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The Influence of Tax Planning and Firm Size on Profitability in Indonesian Food and Beverage Manufacturers

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Abstract: Profitability is an important aspect for companies in improving performance and maintaining business continuity. This research aims to determine the effect of tax planning and company size on profitability in food and beverage sub-sector manufacturing companies listed on the Indonesia Stock Exchange for the 2023–2025 period. This research uses quantitative methods with an associative causality approach and uses secondary data in the form of company annual financial reports. The sampling technique uses a purposive sampling method to obtain a sample of companies that meet the research criteria. Data analysis was carried out using multiple linear regression to determine the influence of the independent variable on the dependent variable partially or simultaneously. The results of the research show that tax planning and company size have different relationship directions on profitability, but partially both do not have a significant effect on company profitability. The research results also show that the ability of the two variables to explain profitability is still relatively low so that there are other factors outside the research model that more dominantly influence company profitability.

Keywords : Tax planning, Company Size and Profitability

1. Introduction

The manufacturing sector remains one of the most important pillars of Indonesia's economic development, contributing significantly to national gross domestic product (GDP), employment creation, industrial competitiveness, and export performance. Among the manufacturing industries, the food and beverage (F&B) subsector has consistently demonstrated resilience and sustainable growth despite global economic uncertainty, inflationary pressures, supply chain disruptions, and post-pandemic recovery challenges. According to Indonesia's industrial development reports, the food and beverage industry continues to be one of the largest contributors to manufacturing GDP and remains a strategic sector due to increasing domestic consumption, demographic growth, urbanization, and the expansion of digital commerce platforms (Rahman & Hossain, 2023; Sari et al., 2024). Consequently, maintaining strong financial performance has become a primary objective for companies operating within this sector.

Financial performance is commonly evaluated through profitability, which reflects a company's ability to generate earnings from its resources and operational activities. Profitability is considered one of the most important indicators of corporate success because it influences firm value, investor confidence, business sustainability, and future growth opportunities (Nguyen et al., 2022). Companies with higher profitability possess greater flexibility in financing expansion projects, managing financial risks, and creating long-term shareholder value. In contrast, declining profitability often signals inefficiencies in operational management and resource utilization, potentially reducing investor trust and market competitiveness (Alarussi & Alhaderi, 2021). Therefore, understanding the determinants of profitability remains a critical concern for both academics and practitioners. Recent literature suggests that profitability is influenced by various internal and external factors, including capital structure, liquidity, corporate governance, firm size, taxation policies, innovation capability, and operational efficiency (Khan et al., 2023; Le & Pham, 2022). Among these determinants, tax planning and firm size have received considerable attention because they directly relate to managerial decisions and strategic resource allocation. Nevertheless, empirical evidence concerning their impact on profitability remains inconclusive, particularly within emerging economies such as Indonesia.

Tax planning represents a legitimate managerial strategy aimed at minimizing tax liabilities while remaining compliant with applicable tax regulations. From a corporate perspective, taxes constitute a significant expense that reduces net income and available cash flows. Consequently, firms seek to

optimize their tax burden through effective tax planning mechanisms, including the utilization of tax incentives, deductions, allowances, and strategic financial arrangements permitted by law (Abdullah et al., 2024). Effective tax planning can improve after-tax profits, enhance cash flow availability, and increase financial flexibility, ultimately contributing to higher profitability levels (Kovermann & Velte, 2021). Theoretically, tax planning is closely associated with agency theory and shareholder value maximization. Agency theory argues that managers are expected to act in the best interests of shareholders by maximizing firm value, including reducing unnecessary tax expenditures through lawful planning activities (Jensen & Meckling, 1976). Efficient tax planning may therefore serve as a value-enhancing mechanism because lower tax expenses increase retained earnings and improve financial performance. Furthermore, resource-based theory suggests that firms possessing superior tax management capabilities can achieve competitive advantages through better resource allocation and cost efficiency (Barney, 1991; Hoi et al., 2023).

