International Journal of Economic, Business, Accounting, Agriculture Management and Sharia Administration (IJEBAS Journal) | ISSN (e): 2808-4713
Volumes 6 No. 3 (2026)

THE EFFECT OF FINANCIAL DISTRESS, LEVERAGE AND CAPITAL INTENSITY ON TAX AVOIDANCE WITH FIRM SIZE AS A MODERATING VARIABLE

Wibisono[1*], Erlina[2], Abdillah Arif Nasution[3]
[1,2,3] Department of Accounting, Faculty of Economics and Business, Universitas Sumatera Utara, Indonesia
*Corresponding author: wibisono128.1980@gmail.com

Received	: 26 April 2026	Accepted	: 20 May 2026
Revised	: 03 May 2026	Published	: 17 June 2026

Abstract

This study aims to analyze and determine the effect of Financial Distress, Leverage, and Capital Intensity on Tax Avoidance with Firm Size as a moderating variable in Property and Real Estate companies listed on the Indonesia Stock Exchange (IDX) during the period 2019–2024. This research uses a quantitative research method. The population in this study consists of all property and real estate companies listed on the Indonesia Stock Exchange, totaling 92 companies. The sample in this study comprises 18 companies with 108 observations during the research period. The data used are secondary, obtained from published company financial statements. Data collection was conducted through a documentation study. The data analysis methods used include descriptive statistics, panel data regression analysis, classical assumption tests, coefficient of determination (R^2), partial significance tests (t-tests), and Moderated Regression Analysis (MRA) using Eviews software. The results of this study indicate that Financial Distress has no significant effect on Tax Avoidance; Leverage has no significant effect on Tax Avoidance; and Capital Intensity has a positive and significant effect on Tax Avoidance. Firm size does not moderate the effect of financial distress on tax avoidance. However, firm size does not moderate the effect of leverage and capital intensity on tax avoidance.

Keywords: Financial Distress, Leverage, Capital Intensity, Tax Avoidance, Firm Size

1. INTRODUCTION

A company is a corporate taxpayer obligated to pay taxes to the state treasury, which are deducted from the company's income or profits. In real life, companies tend to exploit weaknesses in tax regulations and other loopholes to minimize their tax burden. Efforts to reduce (save) taxes can be carried out in various ways, such as tax evasion and tax avoidance. Actions companies take to minimize their tax burden can be either illegal or legal. Illegal means include tax evasion, while legal means include tax avoidance. Tax avoidance is a legal effort to avoid paying taxes that does not conflict with tax regulations, as the methods and techniques exploit weaknesses in tax laws and regulations to minimize the amount of tax payable.

Tax evasion is an obstacle that occurs in tax collection, resulting in reduced state revenues. Taxes are a significant source of state revenue used to support the prosperity and welfare of the community, while for companies, taxes are a burden that reduces net profits. Therefore, the state creates tax laws such as the UU KUP, PPh, PPN, PPnBM, PBB, Tax Collection, Tax Amnesty, and other regulations governing various tax matters. The purpose of establishing laws to collect taxes from its citizens is to maximize state revenue.

One way taxpayers avoid taxes is by borrowing large amounts from banks (Article 6, paragraph 1, letter a), and the use of Government Regulation Number 23 of 2018 concerning entrepreneurs and MSMEs with revenues of less than IDR 4.8 billion in one tax year allows them to pay a tax of 0.5% of their gross turnover. The emergence of loopholes in tax laws often leads to tax avoidance practices by taxpayers.

This research was conducted on property and real estate companies listed on the Indonesia Stock Exchange (IDX) during 2019–2024. Property and real estate companies are a subsector of publicly listed companies in the property, real estate, and construction sector on the Indonesia Stock Exchange (IDX). Property and real estate remain a top choice for investors. It is because shares in companies in the property and real estate sector offer growth potential. It is evident in the numerous companies in the property and real estate sector that have demonstrated optimal prospects. This situation has prompted investors to compete to invest their funds in these companies. The property and real estate sector is large, capable of absorbing a large workforce, and has a ripple effect on other economic sectors. Tax avoidance is a legal tax avoidance strategy and technique that is safe for taxpayers because it does not conflict with tax regulations. It can be used by company management to reduce the tax burden without violating applicable tax laws, thereby increasing net profit. The methods and techniques used exploit weaknesses (grey areas) within tax laws and regulations. From 2019 to 2024, several companies sampled in this study were suspected of engaging in tax avoidance. In the CETR section, which indicates the level of tax avoidance, several companies had a tax avoidance rate below 25%. Companies were categorized as engaging in tax avoidance if their Cash Effective Tax Rate (CETR) was less than 25%. If their Cash Effective Tax Rate (CETR) was greater than 25%, they were categorized as not engaging in tax avoidance.

According to previous research, several factors influencing tax avoidance include financial distress, leverage, capital intensity, and firm size. The first factor is financial distress, a condition in which a company is not in a good financial position and must transition to a new stage, often categorized as dangerous, with a near 100% chance of bankruptcy. Companies experiencing financial difficulties tend to engage in tax avoidance to reduce cash outflows and corporate expenses. Several previous studies conducted by Dang and Tran (2021), Fadhila and Andayani (2022), Yulianty and Sumanti (2025), Richardson, Taylor, and Lanis (2015), and Tantri and Yoshida (2025) indicate that financial distress influences tax avoidance. However, studies by Pratiwi and Fauzan (2025) and Caroline and Tumewu (2026) indicate that financial distress does not affect tax avoidance.

