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The Effect of Good Corporate Governance and Financial Performance on Tax Aggressiveness in Processed Food and Beverage Subsector Companies Listed on the Indonesia Stock Exchange 2020-2024

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ABSTRACT

This study seeks to examine the influence of institutional ownership, interpreted as an indicator of Good Corporate Governance (GCG) and financial performance, evaluated through measures of profitability and leverage, influence the practice of tax aggressiveness among firms within the Processed Food & Beverage Subsector that are recorded on the Indonesia Stock Exchange for the period 2020-2024. Adpoting a quantitative research framework, yhe investigation applies multiple linear regression analysis with the assistance of SPSS version 27. The sample was selected through a purposive sampling method, producing a total of 124 observations drawn from 39 corporate entities. The empirical results reveal that profitability significantly influences tax aggressiveness. In contrast, institutional ownership and leverage do not exhibit a meaningful impact. However, when considered together, all three variables show a significant combined influence on tax aggressiveness. Nonetheless, the Adjusted R^2 value of 17.7% suggests that the majority of the variation in tax aggressiveness is attributable to factors outside the scope of the present model. Overall, the findings highlight financial performance as a key element in managing corporate tax aggressiveness.

1. Introduction

1.1 Background

Taxation constitutes the principal element of Indonesia's state revenue framework. Based on figures released by the Central Bureau of Statistics (2025), the contribution of taxes to the State Budget (APBN) showed an increasing trend from 2020 to 2024, with an average growth of 10% per year. However, fluctuations still occur, such as a sharp decline of -17% in 2020 the outbreak of COVID-19 caused disruptions in economic activity and the ability to pay taxpayers. Economic recovery began to appear in 2022 with an increase in tax revenue of 31%.

For the state, taxes act as the main source of financing for national development. Conversely, from the corporation's perspective, taxation serves as frequently perceived as a financial burden whereby diminishes net earnings. This triggers the emergence of various tax management strategies to manage tax liabilities efficiently. One approach commonly used is tax aggressiveness, referring to corporate efforts to reduce tax obligations through methods that remain within, or closely approach, legal boundaries (Tandean & Winnie, 2016).

Tax aggressiveness includes all tax management activities that aim to reduce tax liabilities, both those that are explicitly legal (tax avoidance) and those that are in the legal gray area (gray area).

This phenomenon creates a tension between the physical interests of the government and the interests of corporations in maximizing corporate value. In this context, good supervision and governance mechanisms are needed so that the practice of the propensity for tax aggressiveness may be lowered.

The application of Good Corporate Governance (GCG) is considered capable of reducing tax aggressiveness, one aspect of namely institutional ownership. This form ownership refers to the company's proportion of shares held through corporate institutions such as banks and insurance firms. Institutional ownership has the potential to strengthen the supervisory function of management so that it can suppress opportunistic behavior including in aggressive tax practices (Tandean & Winnie, 2016). Yet, findings from prior studies indicate that institutional ownership is not significantly related to tax aggressiveness (Pham et al., 2024).

Apart from GCG, a company's financial performance also plays a role in influencing its level of tax aggressiveness. High levels of profitability may motivate companies to adopt tax efficiency strategies in order to preserve net income and enhance their appeal to potential investors (Helen & Haninun, 2024). On the contray, the findings suggest that companies with high profitability are generally more compliant, as their strong financial position encourages them to uphold a positive reputation (Anggriantari & Purwantini, 2020).

Leverage or corporate capital structure is also one of the practices of tax aggressiveness. Firms with high leverage levels may utilise interest expenses to reduce their taxable income (Solihin et al., 2020). However, companies with large interest expenses also face higher financial and legal risks, which can make companies more compliant in tax matters (Rifai & Atiningsih, 2019).

