2023). Meanwhile, according to Prasatya et al., (2020), if a company is able to achieve sufficiently high profits, then that company is obligated to pay and report its taxes. A sound financial position helps maintain the company's reputation, as it can reduce instances of tax avoidance. Another factor influencing tax avoidance is the intensity of fixed assets, which also serves as a driver of tax avoidance practices, as it indicates the extent of a company's investment in fixed assets (Andini et al., 2025). A company's ownership of fixed assets results in depreciation expenses, which are expenses that can reduce taxable income and thereby lower the company's tax liability (Afriyan et al., 2022). Another factor influencing tax avoidance is executive characteristics; that is, company executives possess characteristics that influence decision-making (Kepramareni et al., 2020).

This study examines a sample of companies operating in the industrial sector that are listed on the Indonesia Stock Exchange for the period from 2020 to 2024. Based on the phenomena and issues observed, this study aims to examine the effects of profitability, fixed asset intensity, and executive characteristics on tax avoidance practices carried out by companies in the industrial sector listed on the Indonesia Stock Exchange from 2020 to 2024.

According to Afriyan et al., (2022), an agency relationship refers to the relationship or agreement between the principal and the agent. This relationship

occurs when one party the principal delegates authority to the other party, and the agent performs specific services. According to Firmansah et al., (2022), the stakeholder theory is a concept of capitalism that emphasizes the interdependent relationship between a company and various stakeholders, including suppliers, customers, employees, investors, the community, and other stakeholders who have an interest in the organization. This theory states that an entity must set prices that provide benefits to all relevant parties, not just shareholders.

According to Seakhoa-King et al., (2020) as cited in Tarumingkelng, (2025), this theory states that a company's strategic decisions are strongly influenced by executive characteristics (age, experience, leadership style, and level of risk-taking). Executives who are more risk-taking are more likely to make aggressive choices, including tax avoidance. Ellichon's Theory provides a framework stating that the characteristics of top executives (those who lead) influence strategic choices and performance.

Tax avoidance is a method of reducing tax liability by legally and deliberately utilizing the provisions in force within the tax system. According to Anderson (as cited in Rosdiana & Hidayat, 2020), tax avoidance refers to various methods used to reduce the amount of tax owed within the scope of applicable tax provisions and regulations, and is considered legal, primarily through strategic tax planning. Tax avoidance aims to reduce the amount of tax owed by exploiting loopholes or weaknesses in a country's tax regulations. Therefore, tax experts state that such actions are legally valid because they do not conflict with applicable tax regulations.

Profitability reflects a company's ability to generate profits through various aspects and resources at its disposal, such as sales activities, cash management, working capital, number of employees, number of branches, and so on. Research conducted by Hulu & Santosa, (2023) shows that companies with high profitability tend to pay more taxes due to an increase in taxable profits. However, this can also encourage management to plan taxes more aggressively so that tax expenses can be minimized. The research conducted shows that there is a relationship between the level of profitability and the tax avoidance measures taken.

H1 = Profitability influences tax avoidance

The Effect of Fixed Asset Intensity on Tax Avoidance

The fixed asset intensity ratio is a measure that indicates the proportion of a company's fixed assets relative to its total assets. The aspect of fixed asset intensity related to tax avoidance lies in depreciation. Holding a large amount of fixed assets will result in higher depreciation expenses for those assets (Rosdiana & Hidayat, 2020). Research conducted by Afriyan et al., (2022) shows that the higher the intensity of fixed assets owned by a company, the higher the level of tax avoidance practiced by that company. Ownership of fixed assets results in depreciation expenses, which reduce taxable income, thereby lowering a company's tax liability. Research findings indicate that the level of fixed asset wealth influences how an individual avoids taxes.

H2 = The Intensity of Fixed Assets Influences Tax Avoidance

The Influence of Executive Personality on Tax Avoidance There are two types of executives: those who are willing to take risks and those who tend to avoid risks. An individual's personality in dealing with risk can be seen from the company's willingness to accept risk. Risk-taking executives will use their abilities to increase the company's profits by making risky decisions. Meanwhile, executives with a conservative attitude toward risk tend to avoid such risks, making them less interested in engaging in tax avoidance strategies (Lukito & Oktaviani, 2022). Research conducted by Lukito & Oktaviani, (2022) shows that the higher the level of risk faced by a company, the greater the likelihood that risk-taking executives will choose to avoid paying taxes. This study indicates that an executive's ability to think

and make decisions influences how an individual engages in tax avoidance.
H3 = Executive Characteristics Influence Tax Avoidance

