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DETERMINANTS OF TAX AVOIDANCE: PROFITABILITY, SALES GROWTH, FISCAL LOSS COMPENSATION, FIRM SIZE, AND MANAGERIAL OWNERSHIP IN INDONESIAN MINING COMPANIES

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ABSTRACT

This study aims to examine the effect of profitability, sales growth, fiscal loss compensation, firm size, and managerial ownership on tax avoidance in mining companies listed on the Indonesia Stock Exchange during the 2022–2024 period. Tax avoidance is an important issue in corporate taxation because it reflects managerial efforts to reduce tax burdens through legally permissible tax planning strategies. The mining sector was selected as the research object because it is a strategic industry with high economic value, complex business activities, and significant tax contribution potential. This study uses a quantitative approach with secondary data obtained from annual financial statements published by mining companies. The sample was selected using a purposive sampling method based on predetermined criteria. A total of 59 companies were selected, resulting in 177 firm-year observations. The data were analyzed using multiple linear regression with the assistance of SPSS software. The results show that profitability has a negative and significant effect on tax avoidance, indicating that more profitable firms tend to engage in lower levels of tax avoidance. Sales growth does not have a significant effect on tax avoidance, suggesting that an increase in sales does not necessarily influence corporate tax avoidance behavior. Meanwhile, fiscal loss compensation, firm size, and managerial ownership have positive and significant effects on tax avoidance. These findings indicate that companies with fiscal loss compensation, larger firm size, and higher managerial ownership tend to have greater incentives or opportunities to conduct tax avoidance. This study contributes to the literature by providing empirical evidence on the determinants of tax avoidance in Indonesian mining companies. The findings also provide practical implications for tax authorities, investors, and corporate stakeholders in assessing corporate tax planning behavior and strengthening tax compliance monitoring.

Keywords: Profitability, Sales Growth, Fiscal Loss Compensation, Firm Size, Managerial Ownership, Tax Avoidance

I. INTRODUCTION

Tax revenue is a fundamental component of Indonesia's public finance system because it supports the government's ability to finance development agendas and deliver public services. In 2024, tax receipts represented nearly four-fifths of total state income. However, actual tax collection has often not fully reflected its potential, partly because companies may apply legal tax arrangements to reduce their tax liabilities. The mining sector is important to examine in this regard. Mining companies generally control large assets, conduct high-value transactions, and generate substantial economic activity, yet the 2024 APBNKiTa report shows that the sector contributed only 6.05% to national tax revenue. This relatively limited contribution raises questions about tax collection effectiveness and the possible use of tax avoidance strategies in mining firms. Tax avoidance is understood as a managerial strategy to minimize tax payments by taking advantage of loopholes, unclear provisions, or alternative interpretations of tax regulations (Astuti & Nafis, 2024). Unlike tax evasion, tax avoidance is generally carried out within the boundaries of the law. Nevertheless, it may still reduce government revenue and create concerns regarding tax equity. This issue is particularly relevant in the mining industry. The case of PT Adaro Energy Tbk, which was reported to have used transfer pricing through a Singapore-based affiliate, illustrates how cross-border transactions may be arranged to lower taxes payable in Indonesia (DetikFinance, 2019). These practical issues and the mixed findings in previous studies indicate the need to re-examine the factors associated with tax avoidance in mining companies. Profitability is one determinant that may influence tax avoidance decisions. It reflects the extent to which a company can generate income from the resources it owns. When profits increase, the tax burden may also rise, creating incentives for managers to apply tax planning strategies. Prior studies have produced different conclusions. Diningrat et al. (2025) and Raihani et al. (2024) found a positive effect of profitability on tax avoidance, while Zaenuddin and Thamrin (2023), Aulia et al. (2024), and Wijaya et al. (2025) reported a negative effect. In contrast, Simanjuntak et al. (2024) and Widiantari et al. (2025) found no significant relationship.