The parameters of this study encompass only processed food and beverages subsector firms registered on the Indonesia Stock Exchange within the 2020-2024 timeframe. This industry was chosen because it is a strategic subsector that contributes more than 40% towards the GDP contribution of the non-oil and gas processing sector in 2024 (Ministry of Industry, 2024), and has stable business characteristics despite economic pressures.

Based on the explanation above, this research endeavours to investigate the impact of Good Corporate Governance, proxied by institutional ownership, along with financial performance, as reflected in profitability and leverage, in relation to tax aggressiveness in processed food and beverages subsector companies in Indonesia during the period 2020-2024. The study's outcomes are envisaged to yield academic as well as practical perspectives on the workings of corporate taxation in a strategically significant sector.

1.2 Problem Statement

Tax aggressiveness is a practice that companies legally carry out to minimize their tax burden. Although lawful, this practice may lead to a decline in government revenues. In the context of Indonesia, especially in processed food and beverages subsector companies that play a major role in the national economy, the phenomenon of tax avoidance is still an important issue. A number of elements, including institutional ownership, profitability, and leverage are believed to influence a firm's inclination towards engaging in tax aggressive behaviour. This study seeks to investigate the empirical relationship between these factors and tax aggressiveness, centring on entities in the processed food and beverages subsector quoted on the Indonesia Stock Exchange throughout the years 2020 to 2024.

1.3 Objectives and Scope

1.3.1 Objectives

Based on the problems that have been described, this research was conducted to fill research gaps and provide empirical evidence from processed food and beverages subsector companies in

Indonesia. The present study is undertaken to:

1. To assess the impact of institutional ownership on tax aggressiveness.
2. To determine how profitability impacts a company's level of tax aggressiveness.
3. To assess the influence of leverage on tax aggressiveness.
4. To evaluate the combined impact of institutional ownership, profitability and leverage simultaneously in relation to tax aggressiveness.

1.3.2 Scope

1. Research object: this study concentrates on companies within the processed food and beverages subsector that are listed on the Indonesia Stock Exchange.
2. Observation period: this analysis covers data from the years 2020 to 2024.
3. This research investigates the influence of institutional ownership (used as a proxy for Good Corporate Governance), profitability as assessed through return on assets, and leverage, as evaluated via the debt to equity ratio on tax aggressiveness.
4. The research utilises secondary data sourced from annual report published on the official IDX website as well as the repective companies' website.

2. Literature Review

Jensen and Meckling (1976) developed agency theory, which outlines the contractual relationship between company owners and their appointed managers. Principals authorize agents to manage the company, but there are often differences of interest between the two. To reduce this conflict, a monitoring and incentive mechanism is needed (Rahayu & Wibowo, 2023).

The auditor as an independent third party plays a role in overseeing the financial statements prepared by the agent. The auditor's respontibility is to ensure that the information presented by management aligns with the company's real financial state (Subroto & Endaryati, 2019). The quality of this supervision is highly dependent on audit quality (Yusri, 2020).

According to Jensen and Meckling (1976), the way ownership is structured influences, policy, dividends, and the use of debt can be used to reduce agency conflicts. The use of debt encourages managers to work more efficiently because of the obligation to pay interest, even though this increases financial risk (Subroto & Endaryati, 2019).

2.1 Related Work

2.1.1 Tax Aggressiveness

Tax aggressiveness refers to legal strategies that companies use to reduce their tax liabilities without directly violating tax regulations. Although not explicitly illegal, these actions often involve interpreting tax rules in a way that may be inconsistent with the original purpose of the regulation (Sumarsan, 2015). According to Pohan (2017), tax aggressiveness can include arranging transactions to shift taxable income to jurisdictions or forms that are subject to lower taxes. Common approaches used include delaying taxable activities or moving operations to regions with lower tax rates. These strategies often exploit gaps and uncertainities within the tax regulations, often referred to as grey areas, to minimize the tax burden while remaining technically compliant with the law. Therefore, tax aggressiveness can be viewed as a legal but ethically debatable practice, as it aims to increase reported profits and reduce fiscal liabilities.