The Simultaneous Effects of Profitability, Fixed Asset Intensity, and Executive Characteristics on Tax Avoidance

Findings by Rohmah et al., (2023) indicate that fixed asset intensity and executive characteristics jointly influence the level of tax avoidance; meanwhile, a study by Sahir, (2022) shows that executive characteristics and profitability jointly influence the level of tax avoidance. In a study conducted by (Haudi et al., 2022), it was found that fixed asset intensity and profitability jointly influence the level of tax avoidance.
H4 = Profitability, Fixed Asset Intensity, and Executive Characteristics simultaneously influence Tax Avoidance

METHODS

This study was conducted using an associative quantitative research design. Associative quantitative research is a type of quantitative research used to explore relationships between variables within a research object. This type of research tends to examine cause-and-effect or causal relationships; therefore, in its implementation, there are independent variables and dependent variables (Efendi et al., 2026; Engkizar et al., 2026; Sugiyono, 2023). This study was conducted to determine the impact of profitability, the level of fixed asset intensity, and executive characteristics on tax avoidance practices.

The population in this study comprises companies in the industrial sector listed on the Indonesia Stock Exchange from 2020 to 2024. Sample selection in this study used a purposive sampling method, which involves selecting samples based on specific criteria to obtain data that is representative and aligned with the research objectives. Based on the established criteria, there were 12 companies in the industrial sector that met the requirements during the five-year observation period. Consequently, the total number of observation data points processed in this study reached 60.

According to Anderson (as cited in Rosdiana & Hidayat, (2020), tax avoidance refers to methods used to reduce the amount of tax owed, provided that such methods comply with applicable tax regulations and are legally acceptable, particularly through careful tax planning. Tax avoidance aims to reduce tax liability by exploiting loopholes or weaknesses in the tax regulations in effect in a country. Therefore, this practice is considered valid by tax experts because it does not conflict with applicable tax regulations. According to research conducted by Pratama & Andy, (2025), tax avoidance is calculated using the following formula:

$$BTD = ((\text{Accounting Profit} - \text{Tax Profit})) / (\text{Average Assets})$$

Furthermore, for the profitability variable as the first independent variable (X1) in this study, measurements can be taken over several operating periods. The main objective is to show the progress or changes that have occurred in the company over a certain period of time, whether upward or downward, as well as to identify the factors causing these conditions (Astuti et al., 2021). The following is the formula used to calculate Return on Assets (ROA):

$$ROA = (\text{Net Income}) / (\text{Total Assets})$$

The intensity of fixed asset ownership is considered the second independent variable (X2), indicating that the higher the level of fixed asset ownership, the greater the depreciation expense incurred on those assets. Depreciation expenses result in an increase in the company's total costs, which ultimately leads to a decrease in gross profit. Consequently, taxable income will decrease due to the depreciation expense associated with these fixed assets, thereby ultimately reducing the amount of tax liability (Rosdiana & Hidayat, 2020). The intensity of a company's fixed assets in this

study was calculated by comparing the total value of the company's fixed assets with the company's total assets.

IAT = (Total Fixed Assets) / (Total Assets)

Executive characteristics as the third independent variable (X3), according to (Kartana & Wulandari, 2023), the corporate risk calculation model is used to determine the risk profile of a corporate executive, namely whether that executive is a risk-taker or a risk-avoider.

RP = EBIT / (Total Assets)

In the initial stage, data analysis was conducted using descriptive statistics, followed by data analysis using the multiple linear regression formula, as follows:

$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e$

Explanation:

Y = Tax Avoidance

α = Constant, the y-intercept on the X-axis

$\beta_1\beta_2$ = Coefficients of the variables X

X_1 = Profitability

X_2 = Fixed Asset Intensity

X_3 = Executive Characteristics

e = Error term

RESULT AND DISCUSSION

Results of Descriptive Statistical Analysis

Descriptive statistics are a form of statistics used to analyze data by describing or explaining data that has been collected directly, without the aim of drawing general conclusions or making inferences that apply to a broader population. Descriptive statistics include several indicators such as the median, mean, maximum value, minimum value, and standard deviation (Sugiyono, 2022).

