



## Analysis of Internal Factors Affecting Tax Avoidance in the 4.0 Era in Digital Technology Sector

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### Abstract

This study aims to analyze internal factors that influence tax avoidance in the annual financial reports of digital technology sector companies listed on the Indonesia Stock Exchange for the 2018-2022 research period in the economy 4.0 era. The independent variables in this study are profitability, fixed asset intensity, and leverage. The approach used in this study is a secondary data quantitative approach. The population of the study was 73 digital technology sector companies listed on the Indonesia Stock Exchange in the 2018-2022 research period, and the sample was taken using the purposive sampling method with a total of 25 companies so that the number of observations in the study was 125 observation data. The data analysis technique uses panel data regression analysis using statistical calculations. The results of the research analysis prove that profitability and leverage have a partial and positive and negative influence on tax avoidance. In contrast, fixed asset intensity does not have a partial and negative influence on tax avoidance. The managerial implications are that the implementation of digital technology can help create a more transparent and accountable system, and the use of data-based audit technology can detect anomalies and potential tax avoidance earlier.

Keywords: Profitability, Fixed Asset Intensity, Leverage, Tax Avoidance, Economy 4.0

JEL Classification: H26, M48, O33

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## 1. Introduction

A phenomenon that occurs in economic life, especially in the digital era, is when changes arise in specific years, which are known as changes towards the industrial revolution. This era of technological digitalization has become known as Industrial Revolution 4.0 or globally known as Economy 4.0. This change towards digitalization of technology then becomes proof that currently industrial development cannot be separated from technological developments. Wijaya (2021) states that taxes are the largest source of revenue for the Indonesian nation in implementing government policies in the field of developing public facilities and the economy. Because tax is a mandatory contribution to the state owed by individuals and/or corporate taxpayers, which is coercive, in order to manage and allocate these funds for various purposes, all of which are aimed at the welfare of society in general and at large (Muttaqin et al., 2020).

Even though tax avoidance is not a new phenomenon and has existed since before the economy 4.0 era took place, changes in technology and processes in how businesses operate in an ever-growing economy can have a greater impact on this problem. This problem can be overcome by international cooperation in designing effective and robust tax regulations to face modern economic challenges, which are, of course, faced in the Economy 4.0 era. Tax avoidance has two different sides, giving rise to complex problems. In one part, tax avoidance can be carried out, then in another part tax avoidance cannot be carried out and actually gets a bad view because it can give rise to a bad company reputation in the eyes of the public (Dewi 2019). According to Kartana and Wulandari (2018) in their research, Tax avoidance is a form of activity carried out to reduce the tax burden through special activities by exploiting weaknesses in tax law policies. In the practice of tax avoidance, taxpayers do not directly violate the law even though they sometimes clearly misinterpret the purpose of the law.

The term economy 4.0 has yet to be widely recognized as part of the theory developing in the economic industry. However, unknowingly, concepts and ideas have emerged that refer to the four zero-point changes, especially since 2018 until now. Economy 4.0, or what can be called the Industrial Revolution 4.0, refers to changes in the integration of digital technology, automation, data exchange, and artificial intelligence used in the manufacturing process and industry as a whole. Although tax avoidance is not a new phenomenon and has existed since before the era of Economy 4.0, changes in technology and the process of how businesses operate in an ever-evolving economy can have a greater impact on this problem. This problem can be overcome through international cooperation in designing effective and robust tax regulations to face the challenges of the modern economy, which, of course, are faced in the era of Economy 4.0.

According to research conducted by Swandewi and Noviari (2020), tax avoidance is influenced by conditions of financial distress. Financial distress is a condition of financial difficulty where a company is unable to maintain its going concern, which is caused by continuous losses, high debt, and a lack of cash that can be used to pay its debts, resulting in the company being delisted by the Indonesian Stock Exchange (Nugroho & Firmansyah, 2018). According to Aryotama and Firmansyah (2019), the classification of taxpayers' actions that do not comply with their obligations is divided into two, namely, tax avoidance using legal means and tax evasion using illegal means. Tax avoidance is an action taken by taxpayers safely and legally by maximizing allowable exemptions and depreciation and taking advantage of weaknesses (gray areas) contained in tax laws and regulations (Siberian & Siagian, 2021).

