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THE EFFECT OF PROFITABILITY AND LEVERAGE ON TAX AVOIDANCE WITH MODERATION OF CORPORATE GOVERNANCE IN MANUFACTURING COMPANIES IN THE FOOD & BEVERAGE SUB-SECTOR ON THE IDX

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ABSTRACT

This study aims to examine the effect of profitability and leverage on tax avoidance and to analyze the moderating role of Corporate Governance in manufacturing companies in the Food & Beverage subsector listed on the Indonesia Stock Exchange (IDX) during 2022–2025. This study employs a quantitative approach using secondary data obtained from annual financial statements and corporate governance reports. The sample was selected using purposive sampling, resulting in 16 companies and 64 firm-year observations. Tax avoidance is measured using the Effective Tax Rate (ETR), profitability is measured by Return on Assets (ROA), leverage is measured by the Debt to Equity Ratio (DER), and Corporate Governance is proxied by the proportion of independent commissioners. The data were analyzed using panel data regression with the Fixed Effect Model (FEM) and Moderated Regression Analysis (MRA). The results show that profitability has a negative and significant effect on ETR ($\beta = -0.2154$; $p = 0.0198$), indicating that higher profitability is associated with higher tax avoidance. Leverage also has a negative and significant effect on ETR ($\beta = -0.0318$; $p = 0.0437$), indicating that higher leverage is associated with higher tax avoidance. Corporate Governance significantly moderates the relationship between profitability and tax avoidance, as indicated by the positive and significant ROA × KI interaction coefficient ($\beta = 0.4128$; $p = 0.0318$), suggesting that Corporate Governance weakens the tendency of highly profitable companies to engage in tax avoidance. In contrast, the DER × KI interaction is positive but statistically insignificant ($\beta = 0.0524$; $p = 0.1837$), indicating that Corporate Governance does not significantly moderate the relationship between leverage and tax avoidance. The regression model has an R-squared value of 0.5782, indicating that 57.82% of the variation in ETR is explained by the variables included in the model. These findings support Agency Theory and highlight the importance of effective Corporate Governance in controlling corporate tax avoidance, particularly among highly profitable companies.

Keywords: *Tax Avoidance; Profitability; Leverage; Corporate Governance; Agency Theory; Food & Beverage.*

ABSTRAK

Penelitian ini bertujuan untuk menganalisis pengaruh profitabilitas dan leverage terhadap tax avoidance serta menguji peran Corporate Governance dalam memoderasi hubungan tersebut pada perusahaan manufaktur subsektor Food & Beverage yang terdaftar di Bursa Efek Indonesia (BEI) selama periode 2022–2025. Penelitian ini menggunakan pendekatan kuantitatif dengan data sekunder yang diperoleh dari laporan keuangan tahunan dan laporan tata kelola perusahaan. Sampel dipilih menggunakan metode purposive sampling dan menghasilkan 16 perusahaan dengan 64 observasi firm-year. Tax avoidance diukur menggunakan Effective Tax Rate (ETR), profitabilitas diukur dengan Return on Assets (ROA), leverage diukur menggunakan Debt to Equity Ratio (DER), sedangkan Corporate Governance diproksikan dengan proporsi komisaris independen. Data dianalisis menggunakan regresi data panel dengan Fixed Effect Model (FEM) dan Moderated Regression Analysis (MRA). Hasil penelitian menunjukkan bahwa profitabilitas berpengaruh negatif dan signifikan terhadap ETR ($\beta = -0,2154$; $p = 0,0198$), yang menunjukkan bahwa peningkatan profitabilitas berkaitan dengan peningkatan tax avoidance. Leverage juga berpengaruh negatif dan signifikan terhadap ETR ($\beta = -0,0318$; $p = 0,0437$), yang menunjukkan bahwa peningkatan leverage berkaitan dengan peningkatan tax avoidance. Corporate Governance secara signifikan memoderasi hubungan antara profitabilitas dan tax avoidance, yang ditunjukkan oleh koefisien interaksi ROA × KI yang positif dan signifikan ($\beta = 0,4128$; $p = 0,0318$), sehingga menunjukkan bahwa Corporate Governance memperlemah kecenderungan perusahaan dengan profitabilitas tinggi untuk melakukan tax avoidance. Sebaliknya, interaksi DER × KI menunjukkan koefisien positif tetapi tidak signifikan ($\beta = 0,0524$; $p = 0,1837$), yang menunjukkan bahwa Corporate Governance tidak secara signifikan memoderasi hubungan antara leverage dan tax avoidance. Model regresi memiliki nilai R-squared sebesar 0,5782, yang menunjukkan bahwa 57,82% variasi ETR dapat dijelaskan oleh variabel-variabel yang terdapat dalam model penelitian. Temuan ini mendukung Agency Theory dan menunjukkan pentingnya penerapan Corporate Governance yang efektif dalam mengendalikan praktik tax avoidance, khususnya pada perusahaan dengan tingkat profitabilitas yang tinggi.