Sales growth is another variable that deserves attention. An increase in sales reflects business expansion and a greater ability to generate revenue. If higher sales are followed by higher profits, taxable income may also increase (Andalia et al., 2023). In such a situation, firms may become more active in managing their tax obligations (Widiantari et al., 2025). However, empirical results remain inconsistent. Atikah and Ariani (2024), Widiantari et al. (2025), and Andani and Budyastuti (2025) found that sales growth is positively related to tax avoidance. Conversely, Hamdayani and Nurhayati (2025), Diningrat et al. (2025), and Wijaya et al. (2025) concluded that sales growth is insignificant, while Irawati et al. (2025) reported a negative association. Companies may also rely on tax facilities when developing their tax planning strategies. One of these facilities is fiscal loss compensation, which allows losses from previous fiscal periods to be offset against taxable income in subsequent periods, generally for a maximum of five consecutive years (Cahyani & Lastanti, 2025). The use of this facility enables companies to legally lower taxable income during the compensation period. Septanta (2023), Zaenuddin and Thamrin (2023), and Cahyani and Lastanti (2025) found that fiscal loss compensation is positively related to tax avoidance. In contrast, Luida et al. (2024), Prameswari et al. (2025), and Saragih et al. (2025) documented a negative relationship.

Firm size may also determine the intensity of tax avoidance. Large companies typically have more resources, more complicated transactions, and better access to professional tax advisors, which may support more systematic tax planning. In mining firms, large-scale operations often involve broad asset structures and complex contracts that create opportunities to manage differences between accounting and tax rules. Hamdayani and Nurhayati (2025) and Andani and Budyastuti (2025) reported that firm size positively affects tax avoidance, whereas Aulia et al. (2024) and Asri and Kiki (2025) found no significant effect. Managerial ownership is a governance factor that can influence tax avoidance behavior. Managers who hold shares act not only as corporate decision-makers, but also as owners. This position may motivate them to maintain after-tax income because increases in firm value can directly benefit them as shareholders. Prior research has not reached a single conclusion. Hia and Sadewa (2025) and Diyanti and Patmalasari (2025) found a positive effect of managerial ownership on tax avoidance, while Simanjuntak et al. (2024), Darmawati et al. (2025), and Afriani and Taqwa (2025) reported a negative effect. The variation in previous findings reveals a research gap regarding the influence of profitability, sales growth, fiscal loss compensation, firm size, and managerial ownership on tax avoidance. Accordingly, this study investigates mining companies listed on the Indonesia Stock Exchange during 2022-2024 to provide recent empirical evidence on these determinants.

II. LITERATURE REVIEW

2.1 Agency Theory

Agency theory, introduced by Jensen and Meckling (1976), describes the relationship between principals as shareholders and agents as managers. Agency problems may occur when shareholders expect managers to increase firm value, while managers may also have their own interests. These conflicts become more serious when managers have greater access to internal information than shareholders. Such information asymmetry gives managers wider discretion in operational and financial decision-making, including tax planning decisions that may not be fully observable by owners (Ningsih & Purwasih, 2023; Prameswari et al., 2025). Managerial ownership may reduce agency conflict because managers become part of the ownership structure. However, in the context of taxation, managerial share ownership may also increase incentives to improve after-tax earnings through tax planning. Thus, agency theory provides an appropriate framework for explaining how managerial discretion and ownership incentives may shape tax avoidance practices in mining companies.

2.2 The Effect of Profitability on Tax Avoidance

Profitability refers to a company's ability to generate income from its business activities and resources (Putri & Asmara, 2025). Companies with higher profitability generally face larger tax obligations. From the agency theory perspective, managers may seek to maintain after-tax earnings because net income contributes to firm performance and shareholder wealth. Therefore, higher profitability may encourage more intensive tax planning and potentially increase tax avoidance. This study measures profitability using Return on Assets (ROA), which shows how efficiently company assets generate earnings. Diningrat et al. (2025) and Raihani et al. (2024) found that ROA has a positive effect on tax avoidance. Based on this argument, the first hypothesis is formulated as follows:

H_1: Profitability has a positive effect on tax avoidance.