The next factor is leverage. Leverage is a measure of the extent to which a company is financed by debt; high debt usage can be detrimental to the company. Companies with high leverage face financial constraints, prompting them to increase their cash holdings. Debt loans are subject to interest, which is a deductible expense that companies utilize to minimize tax payable, indicating tax avoidance. Previous studies by Prabowo and Sahlan (2021), Mocanu, Constantin, and Răileanu (2021), Fadhila and Andayani (2022), Ariff et al. (2023), Setyaningsih, Nuryati, Rossa, and Machdar (2023), and Hendayana, Ramdhany, Pranowo, Rachmat, and Herdiana (2024) have shown that leverage influences tax avoidance. However, research conducted by Caroline and Tumewu (2026), Siboro and Santoso (2021), Rahmana (2022), Apriliani (2023), and Mkadmi and Ali (2024) shows that leverage does not affect tax avoidance.

Capital intensity is a form of financial decision made by company management to increase profitability. Capital intensity reflects how much capital the company needs and is obtained by increasing fixed assets (purchasing) or decreasing fixed assets (selling). Several previous studies conducted by Saputra et al. (2020), Prabowo and Sahlan (2021), and Sari and Noviardy (2025) show that capital intensity affects tax avoidance. However, in research conducted by Tari & Leon (2026), Caroline and Tumewu (2026), and Hendayana et al. (2024) show that capital intensity does not affect tax avoidance.

Firm size is a measure of a company's size based on wealth (capital), sales figures, number of employees, total assets, and other factors. The greater the total assets, the larger the company. Companies with large total assets tend to be more capable and stable in generating profits than those with small total assets. Large and stable profits tend to encourage companies to engage in tax avoidance. Several previous studies conducted by Saputra et al. (2020), Mocanu et al. (2021), Sari (2021), Ariff et al. (2023), and Nurrohmand & Cahyani (2026) show that firm size influences tax avoidance. However, in research conducted by Setyaningsih et al. (2023), Thirza and Lukman (2026), and Adelia and Suhono (2026) show that firm size does not affect tax avoidance.

Firm size is a moderating variable between financial distress, leverage, and capital intensity in tax avoidance, because it can be measured by total assets (the amount of the company's assets) using a logarithmic transformation. Generally, firm size is divided into three groups: large, medium, and small. Therefore, financial distress associated with declining financial performance, leverage related to the company's debt, and capital intensity related to decisions to increase profits through capital are all associated with firm size. It is because large companies are considered better able to deploy all their resources to develop sound tax planning, and vice versa.

Based on the description of the phenomenon above and previous studies, the researcher is interested in conducting a study titled "The Effect of Financial Distress, Leverage and Capital Intensity on Tax Avoidance with Firm Size as a Moderating Variable."

2. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

Tax Avoidance

According to Hutchens et al. (2019), tax avoidance is the use of tax planning methods to reduce income tax paid legally. However, Desai & Dharmapala (2018) view tax avoidance as the abuse of tax shelters. Illegal tax avoidance is tax evasion, or may be considered tax evasion, and involves carrying out tax avoidance that is not permitted by tax laws and regulations. The difference between tax avoidance and tax evasion is that tax evasion is illegal, involving intentional violations of applicable tax regulations to minimize tax liabilities. Tax avoidance is the act of taking advantage of opportunities available in tax regulations to reduce tax liabilities.

Financial distress

According to a study by Dang and Tran (2021), financial distress is a condition in which a company experiences a severe decline in financial performance, leading in acute difficulties or an inability to meet its financial obligations to creditors. This condition is a critical phase before bankruptcy, characterized by scarcity of operational cash flow and extreme liquidity pressures. The primary reason financial distress drives increased tax avoidance is extreme, aggressive risk management policies, one of which is the use of tax planning (tax avoidance) to balance cash flow despite the high risk of legal sanctions. Companies experiencing severe financial distress face cash outflows. Tax payments are viewed as a direct cash burden that reduces operational liquidity.