2.1.2 Good Corporate Governance

2.1.2. Institutional Ownership

The term institutional ownership refers to the shareholding portion controlled by institutions within a company. A greater proportion of institutional ownership is thought to enhance external monitoring, thereby helping to monitor management actions and increase firm value, including by

reducing tax aggressiveness practices (Pohan, 2017). Institutional investors tend to demand higher transparency and accountability, thus placing constraints on managerial freedom in strategic choices (Purbowati, 2021). Afrika (2021)) it was found that corporate entities with increased levels of institutional ownership are generally less inclined to practise in tax aggressiveness, as a result of more stringent oversight. Waluyo (2019) which emphasizes that supervision from institutions can prevent reputational risks associated with aggressive tax behaviour.

2.1.3 Financial Performance

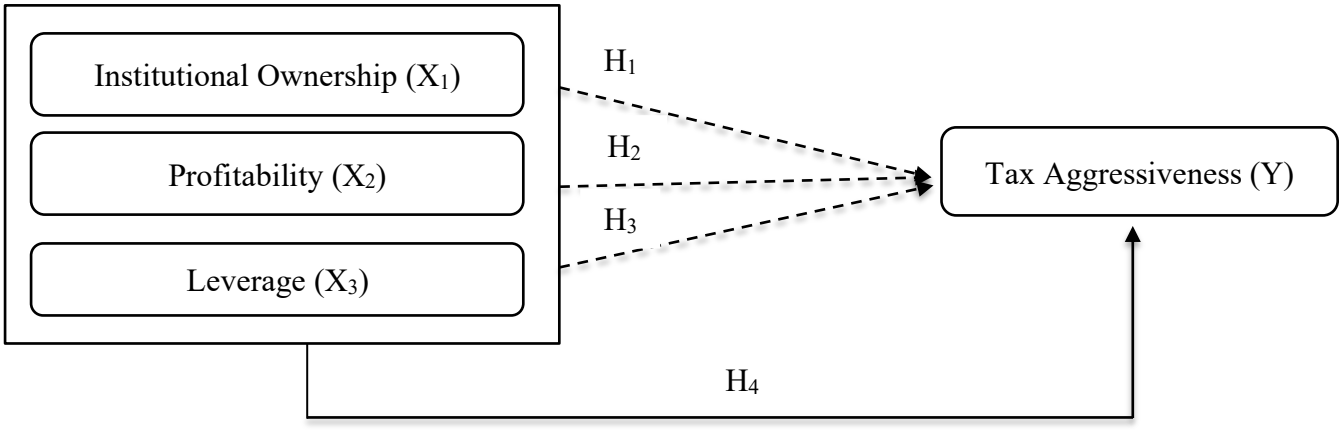
2.1.3.1 Profitability

Profitability denotes the extent to which a company can derive income from its assets and revenue streams (Putri & Halmawati, 2023). Firms with strong profitability are often inclined to pursue tax aggressive in order to safeguard their earnings and enhance their reported net income. This aims to attract investor interest and increase company value (Sudibyo, 2022). Because corporate income tax is based on reported profits, more profitable companies will face a higher tax burden, thus encouraging companies to minimize this burden (Noviyani & Muid, 2019).

2.1.3.2 Leverage

Leverage describes the degree to which a firm depends on borrowed funds to support its activities, typically assessed using the debt to equity ratio (Alam, 2019). Firms characterised by a high level of leverage can reduce taxable income through reduced interest expenses, which in turn can lower the tax burden (Putri & Yuliafitri, 2024). However, high debt levels also increase financial risk and fixed costs, which can pressure companies to maintain compliance to avoid legal and reputational consequences (Helen & Haninun, 2024). High leverage with increased tax aggressiveness, but other studies argue that debt is more often used for operational needs than for tax avoidance purposes (Hendayana et al., 2024). In addition, the selection of debt is also often based on practical reasons such as ease of access and lower issuance costs, rather than solely for tax planning purposes(Irianto & Wafirli, 2017).

