


# The Influence of Profitability and Liquidity on Tax Aggressiveness (Empirical Evidence from Manufacturing Companies Listed on the Indonesia Stock Exchange in 2019–2023)

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Article Info	ABSTRACT
<p><b>Keywords:</b> Profitability, Liquidity, Tax Aggressiveness, Manufacturing Companies.</p>	<p>This study aims to examine the effect of profitability and liquidity on tax aggressiveness in food and beverage manufacturing companies listed on the Indonesia Stock Exchange. A quantitative approach was employed using secondary data obtained from the companies' annual financial reports during the observation period. Hypotheses were tested using multiple linear regression analysis with the assistance of EViews software. The findings reveal that profitability has a negative and significant effect on tax aggressiveness, indicating that higher profitability is associated with lower levels of tax aggressiveness. On the other hand, liquidity shows no significant effect on tax aggressiveness. Simultaneously, both profitability and liquidity have a collective influence on tax aggressiveness. These results provide valuable insights for corporate management in developing transparent financial strategies that align with sustainable tax compliance practices, and highlight the importance of internal financial performance in shaping ethical tax behavior.</p>
<p>This is an open access article under the <a href="https://creativecommons.org/licenses/by-nc/4.0/">CC BY-NC</a> license</p> 	<p><b>Corresponding Author:</b> Shilla Febriyanti Study Program of Accounting and Taxation, Applied Bachelor Program, Faculty of Economics and Business, Universitas Pamulang Jl. Raya Puspitek, Buaran, Kec. Pamulang, Kota Tangerang Selatan, Banten 15310 <a href="mailto:shilla.febriyanti@gmail.com">shilla.febriyanti@gmail.com</a></p>

## INTRODUCTION

Tax serves as a significant contribution to national development across various sectors such as education, industry, health, and others. Income tax is one of the key tax components influencing national revenue. Therefore, every citizen, whether an individual or corporate taxpayer, is obliged by tax laws to pay and remit their tax obligations to the state treasury. Corporate taxes are calculated based on information derived from financial statements. Taxation is coercive in nature, as stipulated in Law Number 36 of 2008 concerning Income Tax. However, the regulations created by the government still have weaknesses, which provide loopholes that can be exploited by companies. This divergence of interests between the government and corporations becomes one of the main causes of persistent non-compliance in the tax system. This is supported by Dewi (2021), who states that the

government's objective is to collect tax revenue to fill the state treasury, while companies, as corporate taxpayers, seek to minimize their tax obligations since taxes reduce net income, prompting companies to aim for the lowest possible tax payment.

According to the Tax Justice Network's report titled "The State of Tax Justice 2020: Tax Justice in the Time of Covid-19", Indonesia suffered a loss of USD 4.86 billion or approximately IDR 68.7 trillion due to tax avoidance in 2020. Of this amount, USD 4.78 billion (IDR 67.6 trillion) came from corporate tax avoidance, while USD 78.83 million (IDR 1.1 trillion) came from individual taxpayers (www.kompas.com). The Ministry of Finance had targeted tax revenues of IDR 1,198.82 trillion in 2020. Thus, the estimated tax avoidance was equivalent to 5.7% of the year-end target. Furthermore, when compared to the 2019 actual tax revenue of IDR 1,332 trillion, the tax avoidance figure was estimated at 5.16% (www.pajakku.com).

This data indicates that actual tax revenues fell short of the target, suggesting that many taxpayers still fail to fulfill their obligations, including companies allegedly engaging in tax manipulation. Additionally, several cases of tax aggressiveness have emerged in Indonesia, one of which involves PT Coca Cola Indonesia (CCI). As reported by Kompas.com, PT Coca Cola Indonesia was suspected of engaging in tax avoidance that resulted in a tax underpayment of IDR 49.24 billion. An investigation by the Directorate General of Taxes (DGT), Ministry of Finance, found inflated expenses in the fiscal years 2002, 2003, 2004, and 2006. These expenses reduced taxable income, thereby lowering PT Coca Cola Indonesia's tax liabilities. The inflated expenses came from advertising costs for Coca-Cola products from 2002 to 2006, totaling IDR 556.84 billion. As a result, taxable income decreased. According to the DGT, PT CCI's total taxable income for that period was IDR 603.48 billion, whereas PT CCI reported only IDR 492.59 billion. The discrepancy led the DGT to calculate an income tax shortfall of IDR 49.24 billion.