The internal factor that is the focus of research is profitability. Profitability describes a company's ability to generate profits through operational activation. Return on Assets (ROA) is an indicator used to calculate profitability in research because, with a high ROA in financial reports, it can be concluded that the company's profits are also high so that the tax burden can be aligned with the company's profits. In the opinion of Moeljono (2020) several aspects can influence the practice of tax avoidance. One aspect that influences tax avoidance is the level of company profitability (Anita et al., 2020; Dewinta & Setiawan, 2016; Maitriyadewi & Noviari, 2020). According to Anita et al. (2020), profitability is a company's step to understand the company's capacity to gain profits from

company operations at the asset, sales, and capital levels in a certain period. Research results from Maitriyadewi and Noviari (2020) and Annisa (2017) explain that profitability influences tax avoidance. The results of the research carried out are different from the research analyzed by Moeljono (2020), which explains that profitability does not influence tax avoidance.

The next internal factor is fixed asset intensity, namely, where the depreciation expense on the company's fixed assets can be a deduction from the tax burden on taxable income. Fixed assets are described as assets owned by the company in carrying out its operations. Assets owned by a company have a limited economic life or what can be called asset depreciation. The depreciation expense on a company's fixed assets can affect the tax burden. So that companies can take advantage of the depreciation expense on fixed assets. If the intensity of fixed assets is greater, the depreciation expense will also increase, so the profit generated will be smaller. Therefore, the existence of depreciation expense items contained in fixed assets can reduce the amount of profit. The reduced amount of company profits also has an impact on the tax burden paid by the company being reduced (Muttaqin et al., 2020). Research conducted by Noviyani & Dul (2019) shows the proportion where in fixed assets there is a post for the company to add expenses, namely the depreciation expense incurred by fixed assets as a deduction from the company's income, if the fixed assets are larger, the profit generated will be smaller, because of the depreciation charges contained in fixed assets which can reduce company profits. Therefore, the intensity of fixed assets can influence the taxable amount due to the depreciation burden or depreciation burden attached to fixed assets, making it possible to encourage company management to practice Tax Avoidance.

The third and final internal factor in this research is leverage. Leverage itself, according to Sonia et al. (2019), is the level of debt a company has that is related to its financing policy. This condition means that the company, in carrying out its operational activities, uses debt as financing or as a source of capital for the company. The higher the level of debt, the higher the interest expense will be. High-interest expenses can reduce the tax burden because of their role in reducing taxable income. Leverage can be one of the company's strategies to, apart from supporting operational activities, also use debt as financing to reduce the tax burden.

Based on the background explanation above, this research aims to uncover problems regarding the influence of internal profitability factors, fixed asset intensity, and also leverage on tax avoidance variables. On this occasion, researchers are interested in examining research gaps from previous research and analyzing tax avoidance in the economy 4.0 era because it is a new era in the modern economic world and has interesting differences.

## **2. Literature Review and Hypothesis**

### **Agency Theory**

Silaban and Suryani (2020) explained that in agency theory, the relationship between management (agent) and shareholders (principal) creates differences in interests between internal and external parties, giving rise to conflicts of interest. So, a third party is needed as a mediator to deal with conflicts; in this case, the external auditor serves as a mediator to evaluate and provide opinions regarding the company's financial reports that have been created and prepared by management in accordance with applicable accounting standards.

### **Tax evasion**

In Indonesia, tax avoidance is widely suspected to occur, for example by recording losses for operational activities so that they are automatically not subject to tax. This loss usually occurs by incurring quite large debts and quite fantastic interest charges, and many other ways. Company debt is getting higher, resulting in a lower ETR. This means that leverage has a positive effect on tax avoidance. However, it does not rule out the possibility that companies with fairly good profitability also engage in tax avoidance. High profitability can provide opportunities for companies to carry out tax planning, which aims to reduce the amount of tax obligations (Yuniarwati et al., 2017).