However, tax planning does not always lead to improved profitability. Excessive tax avoidance activities may generate reputational risks, regulatory scrutiny, compliance costs, and information asymmetry that potentially offset financial benefits (Wang et al., 2024). In addition, aggressive tax strategies may increase uncertainty regarding future tax obligations and expose firms to legal risks. Therefore, the relationship between tax planning and profitability remains an important empirical question requiring further investigation. Previous studies have produced mixed findings regarding the impact of tax planning on profitability. For example, Kovermann and Velte (2021) reported that tax planning contributes positively to firm performance through improved tax efficiency. Similarly, Abdullah et al. (2024) found that companies implementing effective tax planning strategies tend to achieve higher profitability due to lower effective tax rates. In contrast, studies conducted by Hoi et al. (2023) and Wang et al. (2024) revealed insignificant relationships, suggesting that operational efficiency and market competitiveness may exert stronger influences on profitability than tax management practices. Within the Indonesian context, research by Nurdiana et al. (2025) and Zai et al. (2024) also reported inconsistent findings, indicating the necessity for additional evidence using recent datasets and sector-specific analysis.

Besides tax planning, firm size is another important determinant frequently examined in corporate finance literature. Firm size reflects the scale of business operations and is generally measured through total assets, sales revenue, or market capitalization. Larger firms are often believed to possess advantages in terms of economies of scale, access to financial resources, bargaining power, technological capabilities, and market penetration (Alarussi & Alhaderi, 2021). These advantages may enhance operational efficiency and facilitate higher profitability. According to resource-based theory, larger organizations possess more tangible and intangible resources that can be utilized to create sustainable competitive advantages (Barney, 1991). Large firms typically have greater access to capital markets, more sophisticated management systems, stronger brand recognition, and wider distribution networks, which collectively support profit generation (Nguyen et al., 2022). Furthermore, larger firms often benefit from lower financing costs and better risk diversification, enabling them to maintain stable earnings even during economic downturns.

Nevertheless, the relationship between firm size and profitability is not always positive. Organizational growth frequently introduces managerial complexities, bureaucratic inefficiencies, agency conflicts, and increased operating costs that may negatively affect financial performance (Le & Pham, 2022). As firms expand, coordination challenges become more significant, potentially reducing operational efficiency and limiting profitability gains derived from economies of scale. Consequently, empirical studies have reported contradictory findings regarding the effect of firm size on profitability. Several studies have identified a positive association between firm size and profitability. For instance, Alarussi and Alhaderi (2021) found that larger firms tend to achieve superior profitability because of

greater resource availability and operational efficiency. Similar findings were reported by Khan et al. (2023), who demonstrated that firm size significantly enhances profitability among manufacturing companies in emerging markets. Conversely, Le and Pham (2022) observed that larger firms may experience diminishing profitability due to bureaucratic inefficiencies and increased administrative costs. Other studies conducted in Southeast Asian markets also documented insignificant relationships between firm size and profitability, suggesting that company performance depends more heavily on management effectiveness than organizational scale alone (Tran et al., 2023).

The inconsistencies observed in prior studies indicate the existence of an empirical gap concerning the influence of tax planning and firm size on profitability. Although numerous studies have examined these relationships, their findings remain inconclusive across different countries, industries, and observation periods. Moreover, most previous research utilized data collected before 2023, limiting their ability to capture recent economic developments, regulatory changes, and post-pandemic business transformations. The Indonesian food and beverage subsector provides a particularly relevant context for addressing this gap. The sector has undergone substantial changes in recent years, including increased digitalization, evolving consumer preferences, rising production costs, supply chain adjustments, and government policy reforms (Sari et al., 2024). These developments may alter the effectiveness of tax planning strategies and influence how firm size affects profitability. Consequently, findings derived from earlier periods may no longer accurately represent current business realities.

Another important gap relates to sector-specific analysis. Existing studies frequently examine manufacturing industries as a whole or combine multiple sectors into a single sample. Such approaches may obscure industry-specific characteristics that influence financial performance. The food and beverage industry possesses unique operational attributes, including high inventory turnover, significant raw material dependence, intense competition, and relatively stable consumer demand, which may affect the relationship between tax planning, firm size, and profitability differently from other sectors (Rahman & Hossain, 2023). Therefore, a focused investigation within this subsector is necessary. From a methodological perspective, this study extends prior research by employing panel data from food and beverage manufacturing companies listed on the Indonesia Stock Exchange during the 2023–2025 period. The use of recent data enables a more accurate assessment of current corporate behavior and financial performance patterns. Furthermore, this study simultaneously examines tax planning and firm size within a unified framework, providing a more comprehensive understanding of their combined influence on profitability.