This phenomenon shows that tax aggressiveness is commonly practiced by large corporations with high profit levels. Therefore, tax aggressiveness can be assessed through profitability and liquidity indicators. Profitability reflects a company's ability to generate profit over a certain period. The higher a company's profitability, the greater its profits and, consequently, its tax obligations. Conversely, lower profitability leads to lower tax obligations (A.T Napitu).

Another indicator that may influence tax aggressiveness is liquidity. Liquidity refers to a company's ability to meet its short-term obligations. Low liquidity suggests that a company may face difficulties in fulfilling its short-term liabilities, leading it to violate tax rules by engaging in tax aggressiveness to conserve cash for pressing obligations (K.D Suyanto).

Research by Calvin & Hanif (2020) indicates a positive relationship between profitability and corporate tax aggressiveness. This positive relationship suggests that more efficient and profitable companies tend to engage more in tax avoidance. In contrast, a study by Mariana Dinar (2020) found a negative relationship between profitability and tax aggressiveness, indicating that higher corporate profits are associated with a lower tendency to engage in tax aggressiveness.

Dewa & Wayan (2021) found that liquidity positively affects tax aggressiveness. Higher liquidity levels may lead companies to prioritize asset retention and operational obligations over tax payments. However, a study by Cendi, Siti, et al. (2022) found no significant influence of liquidity on tax aggressiveness. This is because companies capable of managing their short-term obligations effectively and efficiently, including the ability to quickly convert assets into cash, are less likely to resort to tax aggressiveness.

## METHODS

This study employs a quantitative associative approach aimed at examining the causal relationship between two independent variables, profitability and liquidity, and a dependent variable, tax aggressiveness. The quantitative method is rooted in the positivist paradigm, which emphasizes objective measurement and statistical analysis to test hypotheses (Sugiyono, 2019).

The research population comprises 25 manufacturing companies in the food and beverage sub-sector listed on the Indonesia Stock Exchange (IDX) from 2019 to 2023. The sampling technique used is purposive sampling, based on specific inclusion criteria: (1) companies consistently listed on the IDX throughout 2019–2023, (2) publishing financial statements in Indonesian Rupiah, (3) reporting complete financial data for five consecutive years, and (4) not incurring losses or being identified as statistical outliers during the observation period. After applying these criteria, the final sample consists of 17 companies, yielding a total of 85 firm-year observations.

This study relies on secondary data obtained from official financial statements published on the IDX website ([www.idx.co.id](http://www.idx.co.id)) and individual company portals. Additional information was also collected through literature reviews of previous studies, scholarly articles, and related regulations.

The variables employed in this research are as follows:

1. Tax aggressiveness is the dependent variable, proxied by the Effective Tax Rate (ETR), calculated as income tax expense divided by pre-tax profit.

$$ETR = \left( \frac{\text{Income Tax Expense}}{\text{Earnings Before Tax}} \right) \times 100\%$$

2. Profitability is the first independent variable, proxied by Return on Assets (ROA), calculated as net income after tax divided by total assets.

$$ROA = \left( \frac{\text{Net Income After Tax}}{\text{Total Assets}} \right) \times 100\%$$

3. Liquidity is the second independent variable, measured using the Quick Ratio (QR), calculated as current assets minus inventories, divided by current liabilities.

$$QR = \left( \frac{\text{Current Assets} - \text{Inventories}}{\text{Current Liabilities}} \right) \times 100\%$$

Data analysis was conducted using EViews 12, applying panel data regression techniques. To determine the most suitable estimation model, either Common Effect, Fixed

Effect, or Random Effect, three specification tests were conducted: the Chow test, Hausman test, and Lagrange Multiplier test, following standard procedures for panel data econometrics (Widarjono, 2023).

Before proceeding to hypothesis testing, a series of classical assumption tests were carried out to ensure the validity of the regression model. These included tests for normality (using the Jarque-Bera test), multicollinearity (through correlation matrix analysis), heteroscedasticity (via White's test), and autocorrelation (using the Durbin-Watson statistic). Meeting these assumptions is essential to guarantee unbiased and consistent estimators.