2.3 The Effect of Sales Growth on Tax Avoidance

Sales growth reflects the development of a company's operating activities. Rising sales are commonly associated with a larger business scale, greater revenue potential, and the possibility of higher profit and tax expense. Based on agency theory, managers are expected to maintain favorable financial performance while managing the tax consequences arising from business growth. When increasing sales create a larger expected tax burden, managers may use tax planning strategies to preserve after-tax income (Widiantari et al., 2025). Studies by Atikah and Ariani (2024), Widiantari et al. (2025), and Andani and Budyastuti (2025) indicate that sales growth may increase tax avoidance. Therefore, the second hypothesis is proposed as follows:

H_2: Sales growth has a positive effect on tax avoidance.

2.4 The Effect of Fiscal Loss Compensation on Tax Avoidance

Fiscal loss compensation is a tax facility that enables companies to use losses from previous periods to reduce taxable income within the period permitted by tax regulations (Cahyani & Lastanti, 2025). Although this mechanism is legally recognized, it can be incorporated into broader tax planning strategies, especially when managers have discretion in determining the timing of revenue and expense recognition. From an agency perspective, management may use this facility to reduce tax payments and improve after-tax performance. Septanta (2023), Zaenuddin and Thamrin (2023), and Cahyani and Lastanti (2025) found that fiscal loss compensation increases tax avoidance. Accordingly, the third hypothesis is formulated as follows:

H_3: Fiscal loss compensation has a positive effect on tax avoidance.

2.5 The Effect of Firm Size on Tax Avoidance

Larger firms generally have stronger financial capacity, more specialized human resources, and more complex organizational structures. These characteristics can support the design of more sophisticated tax planning strategies. Agency theory further suggests that large firms may experience greater information asymmetry because their operations are more difficult for shareholders to monitor directly. This condition provides managers with broader discretion in tax-related decisions.

Hamdayani and Nurhayati (2025) and Andani and Budyastuti (2025) documented a positive relationship between firm size and tax avoidance. Therefore, the fourth hypothesis is stated as follows:

H_4: Firm size has a positive effect on tax avoidance

2.6 The Effect of Managerial Ownership on Tax Avoidance

Managerial ownership may align managerial and shareholder interests because managers also bear the consequences of corporate decisions as owners. However, this alignment may also encourage managers to emphasize after-tax income maximization. When managers own shares, they may have stronger motivation to reduce tax payments in order to enhance residual income and firm value (Nur'aini, 2022). Hia and Sadewa (2025) and Diyanti and Patmalasari (2025) found that managerial ownership increases tax avoidance. Thus, the fifth hypothesis is proposed as follows:

H_5: Managerial ownership has a positive effect on tax avoidance.

The conceptual framework of this study illustrates the relationship between firm characteristics and tax avoidance. This framework is developed based on agency theory, which explains that managers may have discretion in making financial and tax-related decisions to achieve certain corporate objectives. In this study, profitability, sales growth, fiscal loss compensation, firm size, and managerial ownership are proposed as independent variables that may influence tax avoidance. Profitability reflects the firm's ability to generate earnings, sales growth indicates business expansion, fiscal loss compensation represents the use of tax facilities, firm size reflects organizational scale and complexity, while managerial ownership shows the extent of management's ownership interest in the company. These five variables are expected to affect tax avoidance practices in mining companies