Table 1. Results of Descriptive Statistical Analysis

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Profitability	60	.00044	.16368	.0772072	.04194638
Fixed Asset Intensity	60	.00111	.78125	.3196763	.23607737
Executive Character	60	-.14253	.20961	.0932162	.06037789
Tax Avoidance	60	-.14280	.22634	.0969843	.06433830
Valid N (listwise)	60				

The variable Profitability has a standard deviation of 0.04194638, which is lower than its mean value of 0.0772072. This indicates that the Profitability variable exhibits relatively homogeneous characteristics. The highest and lowest values of this variable are 0.16368 and 0.00044, respectively. The variable Fixed Asset Intensity has a standard deviation of 0.23607737, which is smaller than its mean value of 0.3196763. This means that the Fixed Asset Intensity variable also demonstrates relatively homogeneous characteristics. The highest and lowest values of this variable are 0.78125 and 0.00111, respectively.

The executive characteristics variable has a standard deviation of 0.06037789, which is lower than its mean of 0.0932162. This indicates that the Executive Characteristics variable exhibits uniform characteristics. The highest and lowest values of this variable are 0.20961 and -0.14253. The Tax Avoidance variable has a

standard deviation of 0.06433830, which is lower than its mean of 0.0969843. This indicates that the tax avoidance variable exhibits homogeneity. The highest and lowest values of this variable are 0.22634 and -0.14280.

Results of the Classical Assumptions Test (Normality Test Results)

In statistics, a normality test can be conducted using exploratory analysis and by examining the significance value listed in the Kolmogorov-Smirnov column. If the value of the variable is greater than 0.05, it can be concluded that the data follows a normal distribution (Indartini & Mutmainnah, 2024).

Table 2. Results of the Normality Test

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		60
Normal Parameters[ab]	Mean	.0000000
	Std. Deviation	.00975710
Most Extreme Differences	Absolute	.111
	Positive	.089
	Negative	-.111
Test Statistic		.111
Asymp. Sig. (2-tailed)		.065[c]

From the Kolmogorov-Smirnov one-sample test in Table 2 above, the *Asymp*. Sig. (2-tailed) value was found to be 0.065. This result indicates that the residual data in this regression model are normally distributed because the Asymp. Sig. (2-tailed) value is above 0.05. The fulfillment of the normality assumption indicates that the differences between the predicted values and the actual values (residuals) are evenly distributed around the diagonal line, so that the regression model is considered reliable and suitable for use in further statistical testing.

Normal data conditions are very important so that the research results are not biased and can be applied or used by a broader population group. Therefore, researchers can more effectively explain the extent of the influence exerted by the independent variables both individually and collectively on the dependent variable in this study.

Results of the Heteroscedasticity Test

A heteroscedasticity test was conducted to determine whether there were signs of heteroscedasticity. In this study, the heteroscedasticity test was performed using the Glejser test, which examines the correlation between the absolute values of the residuals and the standard deviations of the independent variables. If the probability value obtained has a significance level greater than $\alpha = 0.05$, then the model does not indicate heteroscedasticity (Machali, 2021).

Table 3. Results of the Heteroscedasticity Test

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.003	.002		1.116	.269
	Profitability	.052	.034	.313	1.526	.133
	Fixed Asset Intensity	.001	.004	.020	.151	.881
	Executive Character	-.001	.024	-.010	-.050	.960

Based on Table 3 above, it can be observed that the Profitability variable has a significance value of 0.133, which is greater than 0.05. The Fixed Asset Intensity variable has a significance value of 0.881, which is also greater than 0.05. Similarly, the Executive Character variable has a significance value of 0.960, which is greater than 0.05. The results obtained from the statistical hypothesis test indicate that the values of the variables are significantly different from 0.05, so it can be concluded that there is no statistical significance in this regression model. This indicates that the values of one observation relative to the others are constant, meaning they exhibit homoscedasticity; thus, the model developed meets the efficiency criteria for estimating the parameters contained within it.

Results of the Multicollinearity Test

The multicollinearity test was conducted to identify whether there were significant correlations among the independent variables. The multicollinearity test was conducted using SPSS software through regression analysis, which included the variable inflation factor (VIF) and the correlation coefficients between the independent variables (Machali, 2021).

Table 4. Results of the Multicollinearity Test

Coefficients[a]								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.007	.004		2.119	.039		
	Profitability	.001	.050	.000	.013	.989	.386	2.592
	Fixed Asset Intensity	-.021	.006	-.078	-3.776	.000	.957	1.045
	Executive Character	1.033	.035	.969	29.484	.000	.380	2.630

Based on Table 4 above, it can be observed that the Profitability variable has a VIF value of 2.592 and a tolerance value of 0.386. The Fixed Asset Intensity variable has a VIF value of 1.045 and a tolerance value of 0.957. Meanwhile, the Executive Character variable has a VIF value of 2.630 and a tolerance value of 0.380. From the analysis conducted, it can be concluded that all variables have VIF values less than 10 and tolerance values greater than 0.1, indicating that there is no multicollinearity among the independent variables in the regression model used.