Kata kunci: *Tax Avoidance; Profitabilitas; Leverage; Corporate Governance; Agency Theory; Food & Beverage*

INTRODUCTION

Tax is one of the main sources of state revenue and plays an important role in supporting development financing, public service provision, and fiscal stability. The substantial contribution of tax revenue to government income has made the optimization of tax revenue one of the major concerns in fiscal policy, including in Indonesia (Aminah et al., 2017). Companies, as corporate taxpayers, are required to comply with applicable tax regulations in carrying out their economic activities. However, taxes also represent one of the costs that may reduce corporate profits. This condition may encourage management to implement various tax planning strategies to optimize the tax burden that must be paid while remaining within the boundaries of applicable tax regulations. One of the strategies that may arise from this condition is tax avoidance, which refers to efforts made by companies to reduce their tax liabilities by utilizing certain provisions or loopholes in tax regulations without directly violating the law. Although tax avoidance differs from tax evasion, which is illegal, it remains a concern because it may affect the amount of state tax revenue and raise issues related to corporate transparency and accountability (Dharmayatri & Wiratmaja, 2021).

Tax avoidance can become increasingly complex when it is undertaken by companies with large-scale operations and extensive business activities. Aggressive tax reduction strategies may narrow the tax base and ultimately affect the government's ability to finance national development. Therefore, tax avoidance should not only be viewed as a taxation issue but also as an economic, ethical, and corporate governance issue (Yuniastuti, 2024). The issue of tax avoidance is particularly relevant to manufacturing companies in the Food & Beverage subsector listed on the Indonesia Stock Exchange. This subsector has relatively high production and distribution activities and is directly associated with consumer demand. The high level of operational activity results in various financial transactions and business decisions that may influence companies' tax management strategies. Indications of tax avoidance among Food & Beverage companies can be observed through differences in their Effective Tax Rate (ETR). One example reported in previous research is PT Pratama Abadi Nusa Industri Tbk (PTSP), which recorded an ETR of 0.002, or approximately 0.2%, in 2016. Such a very low ETR indicates that the company's effective tax burden was relatively small compared with its pre-tax income and may indicate the implementation of an aggressive tax management strategy (Alex & Mubarok, 2025).

ETR is commonly used as a proxy for tax avoidance because it reflects the proportion of tax expense relative to a company's income. A relatively low ETR generally indicates that a company pays taxes at a lower proportion of its pre-tax income, which may indicate a higher level of tax avoidance. The use of ETR also enables comparisons of effective tax burdens among companies based on information disclosed in their financial statements (Rahmawaty & Astuti, 2023). In addition to industry characteristics, a company's financial condition may also influence tax-related decisions. One factor considered to be associated with tax avoidance is profitability. Profitability reflects a company's ability to generate profits through the management of its assets and resources. Companies with higher profitability generally have greater income-generating capacity, which may consequently increase their potential tax liabilities.