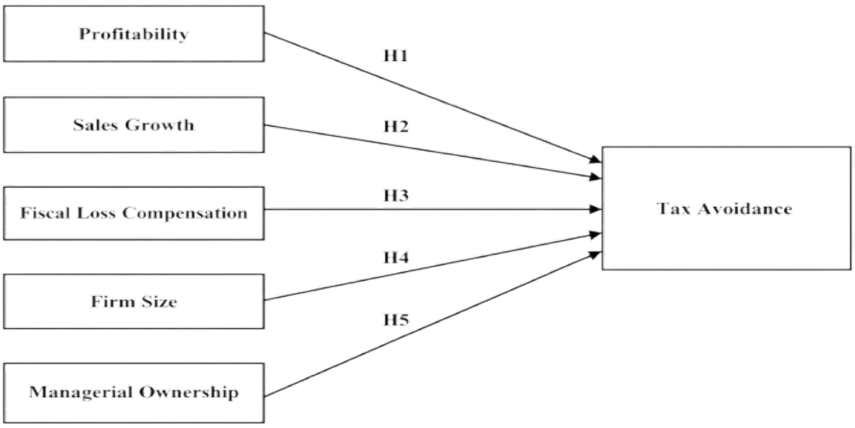

Figure 1.
Research Model

III. RESEARCH METHOD

This study focuses on mining companies listed on the Indonesia Stock Exchange over the 2022-2024 period. The unit of analysis is each company's annual financial report for each observation year. Tax avoidance serves as the dependent variable, while profitability, sales growth, fiscal loss compensation, firm size, and managerial ownership are the independent variables. The population includes all mining companies listed on the Indonesia Stock Exchange. Using purposive sampling, 59 companies met the research criteria. Over three years of observation, the study obtained 177 firm-year observations. The data were analyzed using multiple linear regression.

Tax avoidance is measured using the Generally Accepted Accounting Principles Effective Tax Rate (GAAP ETR), with the following formula:
GAAP Effective Tax Rate (GAAP ETR) = Total Tax Expense / Profit Before Tax

Profitability describes the extent to which the firm can generate earnings from its assets and is measured by Return on Assets (ROA):

Return on Assets (ROA) = Net Income / Total Assets

Sales growth captures the annual change in sales and is calculated using the following formula:

Sales Growth = [Sales(t) - Sales(t-1)] / Sales(t-1)

Fiscal loss compensation is operationalized as a dummy variable. Companies are assigned a value of 1 when they have fiscal loss compensation at the beginning of year t, and 0 when they do not.

Firm size is calculated using the natural logarithm of total assets:

Firm Size = Ln(Total Assets)

Managerial ownership is measured using a dummy variable. A value of 1 is given when members of management own company shares, while a value of 0 is given when no managerial share ownership exists.

The regression equation applied in this study is presented as follows:

PP = alpha + beta1P + beta2SG + beta3KKF + beta4UP + beta5KM + epsilon

In this model, PP refers to tax avoidance measured by GAAP ETR, P represents profitability, SG represents sales growth, KKF represents fiscal loss compensation, UP represents firm size, and KM represents managerial ownership.

IV. RESULT AND DISCUSSION

4.1 Descriptive Statistic Test (R-Square)

Table 1.
Descriptive Statistic Test Results

Variable	N	Minimum	Maximum	Mean	Std. Deviation
PP (GAAP ETR)	177	0.00	0.77	0.2357	0.15091
P	177	0.00	0.62	0.1221	0.12326
SG	177	-66.56	1359.24	14.2769	110.50130
KKF	177	0.00	1.00	0.5424	0.49961
UP	177	24.46	32.76	29.4250	1.72194
KM	177	0.00	1.00	0.9153	0.27929
Valid N (listwise)	177				

Source: data processed (2026)

Table 1 presents the descriptive statistics for all research variables. Tax avoidance, measured by GAAP ETR, has values ranging from 0.00 to 0.77, with an average of 0.2357 and a standard deviation of 0.15091. This means that the mining companies in the sample report an average GAAP ETR of about 23.57%, although the level of tax burden differs across firms. Profitability ranges from 0.00 to 0.62, with a mean of 0.1221 and a standard deviation of 0.12326, indicating differences in the ability of mining firms to generate returns from their assets.

Sales growth has the highest variation among the variables, with values ranging from -66.56 to 1359.24, an average of 14.2769, and a standard deviation of 110.50130. This wide range reflects considerable differences in the sales performance of mining companies during the study period. Fiscal loss compensation has a mean value of 0.5424 and a standard deviation of 0.49961, suggesting that slightly more than half of the observations used fiscal loss compensation. Firm size has an average of 29.4250 and a standard deviation of 1.72194. Managerial ownership has a mean value of 0.9153 and a standard deviation of 0.27929, indicating that most observations involve firms with managerial share ownership.