The detection of multicollinearity is very important to ensure that each independent variable truly contributes unique and distinct information in explaining the variation of the dependent variable, namely Tax Avoidance.

Autocorrelation Test Results

This test is intended to determine the degree of correlation between the residuals from one observation and the residuals from other observations in the model. In this study, the autocorrelation test was conducted using the most commonly used model, namely the Durbin-Watson test (Machali, 2021).

Table 5. Autocorrelation Test Results

Model Summary[b]					
Model Summary	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.988[al]	.977	.976	.01001504	1.871

Based on the results of the autocorrelation test presented in Table 5 below, the Durbin-Watson (DW) statistic was found to be 1.871. By comparing this value with the values in the Durbin -Watson table, using a significance level of 0.05, a population size of 60, and three independent variables, the dL value was found to be 1.4797 and the dU value was 1.6889. The conclusion is that the DW values fall within the range dU < DW < 4 - dU, namely 1.6889 < 1.871 < 2.3111. Therefore, it can be concluded that there is no correlation between the variables.

This model does not account for autocorrelation, meaning there is no correlation between observations that are arranged in chronological order. Given this assumption, the model can be used to predict the influence of independent variables on dependent variables.

Results of Multiple Linear Regression Analysis

Multiple linear regression is a model that is an extension of simple linear regression; this model is used to analyze the relationship between a dependent variable (referred to as the dependent variable Y) with a combination of two or more independent variables (referred to as the independent variables X) (Machali, 2021).

Table 6. Results of Multiple Linear Regression Analysis

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.007	.004		2.119	.039
	Profitability	.001	.050	.000	.013	.989
	Fixed Asset Intensity	-.021	.006	-.078	-3.776	.000
	Executive Character	1.033	.035	.969	29.484	.000

The results of the linear regression analysis presented in Table 6 below show the relationship between the independent and dependent variables, which are explained in more detail as follows:

Y = 0.007 + 0.001 X1 + -0.021 X2 + 1.033 X3 + e

The linear regression equation is as follows: The constant term has a positive value of 0.007. A positive sign indicates a direct relationship between the variables. This indicates that while the variable "profitability" has a value of zero, the correlation coefficient is 0.007. The correlation coefficient for the profitability variable is 0.001. This value indicates a direct positive relationship between the level of profitability and the ability to avoid fulfilling payment obligations. This means that a one-unit increase in profitability leads to a 0.001 increase in the number of tax avoidance cases, while all other variables in the regression model remain unchanged.

The correlation coefficient for the relationship between intelligence and the number of accidents is -0.021. This value indicates an inverse relationship between intelligence and the number of accidents. This indicates that a one-unit increase in the level of intelligence is associated with a decrease of -0.021 in the number of traffic violations, assuming that all other variables in the regression model remain constant. The regression coefficient for the executive function variable is 1.033. This value indicates a positive and direct relationship between the executive function variable and the practice of avoiding traffic violations. This indicates that a one-unit increase in the executive characteristic value corresponds to an increase of 1.033 units in the number of traffic violations. This is calculated based on all other variables in the regression model that have not undergone changes.

Hypothesis Test Results (Partial Test Results (T))

The partial t-test is a model used to test the individual effects of each variable on the dependent variable, with the aim of determining whether those variables have a significant effect in the regression model (Sahir, 2022).

Table 7. Results of the Partial Test (T)

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.007	.004		2.119	.039
	Profitability	.001	.050	.000	.013	.989
	Fixed Asset Intensity	-.021	.006	-.078	-3.776	.000
	Executive Character	1.033	.035	.969	29.484	.000

Based on the test results shown in table 7, it can be concluded that to determine the calculated t-value, the corresponding t-value from the table must first be found. Given that the number of samples is n = 60 and the number of categories is k = 3, the degrees of freedom (df) are calculated using the formula (n - k), resulting in (60 - 3) = 57. The corresponding t-table value is 1.67203. Based on the t-test results found in the table, the following are the results for each variable: From Table 10, the calculated t-value is 0.013, which is smaller than the table t-value of 1.67203 (0.013 < 1.67203). Furthermore, the probability value for the "Profitability" variable is 0.989, which is greater than the significance level (0.989 > 0.05). Therefore, it can be concluded that the probability level does not affect the effectiveness of the preventive measures taken. Based on table 10, it was found that the calculated t-value is -3.776, which is smaller than the critical t-table value of 1.67203 (-3.776 < 1.67203). In addition, the probability value for the Fixed Asset Intensity variable is 0.000, which is lower than the significance level of 0.05 (0.000 < 0.05). Therefore, it can be concluded that Fixed Asset Intensity has a negative and significant effect on the level of Tax Avoidance.