The panel regression model was constructed to test the impact of profitability and liquidity on tax aggressiveness, both individually and simultaneously. The empirical model is expressed as:

$$Y_{it} = \alpha + \beta_1 X_{1it} + \beta_2 X_{2it} + \varepsilon_{it}$$

Where:

$Y_{it}$  = Tax Aggressiveness (ETR) of company  $i$  in year  $t$

$X_{1it}$  = Profitability (ROA)

$X_{2it}$  = Liquidity (Quick Ratio)

$\alpha$  = Intercept

$\beta_1, \beta_2$  = Regression coefficients

$\varepsilon_{it}$  = Error term

To assess the strength and direction of the relationships, t-tests were used for partial effects, while an F-test evaluated the simultaneous significance of both predictors. In addition, the coefficient of determination ( $R^2$  and adjusted  $R^2$ ) was calculated to determine the explanatory power of the model. All results were interpreted at a 5% level of significance, offering statistical insight into the extent to which profitability and liquidity influence corporate tax strategies.

## RESULTS AND DISCUSSION

### Descriptive Statistical Analysis

Descriptive statistical analysis was conducted to provide a preliminary overview of the research variables and to summarize key characteristics of the dataset used in the study. This analysis includes the mean, standard deviation, minimum, and maximum values for each variable observed over the 2019–2023 period among 17 sampled companies in the food and beverage manufacturing sector listed on the Indonesia Stock Exchange.

**Table 1.** Descriptive Statistical Test Results

Date: 07/30/25 Time: 22:05 Sample: 2019 2023			
	Y	X1	X2
Mean	0.226587	0.103788	2.300487
Median	0.219830	0.100741	1.713143
Maximum	0.325356	0.222874	7.309663
Minimum	0.165403	0.015331	0.390596
Std. Dev.	0.032663	0.047804	1.719216
Skewness	0.745070	0.447001	1.253966
Kurtosis	3.726627	2.508995	3.643122
Jarque-Bera Probability	9.734287 0.007695	3.684487 0.158461	23.74097 0.000007
Sum	19.25992	8.821954	195.5414
Sum Sq. Dev.	0.089619	0.191962	248.2790
Observations	85	85	85

The dependent variable, tax aggressiveness, was measured using the Effective Tax Rate (ETR). The descriptive results show that the mean ETR across the sample is 0.2266, indicating that, on average, companies paid approximately 22.66% of their pre-tax income as corporate tax. The standard deviation of 0.0327 suggests a moderate variation in tax aggressiveness practices among firms. The lowest ETR recorded was 0.1654, implying a high level of tax aggressiveness, while the highest ETR reached 0.3254, indicating a lower tendency for aggressive tax behavior.

The profitability variable, measured using Return on Assets (ROA), yielded an average value of 0.1038. This indicates that the companies in the sample generated a return of approximately 10.38% on their total assets. The standard deviation of 0.0478 reflects a considerable spread in profitability across firms. The minimum ROA observed was 0.0153, suggesting a relatively weak profit-generating capacity, while the maximum ROA stood at 0.2229, representing strong profitability performance.

The liquidity variable, proxied by the Quick Ratio (QR), had a mean value of 1.3346, with a standard deviation of 0.5273. This indicates that, on average, the firms held 1.33 times more liquid assets than their short-term liabilities. The lowest QR recorded was 0.4264, which could suggest liquidity concerns, while the highest QR reached 2.8810, showing a very strong ability to meet short-term obligations.

These descriptive findings offer valuable insights into the general financial condition of the sampled firms during the study period. The variations in ETR, ROA, and QR suggest heterogeneity in tax strategies, profitability performance, and liquidity management, thus justifying further inferential analysis using panel data regression to assess the relationships among these variables.

### Panel Data Regression Model

**Table 1.** Common Effect Model (CEM) Test Results

Dependent Variable: Y  
 Method: Panel Least Squares  
 Date: 07/30/25 Time: 00:11  
 Sample: 2019 2023  
 Periods included: 5  
 Cross-sections included: 17  
 Total panel (balanced) observations: 85

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.256830	0.007914	32.45092	0.0000
X1	-0.222529	0.074232	-2.997755	0.0036
X2	-0.003182	0.002071	-1.536833	0.1282

Based on Table 1, the Common Effect Model shows a constant coefficient of 0.256292. The regression coefficient for variable X1, which is Profitability, is -0.222529 with a probability value of 0.0036, while the regression coefficient for variable X2, Liquidity, is -0.003181 with a probability value of 0.1282.