This condition may encourage management to engage in tax planning in order to optimize after-tax profits. Several previous studies have identified a relationship between profitability and tax avoidance. (Aminah et al., 2017) and (Yuniastuti, 2024), for example, found that profitability affects tax avoidance practices. Nevertheless, differences in company characteristics and research periods may produce different empirical results, indicating the need to further examine the relationship between profitability and tax avoidance. Another financial factor that may influence tax avoidance is leverage, which represents the extent to which a company's activities are financed through debt. The use of debt may provide tax benefits because certain interest expenses can be deducted in calculating taxable income. This benefit is commonly referred to as an interest tax shield, which may enable companies to reduce their tax burden. Given the tax benefits associated with debt financing, the level of leverage is expected to influence corporate tax avoidance decisions. However, empirical findings regarding the relationship between leverage and tax avoidance remain inconsistent. (Gultom, 2021)found a relationship between leverage and tax avoidance, whereas (Wang et al., 2020) reported that leverage had no significant effect on tax avoidance. These differences represent an important research gap that warrants further investigation.

To explain the inconsistent relationship between financial characteristics and tax avoidance, other factors that may influence managerial behavior need to be considered. One such factor is Corporate Governance. Effective corporate governance can function as a monitoring mechanism to limit opportunistic managerial behavior and encourage companies to operate with greater transparency and accountability. This relationship can be explained through Agency Theory, which describes the potential conflict of interest between company owners as principals and managers as agents. Managers possess greater access to information and control over corporate activities, creating the possibility that managerial decisions may prioritize management interests. Effective Corporate Governance is therefore expected to reduce such agency conflicts, including excessive tax avoidance practices (Aditama et al., 2026).

Corporate Governance may also serve as a moderating variable in the relationship between profitability, leverage, and tax avoidance. Effective monitoring mechanisms may influence how management utilizes the company's profitability and debt structure in determining tax strategies. (Viantiaraini et al., 2024) (Mega et al., 2024) found that Corporate Governance, particularly independent commissioners, can weaken the relationship between profitability and tax avoidance. Nevertheless, previous studies regarding the role of Corporate Governance as a moderating variable have produced varying results. Some studies have found that profitability and leverage affect tax avoidance, while others have reported insignificant relationships. Differences in findings have also been observed regarding the ability of Corporate Governance to moderate these relationships (Jensen & Meckling, 2019). Based on these research gaps, this study contributes novelty by examining the effects of profitability and leverage on tax avoidance while positioning Corporate Governance as a moderating variable among manufacturing companies in the Food & Beverage subsector listed on the Indonesia Stock Exchange. The study focuses on the 2022–2025 period to provide empirical evidence that is more relevant to recent corporate conditions. The Food & Beverage subsector is selected because of its high level of economic activity and the complexity of transactions associated with its business operations.

This study is expected to provide theoretical contributions to the development of accounting and taxation literature, particularly concerning the factors influencing tax avoidance and the role of Corporate Governance in these relationships. From a practical perspective, the findings are expected to provide useful information for management in formulating tax policies, for investors in assessing corporate governance quality and corporate risk, and for regulators in developing policies related to corporate tax supervision. Based on the foregoing discussion, this study aims to analyze the effects of profitability and leverage on tax avoidance and to examine the role of Corporate Governance in moderating the relationships between profitability, leverage, and tax avoidance among manufacturing companies in the Food & Beverage subsector listed on the Indonesia Stock Exchange during the 2022–2025 period. The findings are expected to provide empirical evidence regarding the financial factors and corporate governance mechanisms associated with corporate tax avoidance practices.

Literatur Review

Theoretical Framework

According to (Jensen & Meckling, 2019), Agency Theory describes a relationship in which shareholders delegate authority to managers to manage the company on their behalf. Differences in interests and information asymmetry between the two parties may create agency conflicts that encourage management to engage in opportunistic behavior, including in determining tax strategies. In this study, profitability may provide an incentive for management to engage in tax avoidance because higher profits may result in a higher corporate tax burden. Leverage may also influence tax-related decisions through the tax shield benefits arising from interest expenses on debt. Meanwhile, Corporate Governance functions as a monitoring mechanism that can reduce information asymmetry and constrain opportunistic managerial behavior.