**Profitability**

One of the factors that influences tax avoidance is company profitability. Profitability shows the ability of a particular company to gain profits. Companies that have large total assets tend to be able and stable to generate profits compared to smaller companies that have no running profits and have small total assets (Suryani, 2021). We measure a company's ability to generate profits; one of the ratios is usually used, which is useful for measuring profitability. This ratio is known as Return on Assets (ROA), which measurement can be used to find out how to earn profits by utilizing the company's assets.

**Fixed Asset Intensity**

Fixed asset intensity is a detailed description of the assets in a company, describing how much investment the company makes in fixed asset variables (Permatasari et al., 2021). This is because fixed assets fall into the category of tangible objects and become one of the company's resources, so there is a risk of decreasing their useful life and incurring depreciation costs. However, on the contrary, the more fixed assets you own, the greater the depreciation costs, which then causes a reduction in company profits.

**Hypothesis Development****The Effect of Profitability on Tax Avoidance**

Profitability, or basically the profit earned by a company, is defined as the company's ability to generate profits. In this research, profitability is projected using the Return on Assets (ROA) measurement, which companies use to calculate their profits. As is known, the presence of the economy 4.0 era has had various impacts, both positive and negative, one of which is a decrease in company income during the research period. Research results from Maitriyadewi & Noviari (2020), Moeljono (2020), Anita et al. (2020) and Annisa (2017) explain that profitability influences tax avoidance.

**H1: Profitability has a positive influence on Tax Avoidance****The Effect of Fixed Asset Intensity on Tax Avoidance**

The fixed asset intensity variable specifically describes the fixed assets owned by the company as a type of asset that has a useful life of 1 (one) year. This asset then automatically has a depreciation expense which is useful as a reduction in the company's taxable profit. According to Permatasari et al. (2022), the higher the proportion of retained assets, the lower the practice of tax avoidance. This is because the proportion of fixed assets owned by the company is relatively high, which will not be intended to carry out tax avoidance measures but rather to improve the company's operations. This is an advantage for companies in the midst of unpredictable situations, such as the increase in digital technology in the Economy 4.0 era. Previous research conducted by Ervaniti & Sari (2020; and Noviyani & Dul (2019) states that Fixed Asset Intensity has a positive influence. This is because the greater the intensity of fixed assets, the lower the tax avoidance activity of a company due to ownership of fixed assets not merely to avoid taxes but rather for the company's operational purposes.

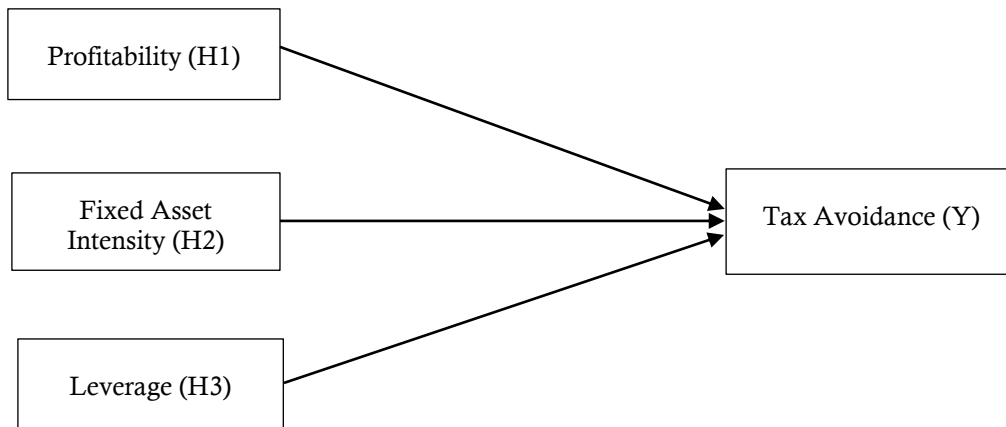
**H2: Fixed Asset Intensity has a positive influence on Tax Avoidance****The Effect of Leverage on Tax Avoidance**

The managerial party is one of the parties who act as a pillar of the company, whose presence is definitely accompanied by various efforts to maintain company stability and try to prevent bankruptcy, especially when the era of digitalization and Industrial Revolution 4.0 begins to be celebrated by the public. One of the strategies used by managerial parties is to use leverage as a financial ratio that can describe the relationship between company debt and company capital and assets. The greater the value of the leverage ratio, the greater the amount of funding from debt to third parties that the company uses to increase the amount of funding. Then, add to the interest arising from the debt. As a result, the company's profits are reduced by the amount of debt so that the tax the company has to pay becomes lower. This lower tax burden has an impact on the tendency to reduce tax avoidance efforts.