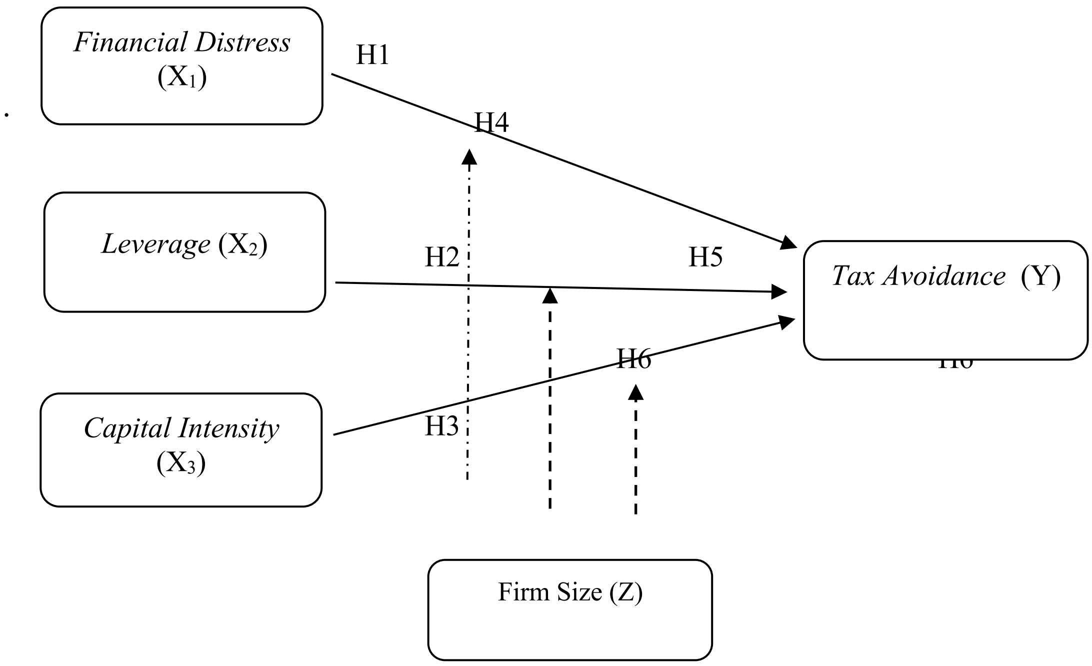

Figure 1. Conceptual Framework

Research Hypothesis

Financial Distress and Tax Avoidance

Financial distress is a condition in which a company is not in a good financial position and must transition to a new stage, where the company is categorized as being in a dangerous condition with a nearly 100% risk of bankruptcy. Companies experiencing financial distress often engage in tax avoidance to reduce cash outflows and corporate expenses. Several previous studies by Dang and Tran (2021), Fadhila and Andayani (2022), Yulianty and Sumanti (2025), Richardson et al. (2015), and Tantri and Yoshida (2025) show that financial distress influences tax avoidance. The relationship between financial distress and tax avoidance can be explained through the Trade-Off Theory and tax planning theory. Based on the Trade-Off Theory, companies seek to maximize value by balancing the benefits and costs of various financial decisions, including tax-related decisions. When a company is in financial distress, bankruptcy costs and financial risks increase significantly. In this condition, companies tend to seek strategies to maintain liquidity and cash flow, one of which is minimizing tax burdens. Taxes are viewed as a burden that can be controlled through managerial policies, making tax avoidance a rational alternative to reduce financial pressure. From a tax planning perspective, companies experiencing financial difficulties have a greater incentive to legally avoid tax by exploiting loopholes in tax regulations. The primary objective of tax planning is to minimize tax liabilities without violating applicable regulations, allowing companies to allocate funds that would otherwise be paid as taxes to meet operational needs and short-term obligations. In times of financial distress, this strategy becomes even more important due to limited external funding sources and high liquidity pressures.

H1: Financial distress has an effect on tax avoidance in property and real estate companies listed on the IDX.

Leverage and Tax Avoidance

Leverage is a measure of the extent to which a company is financed with debt; high debt usage can be detrimental to the company. Companies with high leverage face financial constraints, prompting them to increase their cash holdings. Debt loans are subject to interest, which is a deductible expense that companies utilize to minimize tax payable, indicating tax avoidance. Previous studies by Prabowo and Sahlan (2021), Mocanu et al. (2021), Fadhila and Andayani (2022), Ariff et al. (2023), Setyaningsih et al. (2023), and Hendayana et al. (2024) show that leverage influences tax avoidance. The effect of leverage on tax avoidance can be explained through the Trade-Off Theory and the concept of tax planning. Leverage reflects the extent to which a company uses debt to finance its operations. According to the Trade-Off Theory, the use of debt provides benefits in the form of tax savings (tax shield) from interest expense, since interest can be deducted from taxable income. Therefore, companies tend to use debt to some extent to obtain optimal tax benefits. From a tax planning perspective, companies with high leverage tend to be more active in managing their tax liabilities through debt-based financing structures. This strategy is carried out by exploiting tax provisions that allow for interest expense deductions, thus reducing tax payable without violating applicable regulations. Thus, the higher a company's leverage, the greater its opportunity to engage in tax avoidance.
H2: Leverage has an effect on tax avoidance in property and real estate companies listed on the IDX.

Capital Intensity and Tax Avoidance

Capital intensity is a form of financial decision made by company management to increase profitability. Capital intensity reflects the amount of capital required by the company, which is determined by increases in fixed assets (purchases) or decreases in fixed assets (sales). Several previous studies by Saputra et al. (2020), Prabowo and Sahlan (2021), and Sari and Noviardy (2025) show that capital intensity influences tax avoidance. Based on the Trade-Off Theory, companies will choose an asset and financing structure that balances benefits and costs, including tax benefits derived from the use of fixed assets. Fixed assets generate depreciation expenses that can be deducted from taxable income. The greater the proportion of fixed assets a company owns, the greater the depreciation expense that can be deducted for tax purposes, resulting in lower taxable income and tax payable. From a tax-planning perspective, companies with high capital intensity have greater flexibility in managing taxes through accounting policies for fixed assets, such as depreciation methods and asset useful lives. Utilizing depreciation as a deductible expense is a legal tax avoidance strategy because it complies with applicable tax regulations. Therefore, capital intensity can be used to reduce a company's tax burden without violating regulations.
H3: Capital intensity has an effect on tax avoidance in property and real estate companies listed on the IDX.

The role of firm size in moderating the effect of financial distress on tax avoidance

According to Fadhila and Andayani (2022), financial distress is a condition in which a company is unable to pay its financial obligations due to a lack of funds, resulting in hampered business activities and indications of bankruptcy. According to Nadhifah and Arif (2020), companies in this condition are relatively aggressive in tax avoidance to maintain their sustainability. Firm size is a measure that can determine a company's size based on wealth (capital), sales figures, number of employees, total assets, and other factors. Research by Widiantari et al. (2025), Rahmawati & Rahmawati (2024), and Nurfarida & Andriani (2025) found that firm size moderates the effect of financial distress on tax avoidance. Based on the Trade-Off Theory, large companies have a better ability to balance the benefits and costs of various financial decisions, including tax-related decisions. When large companies experience financial distress, the pressure to maintain financial stability remains, but these companies have greater flexibility and capacity to design legal tax avoidance strategies than small companies. It is due to the availability of expertise, a more mature tax planning system, and a more complex organizational structure. From a tax planning perspective, firm size plays a significant role in determining the extent to which tax avoidance strategies can be implemented. Larger companies have greater opportunities to exploit loopholes in tax regulations, implement more structured tax management, and optimize financial policies to reduce tax burdens. Therefore, in times of financial distress, large companies tend to be better able to engage in tax avoidance than smaller companies.
H4: Firm size moderates the effect of financial distress on tax avoidance in property and real estate companies listed on the IDX.