The novelty of this research lies in three aspects. First, it utilizes the most recent observation period (2023–2025), reflecting post-pandemic economic conditions and contemporary taxation environments. Second, it focuses specifically on food and beverage manufacturing companies, a sector that remains underexplored despite its strategic contribution to Indonesia's economy. Third, it re-examines the relationship between tax planning, firm size, and profitability in light of conflicting findings reported in previous studies, thereby contributing updated empirical evidence to the existing literature. This study is expected to contribute both theoretically and practically. Theoretically, it enriches corporate finance and taxation literature by providing additional evidence regarding the determinants of profitability within emerging-market manufacturing firms. The findings may also help clarify conflicting results documented in previous studies and offer insights into the applicability of agency theory and resource-based theory in explaining corporate profitability. Practically, the results may assist managers in formulating effective tax and financial management strategies, enable investors to evaluate company performance more accurately, and support policymakers in understanding how taxation and firm characteristics influence business sustainability.

Based on the theoretical background, empirical inconsistencies, and identified research gaps, this study aims to investigate the influence of tax planning and firm size on profitability among food and

beverage manufacturing companies listed on the Indonesia Stock Exchange during the 2023–2025 period. Specifically, the study seeks to determine whether tax planning and firm size significantly affect profitability either individually or collectively and to provide updated evidence relevant to contemporary business conditions in Indonesia

2. Research Methodology

Research Design

This study employs a quantitative research approach with a causal associative design to examine the effect of tax planning and firm size on profitability. A quantitative approach is appropriate as this study aims to test hypotheses and analyze relationships between variables using numerical data and statistical methods. The causal associative design is used to identify cause-and-effect relationships between independent variables (tax planning and firm size) and the dependent variable (profitability). The study adopts a panel data framework, combining cross-sectional and time-series data from food and beverage manufacturing companies listed on the Indonesia Stock Exchange (IDX) over the period 2023–2025. This approach allows for a more comprehensive analysis by capturing both inter-company differences and temporal variations.

Population and Sample

The population of this study consists of all manufacturing companies in the food and beverage subsector listed on the Indonesia Stock Exchange during the 2023–2025 period. This subsector was selected due to its significant contribution to Indonesia's economic growth and its relatively stable performance compared to other manufacturing subsectors. The sampling technique used is purposive sampling, which involves selecting samples based on specific criteria to ensure the relevance and quality of the data. The criteria used in this study are as follows:

1. Companies consistently listed in the food and beverage subsector on the IDX during 2023–2025.
2. Companies that publish complete annual financial statements for the study period.
3. Companies that report positive net income during the observation period.
4. Companies that provide complete data related to all variables used in this study.

Based on these criteria, a final sample of firms that meet all requirements is selected for analysis.

Data Type and Source

This study uses secondary data obtained from publicly available sources. The primary data source is the annual financial statements of companies accessed through the official website of the Indonesia Stock Exchange (IDX) and company financial reports.

Additional supporting data are obtained from academic journals, textbooks, and other relevant literature to strengthen the theoretical framework and variable measurement.

Operational Definition and Measurement of Variables

This study involves one dependent variable and two independent variables. The operational definitions and measurement of variables are described as follows:

1. Profitability (Dependent Variable)

Profitability reflects a company's ability to generate profit from its assets and operational activities. In this study, profitability is measured using Return on Assets (ROA), which indicates how efficiently a company utilizes its total assets to generate net income.

$$ROA = \frac{Net\ Income}{Total\ Assets} \times 100\%$$

A higher ROA value indicates better financial performance and more efficient asset utilization.

2. Tax Planning (Independent Variable)

Tax planning refers to a company's strategy to minimize tax liabilities legally by utilizing applicable tax regulations. In this study, tax planning is proxied by the Effective Tax Rate (ETR), which measures the proportion of tax expense relative to pre-tax income.

$$ETR = \frac{Tax\ Expense}{Pre\backslash\text{-}Tax\ Income}$$

A lower ETR value indicates more effective tax planning.