According to research by Aulia and Mahpudin (2020), leverage has a negative effect on tax avoidance because increasing company debt reduces the level of tax avoidance. This is because the greater the company's debt, the greater the interest payment obligations, which then reduces profit before tax. It can be concluded that if the amount of debt reduces profit before tax, then the company's tax payment obligations will also be reduced.

**H3: Leverage has a negative influence on Tax Avoidance**

### Research Conceptual Framework



**Figure 1. Research Concept Framework**

## 3. Data and Methods

### Research Strategy

This research uses a quantitative descriptive method which uses secondary data obtained from annual financial reports of digital technology sector companies that have been listed on the Indonesia Stock Exchange for the 2018-2022 period via the official website of the Indonesia Stock Exchange website, namely, [www.idx.co.id](http://www.idx.co.id) and several auxiliary sites such as the company's official website as a source of data support. The technique used in this research is selection using the non-probability purposive random sampling method, which aims to obtain samples according to the desired criteria. The criteria chosen for sampling in this research were as follows: Digital technology sector companies listed on the Indonesia Stock Exchange for the 2018-2022 research year period, Digital technology sector companies listed on the Indonesian Stock Exchange presenting annual financial reports in rupiah units (Rp ) in the 2018-2022 research period, digital technology sector companies listed on the Indonesia Stock Exchange with the presentation of financial reports published regularly during the 2018-2022 research year period, digital technology sector companies listed on the Indonesian Stock Exchange that did not experience losses or consecutive reporting of positive profits in annual financial reports during the 2018-2022 research year period.

### Population and Sample

The target population used in this research is digital technology sector companies listed on the official website of the Indonesian Stock Exchange for the 2018-2022 research period. The author obtained analytical data totaling 365 (three hundred and sixty-five) data in the form of audited annual financial reports. This analytical data was obtained using data collection methods in the form of literature studies with audited financial report teaching materials in the 2018-2022 research year period for each digital technology sector company listed on the Indonesian Stock Exchange. A total of 25 (twenty-five) company samples have been selected from a total of 73 (seventy-three) company populations using the non-probability multistage random sampling method with the criteria applied by researchers in the research.

### Data analysis method

The research is included in parametric research using the EViews 9 data testing application. EViews is a Windows-based computer program used in this research as a tool for statistical analysis and econometric calculations of time series data. It was developed by Quantitative Micro Software (QMS) in 1994 and has been released in several versions since then; in this research, the version used is version 9.

## 4. Results

### Descriptive Statistical Analysis

Table 1. Descriptive Statistical Analysis

	CETR - Y	ROA - X1	IAT - X2	DER - X3
<i>Mean</i>	2.608896	2.381864	4.006040	5.680376
<i>Median</i>	0.238000	0.046000	0.305000	0.843000
<i>Maximum</i>	256.4280	186.8090	187.9940	389.6210
<i>Minimum</i>	0.000000	0.001000	0.004000	0.003000
<i>Std. Deviation</i>	22.95537	17.53357	22.21399	35.47662
<i>Observation</i>	125	125	125	125

Source: Processed Data (2023)

Based on Table 1 above, you can see the descriptive statistical results of the dependent variable, namely tax avoidance, which has a mean value of 2.608896 with a standard deviation of 22.95537. A mean value that is smaller than the standard deviation value ( $2.608896 < 22.9537$ ) means that the data is heterogeneous or has a varied distribution. Then, the minimum tax avoidance value is 0.000000, which is owned by several companies, including PT Sat Nusapersada Tbk in 2018, PT Ajaib Sekuritas Asia in 2019 and 2020, and PT Bank Jago Tbk. 2018 2020, while the maximum value is 256.4280 owned by PT Distribution Voucher Nusantara Tbk in 2018.