The role of firm size in moderating the effect of leverage on tax avoidance

Leverage is a measure of the extent to which a company is financed with debt. High debt usage can

endanger the company (Nainggolan and Saragih, 2020). According to Yulfaida (2012), leverage is the amount of debt a company has for financing and can be measured by the size of assets financed by debt. According to Abdullah (2020a), the leverage ratio is intended to measure the extent to which a company's investments are financed with debt. When a company controls its debts, it an increase its total assets, thereby growing in size.
Research conducted by Agustadana & Khomsiyah (2025), Suyanto & Kurniawati (2022), and Indira et al. (2024) found that firm size moderates the effect of leverage on tax avoidance. Based on the Trade-Off Theory, the use of debt provides benefits in the form of tax savings through a tax shield from interest expenses, but also incurs costs in the form of bankruptcy risk and agency costs. In this context, firm size plays a significant role in determining a company's ability to manage the benefits and risks of using debt. Larger companies generally have higher total assets, more stable funding structures, and better managerial capabilities in managing leverage. From a tax-planning perspective, larger companies have more adequate resources to utilize debt tax benefits optimally. As leverage increases, larger companies tend to be able to manage interest expense as a deductible expense more effectively than smaller companies. This results in a stronger effect of leverage on tax avoidance in larger companies.
H5: Firm size moderates the effect of leverage on tax avoidance in property and real estate companies listed on the IDX.

The role of firm size in moderating the influence of capital intensity on tax avoidance

The larger the total assets, the larger the company. Companies with large total assets tend to be more capable and stable in generating profits than those with small total assets. Large and stable profits tend to encourage companies to engage in tax avoidance practices (Dewinta et al., 2016). Company management always strives to achieve the expected profits through tax management, one of which is tax avoidance, namely, reducing tax liability in a way that does not violate tax laws and regulations. The greater the capital intensity of the company can regulate how much capital is needed by the company, and the capital is obtained from increasing fixed assets (purchases) or decreasing fixed assets (sales), the company will easily carry out tax avoidance, which is a legal reduction effort carried out by optimally utilizing provisions in the tax sector. Research by Hidayat et al. (2024), Rahmawati & Rahmawati (2024), and Putri & Barli (2025) found that firm size moderates the effect of capital intensity on tax avoidance. Based on the Trade-Off Theory, companies will manage their asset structure in such a way as to balance benefits and costs, including tax benefits obtained from fixed asset ownership. Therefore, capital intensity is one means for companies to achieve tax efficiency. From a tax-planning perspective, large companies have greater capacity to manage fixed asset investments and depreciation policies optimally. Large companies generally have adequate resources, accounting systems, and professional staff to design structured tax strategies that comply with tax regulations. This condition makes the effect of capital intensity on tax avoidance stronger in larger companies than in smaller ones.
H6: Firm size moderates the effect of capital intensity on tax avoidance in property and real estate companies listed on the IDX

3. RESEARCH METHODOLOGY

This research design is a causal-associative type, which aims to identify the causal relationship between the variables under study. The causal-associative research design is very useful for analyzing how one variable affects another. In this study, the relationship to be tested includes the partial and simultaneous influences of the independent variables, Financial Distress, Leverage, and Capital intensity, on the dependent variable, Tax Avoidance. Firm size is used as a moderating variable in this relationship. The population of this study comprises all property and real estate companies, totaling 92. Based on the sample criteria above, 18 companies were used as samples with data for 6 (six) years, so that the number of data analysis units is 108 data to be observed. The data collection technique for this study uses documentation, namely by collecting and utilizing financial report data from property and real estate companies for 2019–2024 that are already available. The data is then collected and reviewed. The data were obtained from the website of the Indonesia Stock Exchange, namely www.idx.co.id.

4. RESULTS AND DISCUSSION

RESULTS

Regression Analysis

Regression analysis is used to determine the extent to which independent variables influence the dependent variable. In this study, the independent variables are Financial Distress, Leverage, and Capital Intensity. The dependent variable is Tax Avoidance. The following are the results of the panel-data regression using the Common Effects Model (CEM).

Table 1. Linear Regression Test of CEM Model

Dependent Variable: CETR
Method: Panel Least Squares
Date: 11/30/25 Time: 19:37
Sample: 2019 2024
Periods included: 6
Cross-sections included: 18
Total panel (balanced) observations: 108

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	**-0.062268**	0.027958	-2.227229	0.0281
X1	**0.002170**	0.000318	6.821227	0.0000
X2	**0.011189**	0.008561	1.306946	0.1941
X3	**1.433877**	0.688172	2.083601	0.0396

Weighted Statistics

R-squared	0.256543	Mean dependent var	1.876346
Adjusted R-squared	0.235097	S.D. dependent var	4.438601
S.E. of regression	4.110602	Sum squared resid	1757.293
F-statistic	11.96236	Durbin-Watson stat	1.690683
Prob(F-statistic)	0.000001		

Source: E-Views 10 Software Processing Results (2026)

Based on Table 1, the following regression equation is obtained:

$$\mathbf{Y = -0.0622 - 0.0021\,X1 + 0.0111\,X2 + 1.4338\,X3 + e}$$

Hypothesis Testing

In this hypothesis testing, panel data regression analysis was used to examine the influence of the independent variables on the dependent variable. Analysis of the coefficient of determination (R2) and partial effect testing (T-test) was conducted to measure the strength of the relationship and the statistical significance of the influence.