4.2 Multiple Regression Analysis

Table 2.
Multiple Regression Analysis Results

Model	Variable	B	Std. Error	Beta	t	Sig.
1	(Constant)	-1.217	0.537		-2.266	0.025
1	P	-0.203	0.088	-0.163	-2.304	0.022
1	SG	-0.002	0.003	-0.051	-0.722	0.471
1	KKF	0.067	0.032	0.164	2.096	0.038
1	UP	0.285	0.102	0.221	2.797	0.006
1	KM	0.158	0.052	0.215	3.039	0.003

Source: Processed data (2026)

Based on Table 2, the multiple regression equation can be written as follows:

PP = -1.217 - 0.203P - 0.002SG + 0.067KKF + 0.285UP + 0.158KM + e

The constant of -1.217 indicates the estimated value of GAAP ETR when all independent variables are assumed to be zero. Profitability has a coefficient of -0.203 and a significance value of 0.022, indicating a negative and statistically significant effect on GAAP ETR. Sales growth has a coefficient of -0.002 with a significance value of 0.471, which means that its effect is not significant. Fiscal loss compensation shows a coefficient of 0.067 and a significance value of 0.038, indicating a positive and significant relationship with GAAP ETR. Firm size has a positive and significant coefficient of 0.285 with a significance value of 0.006. Managerial ownership also shows a positive and significant effect, with a coefficient of 0.158 and a significance value of 0.003.

4.3 Discussions

The Effect of Profitability on Tax Avoidance

The regression results indicate that profitability has a negative and significant effect on tax avoidance, as proxied by GAAP ETR, among mining companies listed on the Indonesia Stock Exchange during the 2022–2024 period. This is shown by the regression coefficient of -0.203 and a significance value of 0.022, which is lower than the 0.05 significance level. Therefore, the first hypothesis, which states that profitability has a positive effect on tax avoidance, is not supported. The negative coefficient indicates that an increase in profitability is associated with a decrease in GAAP ETR. Since GAAP ETR reflects the proportion of tax expense to accounting profit before tax, a lower GAAP ETR may indicate a lower effective tax burden borne by the company. This finding suggests that more profitable mining companies tend to have greater capacity to manage their tax obligations more efficiently. Companies with higher profitability generally have better financial resources, more established accounting systems, stronger internal control mechanisms, and access to professional tax consultants. These conditions allow companies to conduct tax planning more systematically and remain within the limits permitted by tax regulations. From the perspective of agency theory, managers act as agents who are expected to maximize shareholder wealth. One way to achieve this objective is by improving after-tax income through efficient tax management. When profitability increases, managers may have stronger incentives to maintain firm performance by reducing unnecessary tax burdens through legal tax planning strategies. However, managers must also consider regulatory risks, reputational risks, and potential scrutiny from tax authorities. Therefore, profitable firms may prefer tax planning strategies that are efficient but not excessively aggressive. This result also indicates that profitability does not always encourage companies to pay higher taxes proportionally. In the mining sector, firms with high profitability may have more opportunities to utilize tax planning instruments, such as differences between accounting and fiscal treatment, deductible expenses, depreciation policies, and other legitimate tax mechanisms. Thus, the negative relationship between profitability and GAAP ETR can be interpreted as evidence that profitable companies may be more capable of optimizing tax efficiency. The finding of this study is consistent with Zaenuddin and Thamrin (2023), Aulia et al. (2024), and Wijaya et al. (2025), who found that profitability has a negative and significant relationship with tax avoidance. These findings strengthen the argument that profitability is an important financial factor in explaining corporate tax planning behavior. However, because the direction of the effect differs from the proposed hypothesis, this study shows that the relationship between profitability and tax avoidance in mining companies may depend on how companies manage tax efficiency and respond to fiscal obligations.