Figure 1
Framework



Drawing upon the aforementioned theoretical framework, the researchers put forward the following hypothesis:

a) H1 : Institutional ownership influenced tax aggressiveness.
b) H2 : Profitability affects tax aggressiveness.

c) H3 : Leverage affects tax aggressiveness.
d) H4 : Independent variables simultaneously affect tax aggressiveness.

2.2 Research Gap

The role of institutional ownership as a proxy for Good Corporate Governance has been examined across a range of research settings. Numerous studies suggest that it negatively influences tax aggressiveness by strengthening the oversight function of management (Noviyani & Muid, 2019), (Purbowati, 2021), and (Afrika, 2021). Nonetheless, some studies have found that institutional ownership does not exert a significant influence on tax aggressiveness (Farizky & Setiawati, 2023), (Pham et al., 2024), and (Sari, 2021).

The effect of profitability has also yielded inconsistent findings. Certain studies suggest a positive relationship with tax aggressiveness, arguing that highly profitable firms are more inclined to preserve their net income by reducing their tax obligations (Putri & Halmawati, 2023), (Hendayana et al., 2024), and (Natalina, 2023). However, other studies have found a negative effect, namely firms that are more profitable tend to be more compliant because they have good financial capability and want to maintain the firm's reputation (Hidayat, 2018), (Purba, 2019), and (Anggriantari & Purwantini, 2020).

Research on leverage has also revealed that it fails to exhibit a significant relationship with tax aggressiveness (Sari, 2021), (Rifai & Atiningsih, 2019), and (Anggriantari & Purwantini, 2020). In contrast, Alam (2019), Noviyani & Muid (2019), and Putri & Halmawati (2023) argue that leverage has a positive effect, whereas (Irianto, 2017) and (Solihin et al., 2020) identified a negative effect on tax aggressiveness. This variation in findings suggests that the link between leverage and tax aggressiveness may be influenced by the particular characteristics of the firm and the industry in which it operates.

In addition, previous studies have been conducted more in the manufacturing sector or multinational companies, while this study specifically examines the processed food and beverages subsector which is still limited in the latest period.

Responding to the matter outlined above, this inquiry endeavours to narrow the prevailing research gap by furnishing empirical insights into the effects of institutional ownership, profitability, and leverage on tax aggressiveness within processed food and beverage subsector entities quoted on the Indonesia Stock Exchange during the 2020-2024 interval.

3. Methodology

3.1 Data Collection

This investigation employs a quantitative design to explore the association between institutional ownership, profitability, and leverage and the extent of tax aggressiveness. The study's population and sample comprise entities within the processed food and beverages subsector that aare quoted on the Indonesia Stock Exchange (IDX) during the 2020-2024 period, amounting to 101 firms. The sampling procedure applied is purposive sampling, whereby companies are chosen according to predetermined criteria aligned with the objectives of this study. The criteria set by researchers in this sampling include:

Table 1
Samples

No	Criteria	Total
1	Firms operating in the Processed Food & Beverage Subsector that are registered on the Indonesia Stock Exchange (IDX)	101

2	Processed Food & Beverage Subsector Companies that failed to publish annual reports consistently between 2020 and 2024	(49)
3	Companies that experienced losses during the period 2020-2024	(13)
Research Company Population		39
Research Year (2020-2024)		5
Total Research Sample		195
Data Outliers		(71)
Total Research Sample After Outliers		**124**

3.2 Analysis Techniques

The analytical process in this study was undertaken to examine hypotheses concerning the effect of institutional ownership, profitability, and leverage on tax aggressiveness. The statistical testing was performed using multiple linear regression, assited by SPSS software version 27.0.