As shown in table 10, the calculated t-value is 29.484, which is greater than the critical t-value of 1.67203 (29.484 > 1.67203). Furthermore, the p-value for the executive function variable is 0.000, which is smaller than the significance level (0.000 < 0.05). Therefore, it can be concluded that the characteristics of the executive branch have a significant positive effect on the implementation of road safety measures.

Results of the Simultaneous Test (F)

This F-test is used to identify the presence of simultaneous (simultaneous) effects of the independent variables on the dependent variable. The test is conducted by comparing the calculated F-value with the F-table value at a 5% significance level (Sahir, 2022).

Table 8. Results of the Simultaneous Test (F)

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.239	3	.080	792.975	.000[b]
	Residual	.006	56	.000		
	Total	.244	59			

Given that the probability of a specific outcome is 5%, the first probability is calculated by subtracting 1 from the total number of values, and the second probability is calculated using the formula (n – k – 1), which is 56. In this case, the value obtained from the F-table is 3.162, so it can be concluded that the calculated F-value is greater than the F-table value (792.975 > 3.162) Furthermore, the significance value is smaller than the specified α level (0.000 < 0.05). This indicates that individual variables such as the level of prosperity, educational level, and personal characteristics of the executive staff all influence the practice of road safety.

The F-values obtained are sufficiently significant, indicating that the regression model used has a strong explanatory power that is mutually reinforcing in the context of the analysis. Therefore, this model can be used as a tool to explain the phenomenon of pedestrian avoidance that occurs at intersections, which is the subject of this study.

Results of the Coefficient of Determination (R^2) Test

The coefficient of determination, usually written as R-squared, generally indicates the extent to which the independent variables influence the dependent variable. If the coefficient of determination in the regression model decreases or approaches zero, the combined effect of all independent variables on the dependent variable becomes weaker. Conversely, if the R-squared approaches 100%, the influence of all independent variables on the dependent variable becomes stronger (Sahir, 2022).

Table 9. Results of the Coefficient of Determination (R^2) Test

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.988[a]	.977	.976	.01001504

From the results shown in table 9 above, it can be seen that the adjusted R-squared value reaches 0.976. This value indicates that the indicators of Profitability, Fixed Asset Intensity, and Executive Characteristics are able to explain 97.6% of the variation in the level of Tax Avoidance. In addition, 2.4% of this variation is related to other factors not mentioned in this study. The high coefficient of determination, which is close to 1 (100%), indicates that the regression model developed has the ability to predict very accurately and almost perfectly describes the phenomenon of tax avoidance occurring in the research sample.

The Effect of Profitability on Tax Avoidance

The results of the regression analysis show that the level of profitability has no effect on the methods used to avoid taxes. This finding rejects the first hypothesis (H1), which states that profitability influences tax avoidance. From a corporate governance perspective, this indicates that management does not use high profit levels as a justification for tax avoidance but instead prioritizes corporate performance in accordance with applicable regulations to protect the interests of shareholders (principals) (Suwardjono, 2014). The results of this study differ from those of a study conducted by (Hulu & Santosa, 2023), which found that profit levels do influence tax avoidance practices.

The Effect of Fixed Asset Intensity on Tax Avoidance

The results of the regression analysis show that the level of fixed asset intensity has a negative and statistically significant impact on tax avoidance behavior. This study accepts the second hypothesis (H2), which states that the level of fixed asset intensity influences tax avoidance practices. This is consistent with stakeholder theory, which explains that companies with large investments in fixed assets tend to use depreciation expenses as a legal tool to reduce their tax liabilities. This decision demonstrates the company's commitment to its stakeholders, particularly the government, by reducing the risk of investigations and penalties arising from extreme

tax avoidance practices, as well as prioritizing compliance with tax regulations to maintain stable long-term relationships (Akram, 2019). The results of this study are consistent with research conducted by Afriyan et al., (2022), which showed that the level of asset intensity still influences tax avoidance behavior.