The Effect of Sales Growth on Tax Avoidance

The results show that sales growth does not have a significant effect on tax avoidance. This is indicated by the regression coefficient of -0.002 and a significance value of 0.471, which is higher than the 0.05 significance level. Therefore, the second hypothesis, which states that sales growth has a positive effect on tax avoidance, is rejected. This finding suggests that changes in sales do not necessarily influence tax avoidance behavior among mining companies. In general, sales growth reflects the expansion of business activities and the company's ability to increase revenue. However, in the mining sector, higher sales do not always result in higher taxable income. Mining companies often face high production costs, exploration costs, transportation costs, operational expenses, depreciation of heavy equipment, and fluctuations in global commodity prices. These factors may reduce the direct relationship between sales growth and taxable profit. The insignificant effect of sales growth may also occur because tax avoidance decisions are not based solely on revenue growth. Companies may experience an increase in sales, but if operating costs and other expenses also increase, the taxable income may not rise significantly. Therefore, managers may not necessarily adjust their tax planning strategies only because sales increase. In this context, sales growth may be more closely related to operational performance than to tax planning behavior. From the perspective of agency theory, managers are responsible for maintaining business continuity and financial stability. When sales growth occurs, managers may prioritize production efficiency, cost control, market expansion, and operational sustainability rather than immediately engaging in tax avoidance strategies. This is particularly relevant in the mining industry, where business activities are highly dependent on external factors, such as commodity price movements, export demand, government regulations, and production capacity. This result indicates that sales growth is not a strong determinant of tax avoidance in mining companies during the 2022–2024 period. The finding is in line with Sari et al. (2023), Diningrat et al. (2025), and Wijaya et al. (2025), who also found that sales growth does not significantly affect tax avoidance. These studies support the view that sales growth alone is insufficient to explain corporate tax avoidance behavior, especially in industries with complex cost structures such as mining.

The Effect of Fiscal Loss Compensation on Tax Avoidance

The regression results show that fiscal loss compensation has a positive and significant effect on tax avoidance. This is reflected in the regression coefficient of 0.067 and a significance value of 0.038, which is lower than 0.05. Thus, the third hypothesis, which states that fiscal loss compensation has a positive effect on tax avoidance, is supported. Fiscal loss compensation is a tax facility that allows companies to offset fiscal losses from previous periods against taxable income in subsequent years. This mechanism is legally recognized in tax regulations and provides an opportunity for companies to reduce their taxable income during the compensation period. The positive effect found in this study indicates that companies with fiscal loss compensation tend to be more actively involved in tax planning activities. In the context of tax avoidance, fiscal loss compensation can be used as part of a legitimate tax strategy. Companies that have accumulated fiscal losses may utilize this facility to reduce the current tax burden. Although this practice is legal, it may still reflect tax avoidance behavior when companies strategically manage the timing of income recognition, expense recognition, and fiscal reporting to maximize the benefit of loss compensation. Therefore, fiscal loss compensation can function as an instrument that enables companies to optimize their tax obligations. From the perspective of agency theory, managers may use fiscal loss compensation to improve after-tax income and present better financial performance to shareholders. By reducing the tax burden through available fiscal facilities, managers can increase residual income and support the company's financial position. This action may be viewed as consistent with shareholder interests, as long as it remains within the applicable legal framework. However, it also indicates that managerial discretion plays an important role in determining how tax facilities are utilized. In mining companies, fiscal loss compensation is highly relevant because the industry is exposed to high operational costs, large investment requirements, and commodity price volatility. These conditions may cause companies to experience losses in certain periods and profits in others. Therefore, the ability to carry forward fiscal losses becomes an important tool for managing tax obligations across periods. The results of this study suggest that mining companies may use this facility as part of their tax planning strategy. This finding supports Septanta (2023), Zaenuddin and Thamrin (2023), and Cahyani and Lastanti (2025), who found that fiscal loss compensation has a positive effect on tax avoidance. These findings indicate that the use of fiscal loss compensation may increase the tendency of companies to manage their tax burdens more actively. Therefore, tax authorities need to pay attention to the use of fiscal loss compensation to ensure that it is applied in accordance with tax regulations.