3.2.1 Descriptive Statistical Analysis

To gain a general understanding of the data, this study applies descriptive statistic, which summarise numerical information in a structured form over a specific periode. This approach identifies key values, including the average, range between the smallest and largest figures, and the degree of data variability (Ghozali, 2018). The mean represents the central tendency or average of the dataset. Standard deviation reflects how widely the data points vary in relation to the mean. The minimum refers to the smallest recorded figure, whereas the maximum shows the largest value within the dataset.

3.2.2 Classical Assumption Test

This study conducts a classic assumption test to verify that the regression model fulfills the requisite conditions for being BLUE (Best Linear Unbiased Estimator), indicating it is free from bias. The test applied include four components: the normality test, multicollinearity test, heteroscedasticity test and autocorrelation test (Ghozali, 2021).

1. Normality Test
   The study employs the Kolmogorov-Smirnov test to determine whether the residual terms conform to the assumption of normality.
2. Multicollinearity Test
   The presence of multicollinearity is assessed by examining the Variance Inflation Factor (VIF), which should be less than 10, and the Tolerance value, which must exceed 0.1, to confirm that no strong correlatuin exists among the independent variables.
3. Heteroscedasticity Test
   To detect unequal variance in the residuals, this research utilises a scatterplot analysis alongside the Glejser test.
4. Autocorrelation Test
   The Durbin-Watson (DW) statistic is used in this study to evaluate whether residuals are independent over time.

3.2.3 Multiple Linear Regression Analysis

Ghozali (2021) the ensuing research utilises the multiple linear regression technique to analyse how independent variables of institutional ownership, profitability and leverage affect tax aggressiveness in processed food and beverage subsector companies during the 2020-2024 period. The regression model utilised in the current investigation is set out below:

$$Y = \alpha + \beta1X1 + \beta2X2 + \beta3X3 + e$$

Description:
Y : Tax Aggressiveness
α : Constant
β1 : Institutional Ownership's coefficient in the regression model
X1 : Institutional ownership
β2 : Regression Coefficient Profitability
X2 : Profitability
β3 : Leverage Regression Coefficient
X3 : Leverage
e : Error (Error rate)

3.2.4 Hypothesis Test

1. Partial Significance Test (t Test)

The purpose of testing partial significance (t-test) operates as a means of examining whether each independent variable has statistically significant relationship with the dependent variable when considered individually. This is determined by the significance level, with a threshold of 0.05. A variable is considered to have a significant effect if the p-value is below 0.05, and is regarded as insignificant if the p-value exceeds 0.05 (Ghozali, 2018).

2. Simultaneous F Test

The F-test is applied out to examine with the aim of evaluating whether the independent variables collectively have a significant relationship with the dependent variable. It also serves as a measure to evaluate the entirety of validity and suitability of the regression model. If the significance value obtained from the analysis is less than 0.05, the model is feasible appropriate and indicates that the independent variables collectively influence the dependent variable. However, if the significance value exceeds 0.05, the model is regarded as unsuitable, implying that the independent factors present not have simultaneous effect on the dependent variable (Ghozali, 2018).

3.2.5 Coefficient of Determination (R^2)

The Coefficient of Determination (R^2) serves to measure the extent to which the regression model explains variations in the dependent variable. Its value lies between 0 and 1, with figures closer to 1 reflecting a strong linkage between the independent and dependent variables. Conversely, an R^2 value nearing 0 suggests a weak explanatory power of the model (Ghozali, 2018). Therefore, a higher the R-squared (R2) value signifies a stronger association between the independent and dependent variables.

3.3 Validation

The validity of the results is analyzed through a series of classical assumption tests as mentioned. These four tests ensure that the applied regression model satisfies the fundamental assumptions, making it appropriate of inferential analysis. In addition, the selection of data based on purposive sampling criteria is also aimed at improving the relevance and quality of the data to the research objectives. External validity is strengthened by the use of a fairly long time period (5 years), as well as a focus on strategic subsectors with significant contributions to national GDP.