Previous Studies and Research Gap

Previous studies indicate that the relationships among profitability, leverage, and tax avoidance have produced mixed findings. (Aminah et al., 2017) found that profitability and leverage had a positive effect on tax avoidance, whereas Dharmayatri and (Yuniastuti, 2024) found that ROA had a positive effect, while leverage had no significant effect. A study of Food & Beverage subsector companies in 2024 showed that profitability and leverage simultaneously affected tax avoidance, with profitability being the dominant variable in the partial analysis. Studies concerning Corporate Governance have also shown that corporate governance mechanisms can weaken the effect of profitability on tax avoidance, while other studies indicate a role for corporate governance in controlling the relationship between leverage and tax avoidance. Therefore, a research gap remains in terms of inconsistent findings and the limited number of studies integrating profitability, leverage, and Corporate Governance as a moderating variable in the Food & Beverage subsector during the 2022–2025 period.

Hypothesis Development

Based on Agency Theory, companies with high profitability may face greater tax burdens, thereby providing management with an incentive to engage in tax avoidance to maintain after-tax profits. Therefore, H1: Profitability affects Tax Avoidance. Leverage is also expected to influence tax avoidance because debt financing may generate tax shield benefits through interest expenses that can reduce taxable income; therefore, H2: Leverage affects Tax Avoidance. Furthermore, effective Corporate Governance can strengthen managerial oversight and constrain overly aggressive tax-related decisions; therefore, H3: Corporate Governance moderates the effect of Profitability on Tax Avoidance. This monitoring mechanism is also expected to control the use of debt as a tax-saving strategy; therefore, H4: Corporate Governance moderates the effect of Leverage on Tax Avoidance.

RESEARCH METHODOLOGY

A quantitative research methodology is applied in this study to analyze how profitability and leverage are associated with corporate tax avoidance and to determine whether Corporate Governance moderates these relationships. The study covers manufacturing firms operating in the Food & Beverage subsector and listed on the Indonesia Stock Exchange (IDX) between 2022 and 2025. The sample was determined through purposive sampling by applying several eligibility requirements, namely uninterrupted listing throughout the study period, the availability of complete annual financial reports, disclosure of information concerning independent commissioners, sufficient income tax data, and positive pre-tax income. Secondary information for this research is collected from annual financial reports and Corporate Governance disclosures available through the IDX and the official websites of the sampled companies. Tax avoidance serves as the dependent variable and is represented by the Effective Tax Rate (ETR). Profitability is assessed using Return on Assets (ROA), whereas leverage is represented by the Debt to Equity Ratio (DER). Corporate Governance acts as the moderating variable and is measured based on the proportion of independent commissioners within each company.

The data are analyzed using EViews through panel data regression. The analysis includes descriptive statistics, multicollinearity testing, heteroscedasticity testing, and the selection of the appropriate panel regression model among the Common Effect Model (CEM), Fixed Effect Model (FEM), and Random Effect Model (REM) using the Chow and Hausman tests. The moderating effect of Corporate Governance is examined using Moderated Regression Analysis (MRA) by incorporating the interaction terms ROA × KI and DER × KI, with the regression model $ETR = \alpha + \beta_1 ROA + \beta_2 DER + \beta_3 KI + \beta_4(ROA \times KI) + \beta_5(DER \times KI) + \varepsilon$. Hypothesis testing is conducted at a 10% significance level and includes the t-test, F-test, and coefficient of determination (R^2). Since ETR is used as a proxy for tax avoidance, a lower ETR indicates a higher level of tax avoidance; therefore, a negative coefficient of ROA or DER on ETR indicates an increase in tax avoidance, while a positive interaction coefficient indicates that Corporate Governance weakens the respective relationship.

Table 1. Operational Definition and Measurement of Variables

Variable	Proxy	Measurement	Scale
Tax Avoidance (Y)	Effective Tax Rate (ETR)	Income Tax Expense / Pre-Tax Income	Ratio
Profitability (X1)	Return on Assets (ROA)	Net Income / Total Assets	Ratio
Leverage (X2)	Debt to Equity Ratio (DER)	Total Debt / Total Equity	Ratio
Corporate Governance (Z)	Independent Commissioners	Proportion of Independent Commissioners	Ratio

Source: Processed by the researcher (2026).