The Effect of Firm Size on Tax Avoidance

Firm size has a positive and significant effect on tax avoidance, as shown by the regression coefficient of 0.285 and a significance value of 0.006. Since the significance value is lower than 0.05, the fourth hypothesis, which states that firm size has a positive effect on tax avoidance, is accepted. This finding indicates that larger mining companies tend to have a higher tendency to engage in tax planning activities. Firm size reflects the scale of company operations, total assets, business complexity, and resource capacity. Larger companies generally have more complex organizational structures, broader transactions, and greater financial resources. These characteristics may provide more opportunities for tax planning compared to smaller companies. Large firms usually have access to professional tax consultants, experienced accounting staff, advanced financial reporting systems, and sophisticated internal control mechanisms. These resources enable companies to identify and implement tax planning strategies more effectively. In addition, large companies may have more diverse business transactions, including related-party transactions, asset-intensive operations, financing arrangements, and differences between accounting and tax treatments. These conditions may create opportunities for tax avoidance within the boundaries of tax regulations. Agency theory explains that larger companies may face greater information asymmetry because their operations are more difficult for shareholders to monitor directly. The complexity of large companies gives managers greater discretion in making financial and tax-related decisions. In the mining sector, this discretion may be even stronger because mining companies often operate through large assets, long-term contracts, capital-intensive projects, and complex cost structures. Consequently, managers in larger firms may have more opportunities to design tax strategies that reduce tax burdens and improve after-tax performance. The positive effect of firm size also suggests that larger companies may have stronger incentives to manage taxes because they are subject to larger tax liabilities. The greater the scale of operations, the greater the potential tax burden. Therefore, tax planning becomes an important managerial activity to maintain efficiency and competitiveness. However, large companies also face higher public visibility and regulatory scrutiny, so tax avoidance strategies must be carefully managed to avoid reputational and legal risks. This result is consistent with Hamdayani and Nurhayati (2025) and Andani and Budyastuti (2025), who reported that firm size positively affects tax avoidance. The findings confirm that firm size is an important determinant of tax avoidance, especially in the mining sector, where operational scale and transaction complexity are relatively high.

The Effect of Managerial Ownership on Tax Avoidance

The results show that managerial ownership has a positive and significant effect on tax avoidance, with a regression coefficient of 0.158 and a significance value of 0.003. Because the significance value is lower than 0.05, the fifth hypothesis, which states that managerial ownership has a positive effect on tax avoidance, is supported. This finding indicates that the presence of managerial share ownership may increase the tendency of companies to engage in tax planning. Managerial ownership reflects the proportion of company shares held by management. When managers also act as shareholders, they have a direct financial interest in the company's performance. This condition may encourage managers to make decisions that increase after-tax income and firm value. From the perspective of agency theory, managerial ownership can reduce conflicts between managers and shareholders because managers also bear the consequences of corporate decisions as owners. However, this alignment of interests may also encourage managers to pursue strategies that increase residual income, including tax planning. By reducing tax costs, managers can improve after-tax profit, which may ultimately increase firm value and provide benefits to both shareholders and managers as owners. The positive effect of managerial ownership suggests that managers who own shares may become more motivated to optimize tax efficiency. They may be more attentive to tax burdens because tax payments reduce net income available to shareholders. As a result, managerial ownership may encourage managers to use available tax planning opportunities, provided that the strategies remain within acceptable legal and risk boundaries. In mining companies, managerial ownership may strengthen managerial incentives to improve financial outcomes because the industry requires large capital investment and faces high business risks. Managers who hold shares may seek to maintain profitability and shareholder value by controlling costs, including tax costs. However, this condition also requires strong corporate governance to ensure that tax planning practices do not become too aggressive or expose the company to regulatory and reputational risks. This finding is consistent with Hia and Sadewa (2025) and Diyanti and Patmalasari (2025), who found that managerial ownership has a positive effect on tax avoidance. These results indicate that ownership structure is an important governance factor in explaining corporate tax behavior. Therefore, companies need to balance managerial incentives with effective monitoring mechanisms to ensure that tax planning remains prudent, transparent, and compliant with applicable regulations..