4. Results and Discussion

4.1 Key Findings

4.1.1 *Classical Assumption Test*

1. Normality Test

In this research, the normality of the data was assessed using the Kolomogorov-Smirnov test

Table 2
Normality Test

		Unstandardized Residual
N		124
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	.03898113
Most Extreme Differences	Absolute	.061
	Positive	.061
	Negative	-.041
Test Statistic		.061
Asymp. Sig. (2-tailed)[c]		.200[d]

The results of the Kolmogorov-Smirnov normality test show that the significance value exceeds 0.05, indicating that the regression model satisfies the assumption of normally distributed residuals.

2. Multicollinearity Test

The outcomes of the multicollinearity assessment in this research are as follows:

Table 3
Multicollinearity Test

		Collinearity Statistics	
Model		Tolerance	VIF
	Institutional Ownership	.932	1.073
	Profitability	.781	1.280
	Leverage	.833	1.200

Referring to table 3, it may be inferred that institutional ownership (X1), profitability (X2), and leverage (X3) each display tolerance value greater than 0.10 and VIF values below 10. These results suggest that multicollinearity is not present in the regression model used in this findings.

3. Heteroscedasticity Test

The graphical results of the heteroscedasticity test are shown in the following figure:

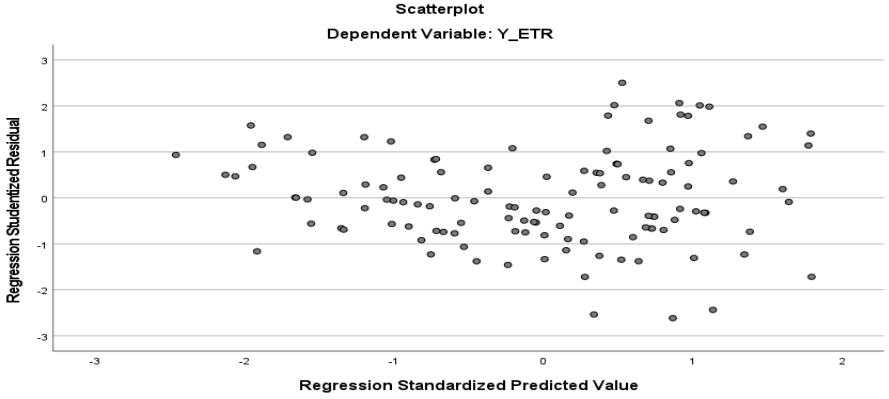


Figure 2
Heteroscedasticity Test Graph

As shown in figure 2, the scatterplot displays data points that appear randomly and evenly dispersed both above and below the zero line on the Y-axis. This pattern indicates that the regression model is not affected by heteroscedasticity. In addition, the results of the Glejser test for detecting heteroscedasticity are presented in the following table:

Table 4
Glejser test

Independent Variables	Sig.
Institutional Ownership	.441
Profitability	.074
Leverage	.054

Table 4 presents the output of the heteroscedasticity test using the glejser method, indicating that all independent variables have a significance values greater than 0.05. This indicates that none of independent variables exert a statistically discernible influence upon the residuals. Consequently, it may be inferred that the regression model is free from heteroscedasticity.

4. Autocorrelation Test

The findings from the autocorrelation test are presented as follows:

Table 1
Autocorrelation test

Model	Durbin-Watson
1	1.924

Referring on table 4, the Durbin Watson statistic shows a value 1.924 with a significance value of 0.05, given a sample size (n) = 124 and the number of independent variables (k) = 3, the DW table value dL = 1.6577, and the DW table value dU = 1.7567. Then it can be calculated 4-dU = 2.2433 and 4-dL = 2.3423. The condition for a data to be considered free from autocorrelation is if dU<d<4-dU. The results of this study obtained 1.7567<1.924<2.2433. Based on these results, it can be observed that the DW value falls between the upper bound dU and 4-dU, indicating that the regression model does not exhibit signs of autocorrelation.