**Table 2.** Fixed Effect Model (FEM) Test Results

Dependent Variable: Y  
 Method: Panel Least Squares  
 Date: 07/30/25 Time: 00:12  
 Sample: 2019 2023  
 Periods included: 5  
 Cross-sections included: 17  
 Total panel (balanced) observations: 85

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.249068	0.013254	18.79146	0.0000
X1	-0.171834	0.114872	-1.495866	0.1395
X2	-0.002090	0.003364	-0.621143	0.5366

Based on Table 2, the Fixed Effect Model shows a constant coefficient of 0.249068. The regression coefficient for variable X1, Profitability, is -0.171834 with a probability value of 0.1395, while the regression coefficient for variable X2, Liquidity, is -0.002090 with a probability value of 0.5366.

**Table 3.** Random Effect Model (REM) Test Results

Dependent Variable: Y  
 Method: Panel EGLS (Cross-section random effects)  
 Date: 07/30/25 Time: 23:25  
 Sample: 2019 2023  
 Periods included: 5  
 Cross-sections included: 17  
 Total panel (balanced) observations: 85  
 Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.253897	0.010295	24.66278	0.0000
X1	-0.200357	0.087698	-2.284616	0.0249
X2	-0.002832	0.002489	-1.137753	0.2585

Based on Table 3, the Random Effect Model shows a constant coefficient of -0.253897. The regression coefficient for variable X1, Profitability, is -0.002832 with a probability value of 0.0036, while the regression coefficient for variable X2, Liquidity, is -0.003181 with a probability value of 0.2585.

#### Panel Data Regression Model Selection

**Table 4.** Chow Test Results

Redundant Fixed Effects Tests			
Equation: Untitled			
Test cross-section fixed effects			
Effects Test	Statistic	d.f.	Prob.
Cross-section F	2.697178	(16,66)	0.0025
Cross-section Chi-square	42.764587	16	0.0003

Based on Table 4, the probability value (Prob) of the Cross-section Chi-Square is 0.0003, which is less than 0.05. This indicates that  $H_0$  is rejected and  $H_1$  is accepted, meaning that the Fixed Effect Model (FEM) is more appropriate. Therefore, the Fixed Effect Model is more suitable for estimating the panel data regression compared to the Common Effect Model.

**Table 5.** Hausman Test Results

Correlated Random Effects - Hausman Test			
Equation: Untitled			
Test cross-section random effects			
Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	0.322575	2	0.8510

Based on the results in Table 5, the Hausman Test shows that the probability value (Prob) of the Cross-section Random is 0.8510, which is greater than 0.05, indicating that  $H_0$  is accepted. Therefore, the Random Effect Model is the appropriate model to use compared to the Fixed Effect Model.

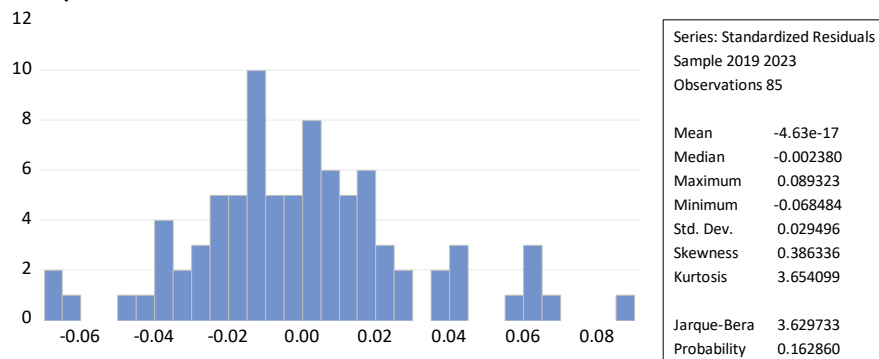
**Table 6.** Lagrange Multiplier (LM) Test Results