3. Firm Size (Independent Variable)

Firm size represents the scale of a company's operations and resources. In this study, firm size is measured using the natural logarithm of total assets to reduce data variability and improve statistical reliability.

$$SIZE = \ln(Total\ Assets)$$

Larger firms are expected to have better access to resources and higher operational capacity.

Data Analysis Technique

The data analysis in this study is conducted using statistical software (EViews 12) and involves several stages:

1. Descriptive Statistics Analysis

Descriptive statistics are used to summarize and describe the characteristics of the data, including minimum, maximum, mean, and standard deviation values for each variable.

2. Classical Assumption Tests

To ensure the validity of the regression model, several classical assumption tests are performed:

- Normality Test: To determine whether the residuals are normally distributed.
- Multicollinearity Test: To detect correlations among independent variables using Variance Inflation Factor (VIF).
- Heteroscedasticity Test: To assess whether the variance of residuals is constant.
- Autocorrelation Test: To examine whether residuals are correlated across observations.

These tests are essential to ensure that the regression model meets the assumptions of the Ordinary Least Squares (OLS) method.

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3. Multiple Linear Regression Analysis

To test the hypotheses, this study employs multiple linear regression analysis to examine the effect of tax planning and firm size on profitability. The regression model is specified as follows:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \varepsilon$$

Where:

- Y= Profitability (ROA)
- α= Constant
- β_1, β_2= Regression coefficients
- X_1= Tax Planning (ETR)
- X_2= Firm Size (SIZE)
- ε= Error term

4. Hypothesis Testing

Hypothesis testing is conducted using:

- t-test (Partial Test): To determine the individual effect of each independent variable on profitability.
- F-test (Simultaneous Test): To evaluate the joint effect of all independent variables on profitability.
- Coefficient of Determination (R^2): To measure the explanatory power of the model in explaining the variation in profitability.

A significance level of 5% (α = 0.05) is used as the threshold for statistical decision-making.

Research Framework

This study examines the influence of tax planning and firm size on profitability, where tax planning and firm size act as independent variables, and profitability serves as the dependent variable. The conceptual framework assumes that both variables may influence financial performance either positively or negatively depending on company conditions and management effectiveness.

3. Results and Discussion

3.1 Result

3.1.1 Descriptive Statistics Analysis

Descriptive statistics are employed in this study to provide a comprehensive overview of the research variables without drawing inferential conclusions. This analysis summarizes the characteristics of the data through measures such as minimum, maximum, mean, and standard deviation, which are essential in understanding the distribution and variability of the dataset (Ghozali, 2018).

Table 1.1 Descriptive Statistical Test

	Y	X1	X2
Mean	0.306794	-0.776667	0.708333
Median	0.225000	1.535000	1.000000
Maximum	3.730000	266.5100	1.000000
Minimum	0.000000	-297.8100	0.000000
Std. Dev.	0.423232	55.76310	0.456916
Skewness	5.942312	-0.736246	-0.916698
Kurtosis	46.42289	17.43346	1.840336
Jarque-Bera	8107.167	841.9723	18.82466
Probability	0.000000	0.000000	0.000082
Sum	29.45219	-74.56000	68.00000
Sum Sq. Dev.	17.01693	295404.7	19.83333

(Source: Data processing, EViews 12)

Based on Table 1, which presents the descriptive statistics for all variables with a total sample size of 30 observations, several important findings can be highlighted. First, the profitability variable (ROA) exhibits a minimum value of 0.000000 and a maximum value of 3.730000. The mean value is 0.306794, indicating that, on average, companies in the sample generate relatively low returns on their assets. The standard deviation of 17.01693 suggests a high level of dispersion in profitability among firms, implying that the financial performance varies significantly across companies in the food and beverage subsector. This variation may reflect differences in operational efficiency, cost structures, and market positioning. Second, the tax planning variable, proxied by the Effective Tax Rate (ETR), shows a minimum value of -297.8100 and a maximum value of 266.5100, with a mean value of -0.776667 and a notably large standard deviation of 295404.7. The extreme variability indicates that firms adopt diverse tax strategies, which may be influenced by differences in accounting practices, tax incentives, and financial policies. The presence of negative ETR values suggests that some companies may experience tax benefits or deferred tax effects. Third, the firm size variable, measured using the natural logarithm of total assets, has a minimum value of 0.000000 and a maximum value of 1.000000. The mean value is

0.708333, with a standard deviation of 19.83333. These results indicate that the sample consists of firms with relatively varied asset sizes, although the transformation into logarithmic form helps reduce data skewness. Overall, the descriptive statistics reveal substantial variability across variables, which justifies further analysis using regression techniques to identify relationships among them.