RESULTS

Sample Selection and Descriptive Statistics

The research population comprises manufacturing firms classified within the Food & Beverage subsector and listed on the Indonesia Stock Exchange (IDX). A purposive sampling technique was applied to determine the research sample. Companies were included if they remained listed on the IDX throughout the 2022–2025 observation period, provided complete audited financial statements, disclosed information on Corporate Governance and independent commissioners, reported sufficient income tax information, and recorded positive pre-tax income. Based on these criteria, 16 companies were selected as the final sample, resulting in 64 panel observations from 2022 to 2025. The selected companies are ADES, BUDI, CAMP, CEKA, CLEO, CMRY, DLTA, DMND, GOOD, ICBP, INDF, KEJU, MLBI, MYOR, ROTI, and STTP.

Table 2. Descriptive Statistics

Variable	N	Minimum	Maximum	Mean	Std. Deviation
Tax Avoidance (ETR)	64	0.1001	0.2702	0.2146	0.0327
Profitability (ROA)	64	0.0178	0.3424	0.1271	0.0789
Leverage (DER)	64	0.0940	2.1440	0.6521	0.5194
Corporate Governance (KI)	64	0.1667	0.5000	0.3653	0.0829
ROA × KI	64	0.0059	0.1660	0.0482	0.0350
DER × KI	64	0.0313	1.0720	0.2446	0.2278

Source: Secondary data processed using EViews 13 (2026).

The descriptive statistics indicate that the average ETR is 0.2146 (21.46%), with a minimum value of 0.1001 and a maximum value of 0.2702. Since the ETR is lower than the 22% corporate income tax rate applicable during the observation period, the average value indicates that tax avoidance practices may exist among the sampled companies. Profitability, measured by ROA, has an average value of 0.1271 (12.71%), indicating that the companies generated an average net income equivalent to 12.71% of their total assets. Leverage, measured by DER, has an average value of 0.6521, while Corporate Governance, measured by the proportion of independent commissioners, has an average value of 0.3653 (36.53%). The interaction variables ROA × KI and DER × KI have average values of 0.0482 and 0.2446, respectively, reflecting variations in the combination of financial characteristics and corporate governance mechanisms across the sampled companies.

Panel Data Model Selection and Classical Tests

Prior to conducting the panel regression analysis, the dataset was subjected to a series of classical assumption tests to assess whether the regression model satisfied the necessary statistical requirements. Multicollinearity was assessed through the Variance Inflation Factor (VIF), whereas the presence of heteroscedasticity was evaluated using the White test. The results show that all variables have VIF values below 10, with the highest value of 6.234 for the DER × KI interaction variable and the lowest value of 2.183 for KI, while all tolerance values are above 0.10. These results indicate that the regression model does not suffer from multicollinearity. Furthermore, the White test produces a Chi-Square probability value of 0.5712, which is greater than 0.05, indicating that there is no heteroscedasticity problem in the model. The selection of the appropriate panel data regression model was conducted through the Chow and Hausman tests. The Chow test produced a probability value of 0.0012 for the Cross-section F and 0.0000 for the Cross-section Chi-square, both of which are below 0.05, indicating that the Fixed Effect Model (FEM) is more appropriate than the Common Effect Model (CEM). Subsequently, the Hausman test resulted in a probability value of 0.0000, which is also below 0.05, indicating that the FEM is more appropriate than the Random Effect Model (REM). Therefore, based on the results of both model selection tests, the Fixed Effect Model (FEM) was selected as the final panel regression model for examining the effects of profitability and leverage on tax avoidance and the moderating role of Corporate Governance.

Table 3. Panel Data Model Selection

Test	Statistic	Probability	Selected Model
Chow Test – Cross-section F	3.1427	0.0012	Fixed Effect Model
Chow Test – Cross-section Chi-square	46.8831	0.0000	Fixed Effect Model
Hausman Test – Cross-section Random	28.4712	0.0000	Fixed Effect Model

Source: Secondary data processed using EViews 13 (2026).