Partial Significance Test (t-Test)

The partial test is used to determine the effect of each independent variable on the dependent variable. An independent variable is said to influence the dependent variable if its p-value (sig) is below 0.05. The following are the results of the Partial Test (t Test):

Table 2. Partial Significance Test (t-Test)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.062268	0.027958	-2.227229	0.0281
FD	**0.002170**	0.000318	6.821227	**0.0000**
DER	**0.011189**	0.008561	1.306946	**0.1941**
CI	**1.433877**	0.688172	2.083601	**0.0396**

Source: EViews 10 Software Processing Results (2026)

Based on Table 2, the results of the moderation test can be interpreted as follows:

1. The regression coefficient for the financial distress (FD) variable is 0.0021. The p-value is 0.000, which is <0.05. Based on these results, it can be concluded that financial distress (FD) has a positive and significant effect on CETR.
2. The regression coefficient for the leverage (DER) variable is 0.0111. The p-value is 0.1941, which is >0.05. Based on these results, it can be concluded that leverage (DER) has a positive but insignificant effect on CETR.
3. The regression coefficient for the capital intensity (CI) variable is 1.4338. The p-value is 0.0396, which is <0.05. Based on these results, it can be concluded that capital intensity (CI) has a positive and significant effect on CETR.

Analysis of the Coefficient of Determination (R2)

The coefficient of determination is the extent of the independent variable's contribution to the dependent variable. The coefficient of determination can measure the percentage of the variance explained by the regression. The following are the results of the coefficient of determination test:

Table 3. Results of the Determination Coefficient Test

R-squared	0.256543	Mean dependent var	1.876346
Adjusted R-squared	**0.235097**	S.D. dependent var	4.438601
S.E. of regression	4.110602	Sum squared resid	1757.293
F-statistic	11.96236	Durbin-Watson stat	1.690683
Prob(F-statistic)	0.000001		

Source: EViews 10 Software Processing Results (2026)

Based on Table 3, it shows that the coefficient of determination value in the Adjusted R-squared row obtained in this study is 0.2350. This value can be interpreted as the independent variables, namely, financial distress, leverage, and capital intensity, being able to explain or influence tax avoidance (CETR) by 23.50%. In contrast, the remaining differences are explained by factors not included or examined in this research model.

Moderating Test

The Moderated Regression Analysis interaction test is conducted by adding a product variable for the independent variable and its moderator. The results of the Moderated Regression Analysis regression test between the independent variable, the dependent variable and the interaction variable are as follows :

Table 4. Results of the Moderated Regression Analysis (MRA) Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.168910	0.655069	0.257851	0.7971
FD	-0.058194	0.018480	-3.149033	0.0022
DER	0.396723	0.362186	1.095358	0.2760
CI	-3.068688	15.15397	-0.202501	0.8399
SIZE	-0.005506	0.021788	-0.252713	0.8010
FD* SIZE	0.002208	0.000676	3.267575	**0.0015**
DER* SIZE	-0.013217	0.011941	-1.106811	**0.2710**
CI* SIZE	0.135036	0.505528	0.267118	**0.7899**
R-squared	0.104746	Mean dependent var		1.235689
Adjusted R-squared	**0.042078**	S.D. dependent var		3.366719

Source: EViews 10 Software Processing Results (2026)

Based on Table 4, the regression equation can be as follows:

Y = 0.1689 - 0.0581 X1 + 0.3967 X2 - 3.0686 X3 - 0.0055 Z + 0.0022 X1Z - 0.0132 X2Z + 0.1350 X3Z + e

Based on the regression equation above, the following can be interpreted:

1. The coefficient of the interaction variable FD and SIZE (X1*Z) is 0.0022, with a Prob. value of 0.0015, which is less than the sig. value of 0.05. It indicates a significant effect. Therefore, it can be concluded that firm size is significant and can moderate the effect of financial distress on tax avoidance (CETR), with a weakening effect. It is evident from the decreased coefficient of determination, which is 0.042 (4.2%), from the previous value of 23.5%.
2. The coefficient of the interaction variable between DER and SIZE (X2*Z) is -0.0132. The Prob. value is 0.2710, which is greater than the sig. value of 0.05, indicating no significant effect. Therefore, it can be concluded that firm size is insignificant or unable to moderate the effect of leverage on tax avoidance (CETR).
3. The coefficient value of the interaction variable between CI and SIZE (X3*Z) is 0.1350. The Prob. value is 0.7899, which is greater than the sig. value of 0.05. Thus, it has no significant effect. Therefore, it can be concluded that the firm size variable is not significant or does not moderate the effect of capital intensity on tax avoidance (CETR).

Based on the results of the partial influence test (t-test) and the moderating test (Moderated Regression Analysis), the answers to the research hypotheses were obtained, which will be described in the following table:

Table 5. Results of Research Hypothesis Testing

Hypothesis		Influence Coefficient	P values	Conclusion
H1	Financial distress has a positive and significant effect on tax avoidance in property and real estate companies listed on the IDX.	0.0028	0.000	**Accept**
H2	Leverage has a positive but insignificant effect on tax avoidance in property and real estate companies listed on the IDX.	0.0111	0.1941	**Reject**
H3	Capital intensity has a positive effect on tax avoidance in property and real estate companies listed on the IDX.	1.4338	0,0396	**Accept**
H4	Firm size moderates the effect of financial distress on tax avoidance in property and real estate companies listed on the IDX.	0,0022	0,0015	**Accept**
H5	Firm size moderates the effect of leverage on tax avoidance in property and real estate companies listed on the IDX.	-0,0132	0,2710	**Reject**
H6	Firm size moderates the effect of capital intensity on tax avoidance in property and real estate companies listed on the IDX.	0,1350	0,7899	**Reject**