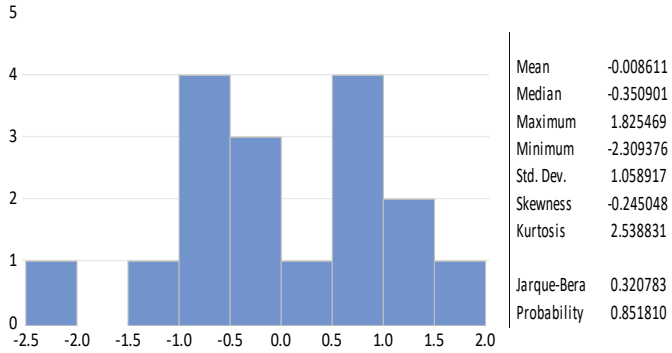
3.1.2 Classical Assumption Tests

Before conducting regression analysis, classical assumption tests are performed to ensure the validity and reliability of the model.

a. Normality Test

The normality test is used to assess whether the residuals of the regression model are normally distributed. A normal distribution is a key assumption in Ordinary Least Squares (OLS) regression. The test result shows a probability value of 0.851810, which is greater than the significance level of 0.05.

Tabel 1.2 Uji Normalitas



Thus, it can be concluded that the residuals are normally distributed, indicating that the model satisfies the normality assumption.

b. Multicollinearity Test

The multicollinearity test aims to determine whether there is a high correlation among independent variables. This study uses the Variance Inflation Factor (VIF) to detect multicollinearity. A VIF value greater than 10 indicates serious multicollinearity.

Tabel 1.3 Uji Multikolinieritas

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	0.003968	3.431992	NA
X1	2.70E-07	1.069676	1.069674
X2	0.005828	3.500753	1.069674

The results show that the centered VIF value for all variables is 1.069674, which is well below the threshold of 10. Therefore, it can be concluded that there is no multicollinearity problem in the regression model.

c. Heteroscedasticity Test

The heteroscedasticity test examines whether the variance of residuals is constant across observations. The test results indicate probability values of 0.2838 and 0.2148 for the independent variables, both exceeding 0.05.

Tabel 1.4 Uji Heteroskedastisitas

Heteroskedasticity Test: Glejser Null hypothesis: Homoskedasticity			
F-statistic	1.241233	Prob. F(2,33)	0.3022
Obs*R-squared	2.518674	Prob. Chi-Square(2)	0.2838
Scaled explained SS	3.076120	Prob. Chi-Square(2)	0.2148

This finding suggests that the model does not suffer from heteroscedasticity, meaning the variance of residuals is homoscedastic.

d. Autocorrelation Test

The autocorrelation test is conducted to determine whether residuals are correlated across time. Using the Chi-Square probability approach, the test result shows a value of 0.0835, which is greater than 0.05.

Tabel 1.5 Uji Autokorelasi

Breusch-Godfrey Serial Correlation LM Test: Null hypothesis: No serial correlation at up to 2 lags			
F-statistic	2.479540	Prob. F(2,31)	0.1002
Obs*R-squared	4.964723	Prob. Chi-Square(2)	0.0835

Thus, the null hypothesis (no autocorrelation) is accepted, indicating that the model is free from autocorrelation problems.