Lagrange Multiplier Tests for Random Effects			
Null hypotheses: No effects			
Alternative hypotheses: Two-sided (Breusch-Pagan) and one-sided (all others) alternatives			
	Test Hypothesis		
	Cross-section	Time	Both
Breusch-Pagan	9.793503 (0.0018)	18.40144 (0.0000)	28.19494 (0.0000)
Honda	3.129457 (0.0009)	4.289690 (0.0000)	5.246129 (0.0000)
King-Wu	3.129457 (0.0009)	4.289690 (0.0000)	5.236351 (0.0000)
Standardized Honda	3.694913 (0.0001)	5.023142 (0.0000)	2.559697 (0.0052)
Standardized King-Wu	3.694913 (0.0001)	5.023142 (0.0000)	3.120864 (0.0009)
Gourieroux, et al.	--	--	28.19494 (0.0000)

Based on the results in Table 6, the Lagrange Multiplier Test shows that the Breusch-Pagan value is 0.0018, which is less than 0.05, indicating that the Random Effect Model is more appropriate to use compared to the Common Effect Model.

Based on the results of the Chow Test, the probability value (Prob) of the Cross-section Chi-Square is 0.0003, which is less than 0.05, indicating that the most appropriate model is the Fixed Effect Model. Then, the Hausman Test shows a probability value (Prob) of the Cross-section Random of 0.8510, which is greater than 0.05, indicating that the Random Effect Model is the appropriate model. However, in the Lagrange Multiplier Test, the Cross-section Breusch-Pagan value is 0.0018, which is less than 0.05, thus it can be concluded that the Random Effect Model is the most suitable model to be used.

### Classical Assumption Test



**Figure 1.** Normality Test

Based on the results in Graph 1, the normality test shows that the Jarque-Bera value is 3.629733 with a p-value of 0.162860, which is greater than 0.05. This indicates that the residuals are normally distributed.

**Table 7.** Multicollinearity Test Results

	X1	X2
X1	1.000000	0.454996
X2	0.454996	1.000000

Based on the test results in Table 4.13, the values for each independent variable are all below 0.80. This indicates that the model does not exhibit multicollinearity, and therefore, the regression model is considered appropriate for use as it is free from multicollinearity issues.

**Table 8.** Heteroscedasticity Test

Heteroskedasticity Test: Glejser			
Null hypothesis: Homoskedasticity			
F-statistic	2.368131	Prob. F(2,87)	0.0997
Obs*R-squared	4.646619	Prob. Chi-Square(2)	0.0979
Scaled explained SS	5.032436	Prob. Chi-Square(2)	0.0808

The result of the test shows a p-value indicated by the Prob. Chi-Square of 0.0979. Since  $0.0979 > 0.05$ , it means that the regression model exhibits homoskedasticity, or in other words, there is no heteroskedasticity problem. Therefore, it can be concluded that the regression model in this study is homoskedastic and does not suffer from heteroskedasticity issues.

### Hypothesis Testing

**Table 9.** Results of Multiple Linear Regression Analysis of Panel Data

Dependent Variable: Y				
Method: Panel EGLS (Cross-section random effects)				
Date: 07/30/25 Time: 00:13				
Sample: 2019 2023				
Periods included: 5				
Cross-sections included: 17				
Total panel (balanced) observations: 85				
Swamy and Arora estimator of component variances				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.254373	0.010209	24.91709	0.0000
X1	-0.205423	0.087171	-2.356567	0.0208
X2	-0.002884	0.002473	-1.166222	0.2469

Based on the results presented in Table 9, the panel data multiple linear regression test reveals that the constant coefficient ( $\alpha$ ) is 0.254373, the regression coefficient for variable X1 (Profitability) is -0.205423, and the coefficient for variable X2 (Liquidity) is -0.002884. Based on these regression coefficients, the following regression equation is obtained:

$$Y = 0.254373 - 0.205423X_1 - 0.002884X_2$$

From the regression equation above, the following interpretations can be made:

1. The constant value of 0.254373 indicates that if both independent variables, Profitability and Liquidity, are equal to zero, the level of Tax Aggressiveness will be 0.254373 units.
2. The regression coefficient for Profitability ( $X_1$ ) is -0.205423. This negative value suggests that for every one-unit increase in profitability, assuming other variables remain constant, tax aggressiveness is expected to decrease by 0.205423 units.
3. The regression coefficient for Liquidity ( $X_2$ ) is -0.002884. This also carries a negative sign, indicating that for every one-unit increase in liquidity, assuming other variables remain constant, tax aggressiveness is expected to decrease by 0.002884 units.