4.1.2 Descriptive Statistical Analysis

Table 5
Descriptive Statistic

	N	Min	Max	Mean	Std. Deviation
Institutional Ownership	124	.24	.98	.6794	.18438
Profitability	124	.00	.23	.0930	.05170
Leverage	124	.07	1.80	.6537	.40785
Tax Aggressiveness	124	.14	.34	.2317	.04350
Valid N	124				

On average, the value of tax aggressiveness is 0.2317, this implies that most companies pay taxes in the middle range. The average level of institutional ownership is 0.6794 which means that this value tends to be high, each company has a large enough share in institutional ownership. The average value in profitability of 0.0930 is relatively low because the average company generates relatively low returns in proportion to its asset base. The average value of leverage of 0.6537 shows that the value is below 1, meaning that the company's funding is more from its own capital than using debt, because the company is not too dependent on external financing.

4.1.3 Multiple Linear Regression Analysis

The findings of the multiple linear regression estimation are set out in the table beneath:

Table 6
Multiple Linear Regression Analysis

Model	
(Constant)	.260
Institutional Ownership	-.004
Profitability	-.336
Leverage	.009

Drawing on the data presented in Table 6, the following regression equation has been formulated:

$$ETR = 0.260 - 0.004X1 - 0.336X2 + 0.009X3 + e$$

The estimation results show that the constant of 0.260 indicates the value of tax aggressiveness when none of the independent variables contribute to the model. The coefficient of institutional ownership is negative -0.004, indicating that an increase in institutional ownership tends to reduce tax aggressiveness, although not significantly. Profitability also has a significant negative coefficient of -0.336, this suggests that higher profitability is associated with lower levels tax aggressiveness. In contrast, leverage displays a modest positive coefficient of 0.009; however, it lacks statistical significance, implying a weak and insiginificant positive association with tax aggressiveness.

4.1.4 Hypothesis Test

1. t-Test

Table 7
Partial test

Model	t	Sig.
(Constant)	16.011	<.001
Institutional Ownership	-.224	.823
Profitability	-4.311	<.001
Leverage	.922	.358

The results of the partial test indicate that institutional ownership does not exert a significant influence on tax aggressiveness (t = -0.224; p = 0.823), the value of -0.224 < -1.97993, and 0.823 > 0.05, accordingly, hypothesis 1 (H1) is rejected. Meanwhile, profitability is found to have a statistically significant influence on tax aggressiveness (t = -4.311; p < 0.001), the amount of -4.311 < -1.97993 with a corresponding significance level of 0.001 < 0.05, supporting H2. Meanwhile, leverage has no significant effect (t = 0.922; p = 0.358), the value of 0.922 < 1.97993, with a significance value of 0.358, whicah exceeds the 0.05 threshold, leading to the rejection of H3.

2. F-test

Table 8
Simultaneous test

Model		F	Sig.
	Regression	9.811	<.001[b]
	Residual		
	Total		

Referring to the table above, the F_{count} obtained is 9.811 with a significance level of < 0.001. Since F_{count} 9.811> F_{table} 2.68 and a significance value of 0.001 <0.05, H4 is accepted, this implies

that collectively, institutional ownership, profitability, and leverage have a significant influence tax aggressiveness.

4.1.5 Coefficient of Determination (R^2)

This study utilises, Adjusted R Squared value to address the limitations associated with the use of the coefficient of determination. The results of determination test are presented in the table below:

Table 9
Coefficient Determination

Model	Adjusted R Square
	.177

As shown in table 9, the Adjusted R Squared value is 0.177. This indicates that institutional ownership, profitability, and leverage collectively account for 17.7% of the variation in tax aggressiveness, whilst the remaining 82.3% is influenced by other factors outside this research model such as company size, capital intensity, audit committee, independent commissioner, political connection, sales growth, earnings management, inventory intensity.