The Influence of Executive Character on Tax Avoidance

The results of the regression analysis show that executive character has a positive and significant influence on tax avoidance practices. These findings support the third hypothesis (H3), namely that executive character influences tax avoidance practices. These results indicate that corporate policies reflect the personalities of their leaders, in accordance with the Upper Echelons Theory. In this context, executives who demonstrate a bold attitude toward risk-taking tend to make strategic decisions aimed at tax avoidance in order to save the company funds. Leadership that is bold in accepting the risk of tax penalties ultimately has a direct impact and shapes the overall direction of the company's tax policy (Ikhsan, 2013)v. The results of this study are consistent with research conducted by (Lukito & Oktaviani, 2022), which showed that executive characteristics have an impact on tax avoidance practices.

The Effects of Profitability, Fixed Asset Intensity, and Executive Characteristics on Tax Avoidance

The results of the regression analysis show that the three variables profitability, fixed asset intensity, and executive characteristics collectively have an impact on the level of tax avoidance. The findings of this study indicate that the fourth hypothesis (H4) is accepted, which states that profitability, the level of fixed asset intensity, and executive characteristics collectively impact the level of tax avoidance. Theoretically, these results are supported by agency theory, which highlights managers' efforts to optimize profits and assets to meet shareholders' expectations. Additionally, stakeholder theory explains how companies balance the interests of shareholders with their tax obligations to the government. This finding is reinforced by Upper Echelons Theory, which posits that executive characteristics are the primary determinants in making strategic decisions related to corporate tax aggressiveness. The results of this study are consistent with previous research conducted by (Rohmah et al., 2023), which demonstrated that asset intensity and executive characteristics jointly influence tax avoidance practices. Furthermore, these findings are also in line with the study by Suwardjono, (2014), which showed that executive characteristics and profitability levels together affect tax avoidance behavior. In addition, this research strengthens the evidence from (Haudi & Hapsari, 2021), which revealed that fixed asset intensity and the ability to generate profits simultaneously have an impact on the level of tax avoidance.

CONCLUSION

There is no significant relationship between the Profitability variable (X1) and Tax Avoidance (Y), because the calculated t-value is lower than the table t-value ($0.013 < 1.67203$) and the probability value is greater than 0.05 ($0.989 > 0.05$). Therefore, variable X1 does not have a significant effect on variable Y, so the null hypothesis (H0) is accepted and the alternative hypothesis (Ha) is rejected. Based on the theory of agency, the research results indicate that management (as agents) does not use high profit levels as a reason to avoid taxes, but rather prioritizes corporate performance that complies with regulations in order to protect the interests of stakeholders (as owners). From the results of the statistical tests conducted, it can be seen that the Fixed Asset Intensity variable (X2) has a negative and fairly significant effect on Tax Avoidance (Y). This is evidenced by the calculated t-value being smaller than the table t-value, namely $-3.776 < 1.67203$, as well as a significance level (0.000) that is smaller than 0.05. Therefore, there is a fairly large negative effect of variable X2 on variable Y, so the alternative hypothesis (Ha) is accepted and the null

hypothesis (H0) is rejected. Based on the theory of stakeholder interests, the results of this study indicate that the higher a company's level of ownership by stakeholders, the higher the company's level of compliance with tax obligations, because the company strives to maintain a good reputation and harmonious relationships with all stakeholders.

There is a positive and statistically significant relationship between the Executive Characteristics variable (X3) and Tax Avoidance (Y), as indicated by a calculated t-value greater than the table t-value (29.484 > 1.67203), as well as a significance level (0.000) that is lower than the 0.05 confidence level. Therefore, there is a significant and positive correlation between variable X3 and variable Y, so the alternative hypothesis (Ha) is accepted while the null hypothesis (H0) is rejected. Based on Ellison's Theory, the results of this study indicate that corporate policies strongly reflect the leader's personality, whereby executives who possess bold traits and a tendency to take risks tend to make strategic decisions aimed at tax avoidance. The significance level obtained is smaller than the significance level α, namely 0.000, which is smaller than 0.05. This indicates that these three variables profitability, fixed asset intensity, and executive characteristics collectively influence the tax avoidance variable. Thus, H is accepted and H0 is rejected. This proves that tax efficiency conflicts between agents and principals occur systematically when the use of fixed asset instruments is simultaneously excluded under the control of the top leader's risk-taking behavior.

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