Source: EViews 10 Software Processing Results (2026)

Discussion

The Impact of Financial Distress on Tax Avoidance

Based on the test results, financial distress has a positive and significant effect on tax avoidance. Thus, the first hypothesis, which states that financial distress has a positive and significant effect on tax avoidance in this study, is accepted. The direction of this positive relationship indicates that whenever a company experiences an increasing financial difficulty or pressure, its tax management policy shifts toward more aggressive tax avoidance. This finding aligns with prior literature and theory, which suggests that companies in financial distress tend to engage in tax avoidance to maintain liquidity or cash flow. The research results show that in the property sector, financial pressure can lead to tax avoidance. Companies experiencing financial distress have limited liquidity, so they tend to seek various ways to maintain the continuity of their operations. One strategy is to reduce the tax burden through tax avoidance. Companies with limited liquidity are trying to reduce cash outflows, including by lowering their tax burden, so that financial difficulties will increasingly encourage them to engage in tax avoidance as a survival strategy.

The Effect of Leverage on Tax Avoidance

Based on the research results, leverage shows a positive but insignificant relationship with tax avoidance. This finding indicates that corporate debt utilization is not yet a primary determinant in encouraging tax avoidance. Therefore, the hypothesis stating that leverage has a positive and significant effect on tax avoidance in this study is rejected. Leverage does not have a significant effect because, although debt can generate tax benefits through tax shields, not all companies utilize leverage as a tax avoidance strategy. Increasing debt is prioritized to fund projects and working capital needs, rather than to reduce tax burdens. Furthermore, companies prioritize liquidity, interest payment capacity, and credit risk when taking on debt as funding, rather than solely pursuing savings or tax avoidance behavior. Therefore, leverage is a factor that does not have a significant influence in encouraging companies to engage in tax avoidance.

The Effect of Capital Intensity on Tax Avoidance

Based on the research results, capital intensity has a positive and significant effect on tax avoidance, as proxied by the CETR. This finding indicates that the greater a company's proportion of fixed assets, the greater its tendency to engage in tax management to reduce its tax burden. Therefore, the hypothesis that capital intensity has a positive and significant effect on tax avoidance is accepted. Capital intensity is a form of financial decision made by company management to increase profitability. Capital intensity reflects the amount of capital required by the company, obtained by increasing fixed assets (purchases) or decreasing them (sales) (Dang & Tran, 2021). Companies with substantial fixed assets can utilize tax benefits related to depreciation and amortization. High depreciation expenses can reduce taxable income. Conceptually, companies with high asset intensity have the flexibility to use depreciation expense as a tax-planning tool. Depreciation expense is a non-cash expense that can reduce taxable income without affecting operating cash flow. It allows companies to manage depreciation expense reporting to reduce taxable profits and, in turn, lower their tax burden. Furthermore, fixed assets such as buildings and land have valuation characteristics that can be managed through specific accounting methods, providing companies with the opportunity to exploit tax provisions for tax savings legally.

The Effect of Firm Size in Moderating the Effect of Financial Distress on Tax Avoidance

Based on the results of the moderation tests, firm size is shown to moderate the relationship between financial distress and tax avoidance. Thus, the hypothesis which states that firm size significantly moderates the effect of financial distress on tax avoidance is accepted. Firm size is shown to moderate the relationship between financial distress and tax avoidance in a weakening direction. It shows that, in large companies, the influence of financial distress on the tendency to engage in tax avoidance is smaller. In the Trade-Off Theory perspective, large companies tend to be more careful in balancing the benefits and costs of a decision, including tax avoidance practices. Large companies generally have high visibility in the eyes of the public, regulators, and tax authorities, and thus face greater reputational and scrutiny risks. Therefore, even though they are experiencing financial distress, large companies tend not to be overly aggressive in pursuing tax avoidance because they consider potential long-term costs, such as sanctions, tax audits, and reputational damage.

The Effect of Firm Size in Moderating the Effect of Leverage on Tax Avoidance

Based on the results of the moderation test, firm size did not moderate the relationship between leverage and tax avoidance. This finding indicates that firm size neither strengthens nor weakens the effect of leverage on a company's tendency to engage in tax avoidance. Therefore, the hypothesis that firm size moderates the effect of leverage on tax avoidance is rejected. Leverage provides a tax shield through deductible interest expenses. This tax benefit applies equally to all companies, both large and small. Therefore, firm size does not add additional benefits or risks that could change a company's orientation in using leverage for tax planning. Because the tax benefits are uniform, leverage maintains the same function regardless of firm size. Although large companies have easier access to funding sources, they are also under greater public and regulatory scrutiny. Corporate reputation, governance, and transparency demands are factors that can deter large companies from engaging in aggressive debt-based tax avoidance. Conversely, small companies often use leverage for operational financing, not as a tax-avoidance instrument. Therefore, firm size does not influence the direction of the relationship between leverage and tax avoidance.

The Effect of Firm Size in Moderating the Effect of Capital Intensity on Tax Avoidance

Based on the results of the moderation test, firm size cannot moderate the effect of capital intensity on tax avoidance. Therefore, the hypothesis that firm size moderates the effect of capital intensity on tax avoidance is rejected. The study's results, which show that firm size cannot moderate the effect of capital intensity on tax avoidance, indicate that a company's asset size neither strengthens nor weakens the relationship. It is because capital intensity, reflected in the size of investments in fixed assets, directly provides tax benefits in the form of depreciation, thus providing companies with the opportunity to achieve tax savings regardless of firm size.