**Table 10.** Correlation Coefficient

Weighted Statistics			
R-squared	0.108322	Mean dependent var	0.129701
Adjusted R-squared	0.086573	S.D. dependent var	0.026795
S.E. of regression	0.025609	Sum squared resid	0.053778
F-statistic	4.980699	Durbin-Watson stat	1.670174
Prob(F-statistic)	0.009089		

Based on Table 10, the R-squared value obtained is 0.108322, indicating that profitability and liquidity collectively explain only 10.83% of the variation in tax aggressiveness among food and beverage sector companies listed on the Indonesia Stock Exchange during the 2019–2023 period. This implies that the remaining 89.17% is influenced by other factors not examined in this study.

Based on the results in Table 10, the coefficient of determination test shows that the Adjusted R-Squared value is 0.086573, which means that the independent variables (Profitability and Liquidity) explain 8% of the variation in the dependent variable (Tax Aggressiveness), while the remaining 92% is influenced by other variables not included in this study.

### Partial Test (t-Test)

Based on Table 9, the calculated t-value is -0.205423, which is less than 1.664, and the significance value is 0.0208, which is below 0.05. This indicates that the profitability variable has a significant effect on tax aggressiveness. Therefore, the first hypothesis (H1) is accepted. These results show that profitability has a negative and significant influence on tax aggressiveness among food and beverage companies listed on the Indonesia Stock Exchange during the 2019–2023 period. This implies that the higher a company's profitability, the lower its level of tax aggressiveness. Conversely, the lower the profitability, the greater the tendency for the company to engage in aggressive tax behavior.

Based on Table 9, the calculated t-value is -0.002884, which is less than 1.664, and the significance value is 0.2469, which is greater than 0.05. This indicates that the liquidity variable does not have a significant effect on tax aggressiveness. Therefore, the second hypothesis (H2) is rejected. These findings suggest that liquidity does not influence tax aggressiveness among food and beverage companies listed on the Indonesia Stock Exchange

during the 2019–2023 period. This means that companies with a strong ability to meet their short-term obligations are neither more nor less aggressive in managing their taxes compared to companies with lower liquidity.

### **Simultaneous Test (F Test)**

Based on the results presented in Table 10, the simultaneous test (F-test) reveals that the calculated F-value is 4.980699 with a significance level of 0.009089. Prior to interpreting the outcome, the F-table value was determined by calculating the degrees of freedom, where  $df_1$  (numerator) equals 2 and  $df_2$  (denominator) equals 82. At a significance level of 0.05, the corresponding F-table value is 3.10. Given that the F-calculated exceeds the F-table value ( $4.980699 > 3.10$ ) and the p-value is lower than the threshold of 0.05 ( $0.009089 < 0.05$ ), it can be concluded that the regression model is statistically significant.

This result confirms that the third hypothesis (H3) is accepted, meaning that profitability and liquidity jointly exert a significant influence on tax aggressiveness. In other words, when considered simultaneously, these two financial indicators have the capacity to explain variations in tax aggressiveness among food and beverage companies listed on the Indonesia Stock Exchange during the 2019–2023 period. This suggests that internal financial performance factors, particularly profitability and liquidity, should not be overlooked when analyzing corporate tax behavior.

## **Discussion**

### **The Effect of Profitability on Tax Aggressiveness**

As shown in Table 4.19, the t-value for the profitability variable is -0.205423, which is less than the t-table value of 1.664, and the significance level is 0.0208, which is lower than the 0.05 threshold. This indicates that profitability has a negative and significant effect on tax aggressiveness among food and beverage companies listed on the Indonesia Stock Exchange for the period 2019–2023. Thus, the first hypothesis (H1) is accepted.

This finding is consistent with the research conducted by Muhammad Hidayatullah et al. (2023), which also demonstrated that profitability significantly influences tax aggressiveness. It suggests that companies with higher profitability tend to reduce their tax burdens by utilizing legal loopholes through aggressive tax planning strategies. These strategies are often employed to maintain net income stability and deliver optimal returns to shareholders.