Then, for the independent variable profitability, the mean result shows 2.381864 with a standard deviation of 17.53357, which is smaller than the mean value ( $2.381864 < 17.53357$ ). Showing again that the data distribution remains heterogeneous or the distribution varies within the study. The minimum profitability value shows a value of 0.001000 owned by the company PT Sentral Mitra Informatika Tbk in 2021, and the maximum value is occupied by PT M Cash Integration Tbk in 2018 with a value of 186.8090.

Secondly, for the independent variable fixed asset intensity, the mean value is 4.006040, and the standard deviation value is 22.21399. This time, it can be seen that the standard deviation value is higher than the mean value ( $4.006040 < 22.21399$ ), which means that the data distribution of the fixed asset intensity variable in the study is heterogeneous or varied. Then the minimum value is 0.004000, which is owned by Telefast Indonesia Tbk. in 2022, and the maximum value is occupied by PT Anabatic Technologies Tbk with a value of 187.9940 in 2018.

As seen in the fixed leverage variable in Table 4.1, this independent variable has a mean value of 5.680376 and a standard deviation value of 35.47662. The standard deviation value is greater than the mean value ( $5.680376 < 35.47662$ ), indicating that the data distribution of the independent leverage variable in the study is heterogeneous or varied. The minimum value is occupied by PT Anabatic Technologies Tbk with a value of 0.003000 in 2018 and the maximum value of 389.6210 is owned by the company PT M Cash Integration Tbk in 2018.

**Test Chow****Table 2. Chow Test Results**

Redundant Fixed Effects Tests  
Equation: CHOW\_CEM  
Cross-section fixed effects test

Effects Test	Statistics	df	Prob.
Cross-section F	1.045827	(24.97)	0.4192
Chi-square cross-section	28.766026	24	<b>0.2291</b>

Source: Processed Data (2023)

As is known, the Chow Test is used to test the best significance between the Common Effect Model (CEM) and the Fixed Effect Model (FEM), in table 4.2 the results of the Chow Test above can be seen that the nominal value in the Chi-square Cross-section column has a probability with a numerical result.0.2291 which can be concluded that the probability significance value is greater than  $\alpha$  (0.2291 > 0.05). So the hypothesis accepted is H0 or accepted as the Common Effect Model (CEM) and results in an obligation to proceed to the next test, namely the Hausman Test.

**Hausman test****Table 3. Hausman Test Results**

Correlated Random Effects - Hausman Test  
Equation: EST  
Cross-section random effects test

Test Summary	Chi-Sq. Statistics	Chi-Sq. df	Prob.
Random cross-section	0.151194	3	0.9851

Source: Processed data (2023)

In the Hausman Test, the test is to choose which model is the best, the Fixed Effect Model (FEM) or the Random Effect Model (REM). Based on the results of the Hausman Test results table above, it can be seen that the Random Cross Section probability value is 0.9851, which means the number is greater than  $\alpha$  (0.9851 > 0.05). So the hypothesis that is accepted is H0 or accepted as a Random Effect Model (REM) and does not result in an obligation to proceed to the next test, namely the Lagrange Multiplier Test, because the final result that will be used in the research will absolutely be the Common Effect Model (CEM).

**Lagrange Multiplier Test****Table 4. Test Results Lagrange Multipliers**

	Test Hypothesis		
	Cross-section	Time	Both
Breusch-Pagan	0.010941 (0.9167)	0.099385 (0.7526)	0.110327 (0.7398)

Source: processed data (2023)

The Lagrange Multiplier Test, compared to being a test, this test plays more of a role in comparing which method is better to use between the Common Effect Model (CEM) and the Random Effect Model (REM). Based on the results of the Lagrange Multiplier Test results table above, it can be seen that the Breusch-Pagan Cross Section probability value is 0.9167, which means the number is

greater than  $\alpha$  ( $0.9167 > 0.05$ ). So, the hypothesis accepted is H0 or accepted as the Common Effect Model (CEM), and it can be confirmed that the correct model is the Common Effect Model (CEM).