CONCLUSIONS AND IMPLICATIONS

Conclusions

Based on the research results, the conclusions were Financial distress has a significant positive effect on tax avoidance in property and real estate companies listed on the Indonesia Stock Exchange. Leverage does not affect tax avoidance in property and real estate companies listed on the Indonesia Stock Exchange. Capital intensity has a significant positive effect on tax avoidance in property and real estate companies listed on the Indonesia Stock Exchange. Firm size moderates the effect of financial distress on tax avoidance in property and real estate companies listed on the Indonesia Stock Exchange. Firm size does not moderate the effect of leverage on tax avoidance in property and real estate companies listed on the Indonesia Stock Exchange. Firm size does not moderate the effect of capital intensity on tax avoidance in property and real estate companies listed on the Indonesia Stock Exchange.

Implications

Theoretical Implications

Strengthening empirical evidence on the role of capital intensity in tax planning: The study's results show that capital intensity has a positive and significant effect on tax avoidance, supporting the tax planning theory that fixed assets can serve as a depreciation tax shield. Strengthening the relevance of the Trade-Off Theory: The findings of the firm-size study support the Trade-Off Theory, showing that capital intensity influences tax avoidance, with large companies tending to maximize the benefits of asset depreciation as a tax deduction. Contribution to the literature on firm size moderation. The insignificant moderation of firm size on the influence of financial distress and leverage adds empirical evidence that the company's scale does not always strengthen the influence of financial characteristics on tax avoidance.

Practical Implications

For Company Management: The research results illustrate that fixed assets are an effective instrument that can be utilized in legal tax planning through a depreciation mechanism. Companies can strengthen their legal and measurable tax planning by improving fixed asset management. For Regulators and the Directorate General of Taxes: The government needs to increase supervision of companies with high fixed asset intensity, because capital intensity has been proven to be significantly correlated with tax avoidance. For Investors and Creditors: Investors need to pay attention to the company's financial condition and asset structure because the level of financial distress and capital intensity can be important indicators in assessing the company's tendency to engage in tax avoidance.

REFERENCES

Abdullah, I., & Nainggolan, E. P. (2018). Pengaruh pengetahuan wajib pajak, kesadaran wajib pajak terhadap motivasi membayar pajak dengan penerapan UU tax amnesty sebagai variabel moderating pada Kanwil DJP Sumut I Medan. *Liabilities (Jurnal Pendidikan Akuntansi), 1*(2), 181–191. https://doi.org/10.30596/liabilities.v1i2.2230.g2181

Adelia, N., & Suhono. (2026). Pengaruh profitabilitas, leverage, ukuran perusahaan, dan dewan komisaris independen terhadap tax avoidance. Jurnal Ilmiah Wahana Pendidikan, 12(2.B), 227–239. peneliti.net

Agustadana, B. T., & Khomsiyah. (2025). Mampukah ukuran perusahaan memoderasi hubungan profitabilitas dan leverage terhadap penghindaran pajak. Owner: Riset & Jurnal Akuntansi, 9(2), 1–9. https://doi.org/10.33395/owner.v9i2.2508

Apriliani, T. (2023). Pengaruh profitabilitas, leverage dan pertumbuhan penjualan terhadap tax avoidance. *Jurnal Socia Logica*, *3*(1), 117–137.

Ariff, A., Wan Ismail, W. A., Kamarudin, K. A., & Mohd Suffian, M. T. (2023). Financial distress and tax avoidance: The moderating effect of the COVID-19 pandemic. *Asian Journal of Accounting Research*, *8*(3), 279–292. doi.org

Caroline, E., & Tumewu, J. (2026). Analisis pengaruh financial distress, capital intensity, leverage, dan sales growth terhadap tax avoidance pada perusahaan manufaktur tekstil tahun 2022-2024. *Jurnal Bisnis Mahasiswa*, *6*(1), 45–58. https://doi.org/10.60036/jbm.1048

Dang, V. C., & Tran, X. H. (2021). The impact of financial distress on tax avoidance: An empirical analysis of the Vietnamese listed companies. *Cogent Business & Management*, *8*(1), 1–15. doi.org

Desai, M. A., & Dharmapala, D. (2018). Revisiting the uneasy case for corporate taxation in an uneasy world. *Journal of the British Academy*, *6*(s1), 247–284. https://doi.org/10.5871/jba/006s1.247

Dewinta, I. A. R., & Setiawan, P. E. (2016). Pengaruh ukuran perusahaan, umur perusahaan, profitabilitas, leverage, dan pertumbuhan penjualan terhadap tax avoidance. E-Jurnal Akuntansi Universitas Udayana, 14(3), 1584-1615. unud.ac.id

Fadhila, N., & Andayani, S. (2022). Pengaruh financial distress, profitabilitas, dan leverage terhadap tax avoidance. *Owner: Riset & Jurnal Akuntansi*, *6*(4), 3450–3461. https://doi.org/10.33395/owner.v6i4.1211

Hendayana, Y., Arief Ramdhany, M., Pranowo, A. S., Abdul Halim Rachmat, R., & Herdiana, E. (2024). Exploring impact of profitability, leverage and capital intensity on avoidance of tax, moderated by size of firm in LQ45 companies. *Cogent Business & Management*, *11*(1), 1–21. doi.org

Hidayat, R., Lestari, D., M. Afriani, R., I. (2024). Ukuran Perusahaan Dalam Memoderasi Pengaruh Profitabilitas Dan Intensitas Modal Terhadap Penghindaran Pajak Pada Perusahaan Sub Sektor Barang Perindustrian Yang Terdaftar Di Bursa Efek Indonesia Tahun 2019-2023. *Jurnal Ilmiah Ekonomi Manajemen Bisnis dan Akuntansi*. Vol.1, No.3. Hal 138-148 DOI: https://doi.org/10.61722/jemba.v1i3.448

Hutchens, M., Rego, S. O., & Williams, B. (2019). *Tax avoidance, uncertainty, and firm risk*. SSRN.