3.1.3 Multiple Linear Regression Analysis

The regression analysis is conducted to examine the influence of tax planning and firm size on profitability. The estimated regression equation is as follows:

$$\text{Profitability} = 0.325745 + 0.001050X_1 - 0.025604X_2 + \varepsilon$$

Tabel 1.6 Uji Analisis Linear Berganda

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.325745	0.080678	4.037574	0.0001
X1	0.001050	0.000787	1.334435	0.1853
X2	-0.025604	0.096034	-0.266609	0.7904
R-squared	0.018864	Mean dependent var		0.306794
Adjusted R-squared	-0.002236	S.D. dependent var		0.423232
S.E. of regression	0.423705	Akaike info criterion		1.151193
Sum squared resid	16.69592	Schwarz criterion		1.231329
Log likelihood	-52.25729	Hannan-Quinn criter.		1.183586
F-statistic	0.894042	Durbin-Watson stat		1.593537
Prob(F-statistic)	0.412485			

The interpretation of the regression coefficients is as follows:

1. The constant value of 0.325745 indicates that when all independent variables are held constant, the profitability level is 0.325745.
2. The coefficient of tax planning (0.001050) is positive, suggesting that an increase in tax planning efficiency is associated with an increase in profitability. However, the magnitude of this effect is relatively small.
3. The coefficient of firm size (-0.025604) is negative, indicating that an increase in firm size is associated with a decrease in profitability, although this relationship requires further statistical validation.

3.1.4 Hypothesis Testing

a. Partial Test (t-test)

The t-test is used to evaluate the individual effect of each independent variable on profitability.

Tabel 1.7 Uji Parsial (Uji t)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.325745	0.080678	4.037574	0.0001
X1	0.001050	0.000787	1.334435	0.1853
X2	-0.025604	0.096034	-0.266609	0.7904

The results show that:

- The tax planning variable has a probability value of 0.1853 (> 0.05), indicating that tax planning does not have a significant effect on profitability.
- The firm size variable has a probability value of 0.7904 (> 0.05), indicating that firm size also does not significantly affect profitability.

Thus, both hypotheses (H1 and H2) are rejected.

b. Coefficient of Determination (R^2)

The coefficient of determination measures the explanatory power of the regression model.

Tabel 1.8 Uji Analisis Koefisien Determinasi (R2)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.325745	0.080678	4.037574	0.0001
X1	0.001050	0.000787	1.334435	0.1853
X2	-0.025604	0.096034	-0.266609	0.7904

R-squared	0.018864	Mean dependent var	0.306794
Adjusted R-squared	-0.002236	S.D. dependent var	0.423232
S.E. of regression	0.423705	Akaike info criterion	1.151193
Sum squared resid	16.69592	Schwarz criterion	1.231329
Log likelihood	-52.25729	Hannan-Quinn criter.	1.183586
F-statistic	0.894042	Durbin-Watson stat	1.593537
Prob(F-statistic)	0.412485		

The R^2 value is 0.018 (1.8%), which indicates that only 1.8% of the variation in profitability can be explained by tax planning and firm size. The remaining 98.2% is influenced by other variables not included in this study, such as leverage, liquidity, operational efficiency, and corporate governance.

3.2 Discussion

3.2.1 Effect of Tax Planning on Profitability

The results indicate that tax planning has a positive but statistically insignificant effect on profitability. Although the regression coefficient suggests a positive relationship, the lack of significance implies that tax planning does not play a dominant role in determining profitability in the sampled firms. This finding suggests that the implementation of tax planning strategies may not be sufficiently effective to influence overall financial performance. One possible explanation is that companies prioritize operational efficiency, cost management, and revenue growth over tax optimization strategies. Additionally, the complexity of tax regulations and limited tax incentives may reduce the effectiveness of tax planning in improving profitability. This result contradicts prior studies such as Lestari and Agustiningsih (2023), which found a significant positive relationship between tax planning and profitability. However, it aligns with other studies suggesting that tax planning has a limited impact on profitability due to the influence of broader financial and operational factors.

3.2.2 Effect of Firm Size on Profitability

The results also indicate that firm size has a negative and insignificant effect on profitability. This finding implies that larger companies do not necessarily achieve higher profitability levels. One possible explanation is that larger firms face greater operational complexity, higher administrative costs, and inefficiencies in resource allocation. As a result, the advantages of scale may be offset by increased costs and management challenges. This finding is inconsistent with studies suggesting that larger firms benefit from economies of scale and improved access to resources. However, it supports the argument that firm size alone is not a sufficient determinant of profitability, as effective management and strategic decision-making play a more critical role.