### Classic assumption test Multicollinearity Test

**Table 5. Multicollinearity Test Results**

	ROA - X1	IAT - X2	DER - X3
ROA - X1	1,000000	0.582482	0.923337
IAT - X2	0.582482	1,000000	0.450954
DER - X3	0.923337	0.450954	1,000000

Source: processed data (2023)

The results of the multicollinearity test in Table 5 above show that the independent variable has a value of more than 0.8, so it can be concluded that the regression model does not have multicollinearity.

### Heteroscedasticity Test

**Table 5. Heteroscedasticity Test Results**

Variables	Coefficient	Std. Error	t-Statistics	Prob.
C	4.649978	2.087899	2.227108	<b>0.0278</b>
ROA - X1	0.012907	0.347162	0.037177	<b>0.9704</b>
IAT - X2	-0.027161	0.117887	-0.230399	<b>0.8182</b>
DER - X3	-0.010278	0.156256	-0.065774	<b>0.9477</b>

Source: processed data (2023)

Based on the results of the heteroscedasticity test in Table 5 above, it can be seen that apart from C as a constant, there are no independent variables that are  $<0.05$ . So, there is no heteroscedasticity problem in the data.

### Panel Data Regression Test Results

**Table 6. Panel Data Regression Test Results**

Variables	Coefficient	Std. Error	t-Statistics	Prob.
C	2.696959	2.130745	1.265735	0.2080
ROA - X1	0.002106	0.354286	0.005945	0.9953
IAT - X2	-0.016483	0.120306	-0.137005	0.8913
DER - X3	-0.004762	0.159462	-0.029863	0.9762

Source: processed data (2023)

Based on the results in Table 6 above, the regression coefficient value for the profitability variable (H1) is positive 0.002106, which means that profitability has a positive effect on tax avoidance, where every 1% increase in the H1 variable, assuming the values of other variables remain constant, will there is an increase in the variable in tax avoidance (Y). The regression coefficient value of the fixed asset intensity variable (2), which shows a figure of -0.016483, shows that every time there is a 1% increase in the fixed asset intensity variable (H2), the tax avoidance variable (Y) will experience a decrease of nominal value assuming the other independent variables are constant in size. The regression coefficient value of the leverage variable (H3) has a value of -0.004762. This shows that every time there is a 1% increase in the leverage variable (H3), the tax avoidance variable (Y) will increase, assuming the size of the other independent variables is constant.



**Partial test (t-Test)****Table 7. Partial Test Results (t-Test)**

Variables	Coefficient	t-Statistics	Prob.
C	2.696959	1.265735	0.2080
ROA - X1	0.002106	0.005945	0.9953
IAT - X2	-0.016483	-0.137005	0.8913
DER - X3	-0.004762	-0.029863	0.9762

Source: processed data (2023)

Based on the results of table 7 above, the following is a hypothesis from the results of the partial test (t-test): Hypothesis 1: Profitability (ROA–H1) has a positive influence and value on tax avoidance practices (CETR–Y) indicating that the t-Statistic value is positive  $0.005945 < 0.05$  so it can be said that H1 is accepted: Profitability has a partial influence on tax avoidance practices, Hypothesis 2: Fixed Asset Intensity (IAT–2) has a positive influence and value on tax avoidance practices (CETR–Y). Table 7 shows that the t-statistic value is negative  $-0.137005 > 0.05$ , so it can be said that H2 is rejected: Fixed Asset Intensity has no partial influence and has a negative value on tax avoidance practices. Hypothesis 3: Leverage (DER–H3) has a negative influence and value on tax avoidance practices (CETR–Y). Table 7 shows that the t-statistic value is negative  $-0.029863 < 0.05$ , so it can be said that H3 is accepted: Leverage has a partial and negative influence on tax avoidance practices.

**Coefficient of Determination Test****Table 8. Coefficient of Determination Test Results**

R-squared	0.003650	Mean dependent var	2.608896
<b>Adjusted R-squared</b>	<b>0.244190</b>	SD dependent var	22.95537

Source: processed data (2023)

Table 8 shows that the adjusted R Square value is 0.244190 or 24.4419%, which means that the ability of the independent variable to explain the dependent variable is 24.4419%.