4.2 Interpretation of Results

1. The Influence of Institutional Ownership on Tax Aggressiveness

The results from the data examination indicate that variable representing institutional ownership conducted using SPSS shows that institutional ownership has t_{count} -0.224 < t_{table} -1.97993, and 0.823 > 0.05, consequently, H1 is not supported. Thus, institutional ownership does not exert a meaningful impact on tax aggressiveness. The findings correspond with the research carried out by (Farizky & Setiawati, 2023), (Pham et al, 2024), and (Sari et al, 2021) large or small institutional ownership within the firm, it has no influence on the occurrence of tax aggressiveness (Sari et al., 2021). This condition is because institutional owners do not play a role in supervision, control, or in influencing the company's managerial decisions (Tandean & Winnie, 2016). In addition, institutional ownership is usually more focused on the performance of the shares owned, so as long as the company shows positive results and institutional investors tend to support management policies (Farizky & Setiawati, 2023).

2. The Influence of Profitability on Tax Aggressiveness

The findings derived from the data analysis reveal that the profitability variable conducted using SPSS shows that profitability t_{count} -4.311 < -1.97993 and significance value 0.001 < 0.05 then H 2is accepted. Thus, profitability has a considerable influence on tax aggressiveness. These results correspond with the research conducted by (Hidayat, 2018), (Purba, 2019), and (Anggriantari & Purwantini, 2020). This is because firms exhibiting high levels of profitability, the tax burden borne also increases. Therefore, the less likely the company will practice tax aggressiveness (Sari et al., 2021). In addition, this company has good financial management and upholds tax compliance, which helps the organisation retain stable profits without applying tax aggressiveness measures (Sudibyo, 2022).

3. The Influence of Leverage on Tax Aggressiveness

According to the data analysis outcomes, it shows that the leverage variable conducted using SPSS shows that profitability has a t_{count} 0.922 < 1.97993, as the p-value of 0.358 > 0.05, H3 is therefore not supported. It may be interpreted that leverage does not have a notable influence on tax aggressiveness. These findings are consistent with those reported by Sari (2021), Rifai & Atiningsih (2019) and Anggriantari & Purwantini (2020), it can be inferred that companies utilize debt as part

of the funding structure for business operations. However, companies still carry out their tax obligations in an obedient manner, so the use of debt is not always related to tax avoidance efforts (Irianto, 2017).

5. Discussion

5.1 Limitations

There are certain limitations present in this research. To begin with, the sample coverage is limited to publicly listed enterprises in the processed food and beverage subsector on the Indonesia Stock Exchange, so the results may not necessarily be generalized to other sectors. Second, only three independent variables are used, while other factors such as company size, asset intensity, or corporate governance have not been included. In addition, a time span of 5 (five) the duration may be too limited to observe sustained trends.

5.2 Future Research

Future research is suggested to add other variables such as company size, capital intensity, political connections, and earnings management practices. In addition, a more diverse tax aggressiveness proxy approach such as Cash ETR can be used. Research should also be conducted in other industrial sectors with a longer observation period to increase the generalizability of the results.

6. Conclusion

This research seeks to investigate the extent to which institutional ownership, profitability, and leverage shape tax aggressiveness in enterprises within the processed food and beverages subsector publicly quoted on the Iindonesian Stock Exchange over the 2020-2024 interval. Employing a quantitative method and utilising multiple linear regression analysis, the study reveals that only profitability significantly affects tax aggressiveness, whereas institutional ownership and leverage show no such impact. These results highlight the crucial role of financial performance in encouraging corporate tax compliance and offer valuable insights into the factors influencing tax-related of corporate behaviour.

7. Recommendation

Companies are advised to manage their profitability and financial structure optimally to improve tax compliance. The government needs to strengthen supervision of tax avoidance practices. Future researchers are expected to develop models with broader variables and methods to enrich understanding of the factors that influence tax aggressiveness.

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