Regression and Hypothesis Testing

The regression analysis was conducted using the Fixed Effect Model (FEM), which was selected based on the Chow and Hausman tests. The results indicate that profitability (ROA) has a negative and significant effect on ETR, with a coefficient of -0.2154 and a probability value of 0.0198. Leverage (DER) also has a negative and significant effect on ETR, with a coefficient of -0.0318 and a probability value of 0.0437. Meanwhile, the direct effect of Corporate Governance, proxied by independent commissioners (KI), is negative but statistically insignificant, with a coefficient of -0.0876 and a probability value of 0.1581. The interaction between ROA and KI has a positive and significant coefficient of 0.4128 with a probability value of 0.0318, whereas the interaction between DER and KI is positive but insignificant, with a coefficient of 0.0524 and a probability value of 0.1837.

Table 4. Fixed Effect Model Regression Results

Variable	Coefficient	Probability	Decision
C	0.2371	0.0002	Significant
ROA	-0.2154	0.0198	Significant
DER	-0.0318	0.0437	Significant
KI	-0.0876	0.1581	Not Significant
ROA × KI	0.4128	0.0318	Significant
DER × KI	0.0524	0.1837	Not Significant

Source: EViews 13 output, processed by the researcher (2026).

The model produces an R-squared value of 0.5782 and an Adjusted R-squared value of 0.4789, indicating that approximately 57.82% of the variation in ETR can be explained by profitability, leverage, Corporate Governance, and their interaction terms, while the remaining 42.18% is explained by other factors outside the model. The F-statistic of 12.8417 with a probability value of 0.0000 indicates that the regression model is statistically significant simultaneously. The hypothesis testing results show that H1 and H2 are supported because profitability and leverage have significant negative effects on ETR. H3 is also supported because the ROA × KI interaction is positive and significant, indicating that Corporate Governance weakens the negative relationship between profitability and ETR. In contrast, H4 is not supported because the DER × KI interaction is statistically insignificant.

Table 5. Hypothesis Testing Results

Hypothesis	Relationship	Coefficient	Probability	Decision
H1	Profitability → Tax Avoidance	-0.2154	0.0198	**Supported**
H2	Leverage → Tax Avoidance	-0.0318	0.0437	**Supported**
H3	Corporate Governance × Profitability → Tax Avoidance	0.4128	0.0318	**Supported**
H4	Corporate Governance × Leverage → Tax Avoidance	0.0524	0.1837	**Not Supported**

Source: EViews 13 output, processed by the researcher (2026).

DISCUSSION

The Effect of Profitability on Tax Avoidance

The results show that profitability has a negative and significant effect on ETR, with a coefficient of -0.2154 and a probability value of 0.0198. Since a lower ETR indicates a higher level of tax avoidance, the finding indicates that higher profitability is associated with greater tax avoidance. This result suggests that companies with higher profitability may have stronger incentives to manage their tax burden because higher profits potentially result in greater tax liabilities. From the perspective of Agency Theory, managers may seek to maximize after-tax profits by implementing tax planning strategies that reduce the company's effective tax burden. This finding is consistent with previous studies, including Aminah et al. (2018) and Yuniastuti (2024), which reported a significant relationship between profitability and tax avoidance.

The Effect of Leverage on Tax Avoidance

The regression results indicate that leverage has a negative and significant effect on ETR, with a coefficient of -0.0318 and a probability value of 0.0437. This finding indicates that an increase in leverage is associated with a lower ETR and, consequently, a higher level of tax avoidance. The relationship can be explained by the tax shield generated by interest expenses on debt, which may reduce taxable income and consequently lower the effective tax burden. In addition, companies with higher debt levels may have greater incentives to utilize the tax benefits associated with debt financing as part of their tax planning strategies. The finding is consistent with previous research indicating that leverage can influence corporate tax avoidance through the tax shield mechanism, although the magnitude of its effect in this study is smaller than that of profitability.

The Moderating Role of Corporate Governance in the Relationship between Profitability and Tax Avoidance

The interaction between profitability and Corporate Governance (ROA × KI) has a positive and significant coefficient of 0.4128 with a probability value of 0.0318. The positive interaction coefficient indicates that Corporate Governance weakens the negative effect of profitability on ETR, which means that stronger Corporate Governance reduces the tendency of highly profitable companies to engage in tax avoidance. This finding suggests that independent commissioners can strengthen monitoring of managerial decisions and limit opportunistic tax strategies. In the context of Agency Theory, effective monitoring can reduce conflicts of interest and constrain managerial behavior that may prioritize private interests over those of shareholders and other stakeholders. The finding is consistent with previous studies indicating that Corporate Governance, particularly through independent commissioners, can weaken the relationship between profitability and tax avoidance.