From the perspective of agency theory, this behavior aligns with the notion that managers (agents) are motivated to maximize the welfare of the owners (principals), including minimizing tax expenses in a lawful manner. Companies with high earnings will often attempt to preserve their net income, partly by avoiding taxes through legally accepted methods.

This study confirms that profitability encourages firms to engage in tax aggressiveness. As profitability increases, so does the incentive to exploit tax regulations to reduce tax liability. Therefore, it can be concluded that profitability positively influences tax aggressiveness among companies in the food and beverage sector listed on the IDX during the 2019–2023 period.

### **The Effect of Liquidity on Tax Aggressiveness**

Table 4.19 shows that the t-value for the liquidity variable is -0.002884, which is lower than the t-table value of 1.664, while the significance level is 0.2469, which exceeds 0.05. This result indicates that liquidity does not significantly affect tax aggressiveness, thus the second hypothesis (H2) is rejected.

This result is in line with the findings of Cendi et al. (2022), and the differences found in previous studies may stem from variations in industry sectors, research periods, or measurement methods used. In the context of this study, which focuses on manufacturing companies in the food and beverage sector, liquidity does not appear to be a key consideration in tax avoidance strategies. This reinforces the idea that the relationship between liquidity and tax aggressiveness is context-dependent and may vary across different industries.

According to agency theory, the relationship between the principal (owner) and the agent (manager) often involves a conflict of interest. While the principal aims to maximize profit, the manager holds more operational knowledge, which may lead to opportunistic actions, such as engaging in tax aggressiveness to portray strong financial performance.

A high level of liquidity can provide managers with greater flexibility to use company funds, including engaging in tax avoidance practices that, although not illegal, may still carry reputational or regulatory risk. By pursuing aggressive tax strategies, managers seek to meet shareholders' performance expectations while preserving short-term financial stability.

### **The Effect of Profitability and Liquidity on Tax Aggressiveness**

As shown in Table 4.20, the F-value obtained from the simultaneous test is 4.980699, which exceeds the F-table value of 3.10, and the significance level is 0.009089, which is below the 0.05 threshold. With  $df_1 = 2$  and  $df_2 = 82$ , these results confirm that profitability and liquidity jointly have a significant effect on tax aggressiveness, and thus the third hypothesis (H3) is accepted.

These findings indicate that a company's internal financial conditions play an important role in influencing tax aggressiveness. High profitability provides incentives for companies to maintain optimal net income by legally reducing tax burdens through tax planning and avoidance. On the other hand, strong liquidity allows companies to allocate financial resources toward implementing tax minimization strategies, such as hiring tax consultants, employing transfer pricing schemes, or restructuring revenue streams.

The results of this study are consistent with those of Cendi & Siti et al. (2022), who concluded that profitability influences tax aggressiveness. Additionally, the findings align with Calvin & Hanif (2020), who found that liquidity also plays a role in corporate tax behavior. Within the framework of agency theory, this behavior can be understood as a manifestation of the conflict between principals and agents. Managers, as agents, are driven to enhance company value and financial performance in the eyes of shareholders. Therefore, when firms are in a strong financial position—with high profitability and liquidity—managers have more resources and motivation to implement aggressive tax strategies as a cost-efficiency measure.

## CONCLUSION

This study aimed to examine the influence of profitability and liquidity on tax aggressiveness among manufacturing companies in the food and beverage sector listed on the Indonesia Stock Exchange. Using panel data and analysis through E-Views software, the findings revealed that profitability has a significant negative effect on tax aggressiveness, while liquidity has no significant effect. However, both variables together were found to influence tax aggressiveness simultaneously. The study faced several limitations. The research sample was limited to a specific industrial sub-sector, with only a portion of available companies meeting the sampling criteria. Furthermore, the presence of outlier data reduced the number of observations. The study also only included two independent variables, which may not sufficiently explain variations in tax aggressiveness, as indicated by the relatively low coefficient of determination. Based on these findings, it is recommended that companies consider the impact of profitability and liquidity when planning tax strategies. Future researchers are encouraged to expand the scope of variables studied, use alternative proxies, and design simpler measurement criteria to minimize data exclusions. Broader and more diverse samples, along with the inclusion of additional financial and non-financial indicators, may enhance the understanding of what drives corporate tax behavior in various industry sectors.

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