V. CONCLUSION AND RECOMMENDATION

Based on the results of the analysis and discussion, this study concludes that profitability has a negative and significant effect on tax avoidance in mining companies listed on the Indonesia Stock Exchange during the 2022–2024 period. This finding indicates that more profitable mining companies tend to have lower GAAP ETR values. In this context, higher profitability may provide companies with greater capacity to manage their tax obligations more efficiently through professional tax planning, stronger accounting systems, and better internal control mechanisms. However, because the direction of the relationship is negative, the first hypothesis, which states that profitability has a positive effect on tax avoidance, is not supported. Sales growth does not have a significant effect on tax avoidance. This result indicates that changes in sales are not necessarily followed by changes in tax avoidance behavior. In the mining sector, sales growth may not directly increase taxable income because companies often face high production costs, operational expenses, asset depreciation, and commodity price fluctuations. Therefore, sales growth alone is not sufficient to explain tax avoidance practices among mining companies. Fiscal loss compensation has a positive and significant effect on tax avoidance. This finding shows that companies with fiscal loss compensation tend to use available tax facilities as part of their tax planning strategy. Fiscal loss compensation allows companies to offset previous fiscal losses against current taxable income, thereby reducing the tax burden in accordance with applicable tax regulations. This indicates that tax avoidance in mining companies may be influenced by the availability of legitimate fiscal mechanisms. Firm size has a positive and significant effect on tax avoidance. Larger mining companies tend to have more complex operations, greater resources, broader asset structures, and access to professional tax expertise. These characteristics may provide greater opportunities for companies to conduct structured tax planning. Therefore, firm size is an important factor that influences tax avoidance behavior in the mining sector. Managerial ownership also has a positive and significant effect on tax avoidance. This result indicates that when managers hold company shares, they may have stronger incentives to optimize after-tax income and increase firm value. Managerial ownership may align the interests of managers and shareholders, but at the same time it may encourage managers to implement tax planning strategies to reduce tax costs within an acceptable risk level. Overall, this study confirms that tax avoidance in mining companies is influenced by profitability, fiscal loss compensation, firm size, and managerial ownership, while sales growth does not significantly affect tax avoidance. These findings support the relevance of agency theory in explaining corporate tax behavior, particularly in relation to managerial discretion, information asymmetry, and ownership incentives in tax-related decision-making.

Based on the findings, mining companies are encouraged to implement tax planning responsibly and transparently. Although tax avoidance may be conducted within the legal framework, companies should ensure that tax planning practices remain aligned with tax regulations, corporate governance principles, and stakeholder expectations. Excessively aggressive tax strategies may create regulatory, reputational, and sustainability risks for the company. For company management, the findings suggest the importance of strengthening internal control and tax governance mechanisms. Companies should establish clear tax policies, improve documentation of tax planning activities, and ensure that tax decisions are supported by accurate accounting information. This is particularly important for large mining companies and companies with fiscal loss compensation, as these firms may have greater opportunities and incentives to conduct tax planning. For investors, tax avoidance should be considered as one of the factors in evaluating corporate governance and financial transparency. Investors need to pay attention not only to profitability and firm size, but also to how companies manage their tax obligations. Companies that manage taxes efficiently while maintaining compliance may reflect better governance quality than companies that engage in overly aggressive tax avoidance. For tax authorities, the results indicate the need to strengthen monitoring of mining companies, especially firms with large asset bases, fiscal loss compensation, and managerial ownership. Tax authorities should ensure that fiscal loss compensation is used properly and in accordance with tax regulations. In addition, supervision of large mining companies needs to be improved because operational complexity may create more opportunities for tax planning and differences between accounting and fiscal treatment. For policymakers, the findings suggest the importance of improving tax regulations and disclosure requirements related to corporate tax planning. Clearer rules regarding fiscal loss compensation, related-party transactions, and tax reconciliation may help reduce ambiguity and minimize opportunities for aggressive tax avoidance. Strengthening transparency in corporate tax reporting can also support fairer and more effective tax collection. For future researchers, it is recommended to expand the research model by including other variables that may influence tax avoidance, such as leverage, capital intensity, inventory intensity, institutional ownership, independent commissioners, audit quality, corporate governance, financial distress, and corporate social responsibility. These variables may provide a more comprehensive understanding of tax avoidance behavior. Future studies are also encouraged to use different proxies for tax avoidance, such as Cash Effective Tax Rate, Book-Tax Difference, or Current Effective Tax Rate, to compare the consistency of results across different measurements. In addition, future research may extend the observation period or compare mining companies with other sectors to obtain broader and more generalizable findings.

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