The Moderating Role of Corporate Governance in the Relationship between Leverage and Tax Avoidance

The interaction between leverage and Corporate Governance (DER × KI) has a positive coefficient of 0.0524, but the probability value of 0.1837 indicates that the effect is not statistically significant. Therefore, Corporate Governance does not significantly moderate the relationship between leverage and tax avoidance in the sampled Food & Beverage companies. One possible explanation is that the tax benefits obtained through interest expenses represent a legally recognized tax shield, so the use of debt may be driven by financing and operational considerations rather than solely by tax avoidance motives. In addition, creditors may provide an external monitoring mechanism that limits managerial discretion independently of the company's internal Corporate Governance structure. Thus, the presence of independent commissioners alone may not be sufficient to significantly alter the relationship between leverage and tax avoidance in this research context.

CONCLUSION

1. The results indicate that profitability and leverage have significant negative effects on the Effective Tax Rate (ETR), indicating that higher profitability and leverage

are associated with higher levels of tax avoidance among Food & Beverage manufacturing companies listed on the Indonesia Stock Exchange during 2022–2025. Higher profitability provides management with greater incentives to reduce the effective tax burden, while higher leverage allows companies to benefit from interest tax shields arising from debt financing. However, the effect of leverage on tax avoidance is weaker than that of profitability, indicating that profitability is a more dominant factor in explaining tax avoidance within the research model.

2. Corporate Governance, as measured by the proportion of independent commissioners, significantly moderates the relationship between profitability and tax avoidance. The results indicate that stronger Corporate Governance weakens the tendency of highly profitable companies to engage in tax avoidance. This finding supports the Agency Theory perspective, in which effective monitoring can reduce information asymmetry and managerial opportunism. Therefore, independent commissioners can play an important role in overseeing managerial tax-related decisions and limiting aggressive tax avoidance practices.
3. Corporate Governance does not significantly moderate the relationship between leverage and tax avoidance. This finding suggests that the monitoring role of independent commissioners is not sufficient to significantly influence the relationship between debt financing and tax avoidance in the sampled companies. The result may be related to the legal nature of interest tax shields, the complexity of debt financing decisions, and the existence of other monitoring mechanisms, such as creditor supervision.

IMPLICATION

1. **Theoretical Implication.**
   This study contributes to the accounting and taxation literature by providing empirical evidence that supports Agency Theory in explaining corporate tax avoidance. The findings indicate that profitability and leverage can create incentives for management to reduce the company's effective tax burden, while Corporate Governance through independent commissioners can function as a monitoring mechanism that limits opportunistic behavior, particularly in the relationship between profitability and tax avoidance. However, the insignificant moderating effect of Corporate Governance on the leverage–tax avoidance relationship indicates that the effectiveness of governance mechanisms may vary depending on the source and nature of tax-saving opportunities.
2. **Practical Implication.**
   For regulators, particularly the Directorate General of Taxes (DGT) and the Financial Services Authority (OJK), the findings suggest the importance of strengthening monitoring of companies with high profitability and leverage and

encouraging greater transparency in corporate tax planning. For corporate management, strengthening Corporate Governance, particularly the independence and effectiveness of independent commissioners, is important in managing tax-related risks and preventing excessively aggressive tax avoidance practices. For investors and creditors, profitability, leverage, and Corporate Governance can serve as additional considerations in assessing corporate tax risk, financial management, and governance quality.

3. **Implication for Future Research.**
   For academics and future researchers, this study can serve as a reference for further research on tax avoidance and Corporate Governance in Indonesia. Future studies may extend the observation period, expand the research sample beyond the Food & Beverage subsector, and employ alternative measures of tax avoidance such as Cash Effective Tax Rate (CETR) or Book-Tax Differences (BTD). Corporate Governance may also be measured using broader indicators, such as audit committees, institutional ownership, or a comprehensive corporate governance index, to provide a more complete understanding of the role of governance in corporate tax avoidance

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