**5. Discussion****The Effect of Profitability on Tax Avoidance**

Based on the results of the partial test analysis (t) in Table 7, it is stated that the relationship between the fixed asset intensity variable and tax avoidance does not have a positive influence. The analysis results reveal a nominal value that is greater than  $\alpha$ , which means that the fixed asset intensity variable does not influence tax avoidance. At the same time, the - symbol shows the direction of the analysis results in a negative direction. Analysis of these results shows that the digital technology sector tends not to focus on fixed asset inventory compared to companies in other sectors. This is because most of the activities of digital technology companies themselves focus on developing and providing technology services such as software (software), online platforms, and cloud storage services. The results of this research are not in accordance with the hypothesis put forward at the beginning of the research, namely that the higher the level of fixed asset intensity, the higher the tax avoidance actions. This research is in line with research conducted by Yanti and Yasa (2022), Grace et al. (2022), Mustikasari et al. (2023), Deaztara & Tjakrawala (2024), and Setianti (2019) state that the existence of fixed asset intensity does not have a risky impact on tax avoidance. The burden of maintaining fixed assets, large storage space, and financial risks to fixed assets make high fixed asset intensity less efficient for digital technology sector companies so that

fixed asset intensity will not affect tax avoidance actions in digital technology sector companies listed on the Indonesia Stock Exchange in research year period 2018-2022.

### **The Effect of Leverage on Tax Avoidance**

Based on the results of the partial test analysis (t) in Table 7, it is stated that the relationship between the leverage variable and tax avoidance has a negative influence. The results of the analysis reveal that the nominal value is smaller than  $\alpha$ , which means that the leverage variable influences tax avoidance. At the same time, the - symbol shows the direction of the results in a negative direction. From the results of the analysis, researchers can provide an analysis that shows how leverage has an influence on tax avoidance and has a negative value. This means that if leverage or debt level increases by 1%, it will have the same effect on reducing the level of tax avoidance, assuming all other independent variables are constant. This is in line with research by Aulia and Mahpudin (2020), Hutapeadan (2020), and Deaztara Tjakrawala (2024) state that the greater the company's debt, the lower the level of tax avoidance. This is because the greater the company's debt, the greater the company's interest payments will be, thereby reducing profit before tax. If profit before tax decreases, the company's tax payment obligations will decrease.

## **6. Conclusion**

Based on the results and discussion of research in this study, This research may aim to determine the influence of internal factors of profitability, fixed asset intensity, and also leverage on tax avoidance practices. Based on the results of the tests carried out in this research, the following conclusions can be drawn: Profitability has a positive influence on tax avoidance. The results show that with each increase in profitability in the digital technology sector in the 2018-2022 period, there will be an increase in tax avoidance actions in the economy 4.0 era. Fixed asset intensity has a negative influence on tax avoidance. The results show that the intensity of fixed assets in digital technology sector companies in the economy 4.0 era is at a lower level compared to companies in other sectors. This means that the fixed asset intensity variable does not have a risky impact on tax avoidance in the economy 4.0 era. Leverage has a negative influence on tax avoidance. The results of the analysis show that each decrease in leverage in the digital technology sector in the 2018-2022 period will cause a decrease in tax avoidance actions in the economy 4.0 era. This is because the greater the company's debt, the more interest obligations there will be, which then reduces profit before tax. Moreover, if profit before tax decreases, then the tax payment obligations for companies in the digital technology sector in the economy 4.0 era will also decrease.

Managerial implications are that Managers need to improve transparency and accountability in financial reporting to ensure tax compliance. The use of technologies such as blockchain can help record transactions more transparently. Management should address and strengthen internal controls to reduce the risk of unintentional or intentional tax evasion. Tax process automation can reduce administrative burdens and ensure that companies comply with tax regulations more efficiently. Explain ethical and sustainable tax planning strategies that not only comply with regulations but also support the company's image as a responsible entity.

## **Recommendation**

Research is considered to have shortcomings and limitations in research still; this makes researchers attempt to share suggestions on the results of the analysis carried out, such as Implementing an ERP system integrated with a tax module to ensure accurate and timely tax reporting; blockchain can help in ensuring that all transactions are recorded correctly and cannot be changed, thus facilitating tax audits, In addition to internal audits, use the services of external auditors to provide an independent perspective on the company's tax compliance.

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