3.2.3 Overall Interpretation

The findings of this study highlight that tax planning and firm size are not the primary determinants of profitability in the food and beverage manufacturing subsector. Instead, profitability appears to be influenced by a broader set of factors, including operational efficiency, cost control, innovation, and market competitiveness. The low explanatory power of the model further emphasizes the need for future research to incorporate additional variables to better understand the determinants of profitability.

4. Conclusions

4.1. Summary of Findings

This study aims to examine the effect of tax planning and firm size on profitability in food and beverage manufacturing companies listed on the Indonesia Stock Exchange during the 2023–2025 period. Based on the results of multiple linear regression analysis, it can be concluded that both tax planning and firm size exhibit different directional relationships with profitability; however, neither variable shows a statistically significant effect. Tax planning demonstrates a positive but insignificant relationship with profitability, indicating that although companies attempt to optimize tax expenses, such strategies do not substantially influence their financial performance. Meanwhile, firm size shows a negative and insignificant relationship with profitability, suggesting that larger firms do not necessarily achieve higher levels of profit. Additionally, the coefficient of determination (R^2) indicates that the explanatory power of the model is relatively low, meaning that the selected independent variables only account for a small proportion of the variation in profitability. This finding highlights that other factors play a more dominant role in influencing firm profitability.

4.2. Theoretical Implications

The findings of this study contribute to the development of financial management and taxation literature, particularly in the context of emerging markets such as Indonesia. The results challenge conventional assumptions that tax planning and firm size are primary determinants of profitability. From a theoretical perspective, the insignificant effect of tax planning suggests that the benefits of tax efficiency may not directly translate into improved financial performance, especially in industries where operational efficiency and market dynamics are more influential. Similarly, the insignificant effect of firm size indicates that economies of scale do not automatically lead to higher profitability, emphasizing the importance of managerial effectiveness and resource optimization. This study also supports the argument that profitability is a multidimensional construct influenced by various internal and external factors, including operational efficiency, cost management, innovation, and competitive strategy.

4.3. Practical Implications

The results of this study provide several practical implications for stakeholders:

- **For Company Management:** Managers should not rely solely on tax planning and company size as strategies to improve profitability. Instead, they should focus on enhancing operational efficiency, optimizing cost structures, and improving asset utilization. Effective financial management and strategic decision-making are more critical in achieving sustainable profitability.
- **For Investors:** Investors are encouraged to consider a broader range of financial indicators when evaluating investment opportunities. Relying only on firm size or tax-related strategies may lead to incomplete assessments of a company's performance. Factors such as profitability ratios, liquidity, leverage, and growth potential should also be taken into account.
- **For Policymakers:** The findings suggest that tax policies alone may not significantly influence corporate profitability. Therefore, policymakers should design comprehensive economic policies that support business growth, innovation, and competitiveness in addition to tax regulations.

4.4. Limitations of the Study

Despite its contributions, this study has several limitations that should be acknowledged:

First, the study is limited to the food and beverage manufacturing subsector, which may restrict the generalizability of the findings to other industries. Different sectors may exhibit different relationships between tax planning, firm size, and profitability. Second, the study uses a relatively small sample size and a short observation period (2023–2025), which may not fully capture long-term trends and variations in company performance. Third, the model includes only two independent variables, resulting in a low explanatory power (R^2). This indicates that many relevant factors influencing profitability are not included in the analysis.

4.5. Recommendations for Future Research

Based on the limitations identified, future research is recommended to expand and refine the analysis in several ways:

1. **Incorporating Additional Variables:** Future studies should include other financial and non-financial variables such as leverage, liquidity, sales growth, corporate governance, and innovation to provide a more comprehensive explanation of profitability.
2. **Expanding the Research Scope:** Researchers are encouraged to include multiple sectors or conduct cross-country comparisons to enhance the generalizability of the findings.

3. **Using Advanced Analytical Methods:** Future research may apply panel data regression techniques such as Fixed Effects Model (FEM) or Random Effects Model (REM), as well as robustness tests, to improve the accuracy and reliability of the results.
4. **Extending the Observation Period:** A longer study period would allow researchers to capture economic cycles and provide deeper insights into long-term relationships between variables.
5. **Exploring Moderating or Mediating Variables:** Future studies may examine whether factors such as corporate governance, digital transformation, or financial strategy moderate or mediate the relationship between tax planning, firm size, and profitability.

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