Indira, I., Nisa, L., Dedyansyah, A. F., Salukh, A., & Putro, G. M. H. (2024). Ukuran Perusahaan Memoderasi Pengaruh Leverage Pada Tax Avoidance. *Jurnal Ilmiah Raflesia Akuntansi*, *10*(1). DOI: https://doi.org/10.53494/jira.v10i1.392

Mkadmi, J. E., & Ali, W. Ben. (2024). How does tax avoidance affect corporate social responsibility and financial ratio in emerging economies? *Journal of Economic Criminology*, *5*, 100070. https://doi.org/10.1016/j.jeconc.2024.100070

Mocanu, M., Constantin, S.-B., & Răileanu, V. (2021). Determinants of tax avoidance–evidence on profit tax-paying companies in Romania. *Economic Research-Ekonomska Istraživanja*, *34*(1), 2013–2033. https://doi.org/10.1080/1331677X.2020.1860794

Nadhifah, M., & Arif, A. (2020). Transfer pricing, thin capitalization, financial distress, earning management, dan capital intensity terhadap tax avoidance dimoderasi oleh sales growth. *Jurnal Magister Akuntansi Trisakti*, *7*(2), 145–170. doi.org

Nainggolan, E. P., & Febriansyah, A. R. (2021). Pengaruh rasio profitabilitas dan biaya operasional terhadap PPh badan terutang pada perusahaan sub sektor makanan dan minuman yang terdaftar di BEI tahun 2015-2019. *Seminar Nasional Teknologi Edukasi Sosial Dan Humaniora*, *1*(1), 27–33. https://doi.org/10.53695/sintesa.v1i1.185

Nurfarida, & Andriani, S. (2025). Tax avoidance: Profitabilitas, likuiditas dan financial distress peran ukuran perusahaan sebagai moderasi. Journal of Applied Managerial Accounting, 9(1), 1–20. doi.org

Nurrohmah, Erlini, & Cahyani, Yenni. (2026). Pengaruh aktivitas, ukuran perusahaan, pertumbuhan penjualan terhadap tax avoidance. RIGGS: Journal of Artificial Intelligence and Digital Business, 5(1), 5674-5682. https://journal.ilmudata.co.id/index.php/RIGGS

Prabowo, A., & Sahlan, R. (2021). Pengaruh profitabilitas, leverage, dan capital intensity terhadap penghindaran pajak dengan ukuran perusahaan sebagai variabel (moderating) (studi empiris pada perusahaan manufaktur yang terdaftar di BEI tahun 2015-2019). *Media Akuntansi Perpajakan*, *6*(2), 55–74. doi.org

Pratiwi, S. A. D., & Fauzan. (2025). The effect of leverage, financial distress, and transfer pricing on tax avoidance (Empirical study on energy sector manufacturing companies listed on the Indonesia Stock Exchange for the 2018–2022 period). *Indonesian Interdisciplinary Journal of Sharia Economics*, *8*(1), 1594–1612. https://doi.org/10.31538/iijse.v8i1.6073

Putri, A. A., & Barli, H. (2025). Pengaruh profitabilitas, transfer pricing, dan capital intensity terhadap tax aggressiveness dengan firm size sebagai moderasi. *JUMMA'45: Jurnal Mahasiswa Manajemen dan Akuntansi*, *4*(2), 825–841. https://doi.org/10.30640/jumma45.v4i2.5121

Rahmana, D. A. (2022). Apakah financial distress memengaruhi penghindaran pajak? Studi kasus pada perusahaan publik di Indonesia. *Jurnal Kajian Ilmiah Perpajakan Indonesia*, *4*(1), 24–42. https://doi.org/10.52869/st.v4i1.257

Rahmawati, R., & Rahmawati, I. (2024). Tax aggressiveness: Tinjauan leverage, financial distress, capital intensity ratio, dan ICSR dengan pemoderasi ukuran perusahaan. *JEBISKU: Jurnal Ekonomi dan Bisnis Islam IAIN Kudus*, *2*(2), 1–15.

Richardson, G., Taylor, G., & Lanis, R. (2015). The impact of financial distress on corporate tax avoidance spanning the global financial crisis: Evidence from Australia. *Economic Modelling*, *44*, 44–53. https://doi.org/10.1016/j.econmod.2014.09.015

Saputra, A. W., Suwandi, M., & Suhartono, S. (2020). Pengaruh Leverage Dan Capital Intensity Terhadap Tax Avoidance Dengan Ukuran Perusahaan Sebagai Variabel Moderasi (Studi Pada Perusahaan Tambang Yang Terdaftar Di Bursa Efek Indonesia Tahun 2017-2019). *ISAFIR: Islamic Accounting and Finance Review*, *1*(2), 29–47. DOI:10.24252/isafir.v1i2.17587

Sari, D. (2021). The effect of leverage, profitability and firm size on tax avoidance (an empirical study on mining sector companies listed on Indonesia Stock Exchange, Period 2013-2019). *Turkish Journal of Computer and Mathematics Education (TURCOMAT)*, *12*(4), 860–868. https://turcomat.org/index.php/turkbilmat/article/view/574

Sari, N. E., & Noviardy, A. (2025). Pengaruh leverage, capital intensity dan profitabilitas terhadap penghindaran pajak (tax avoidance). *Jurnal Media Wahana Ekonomika.* Vol. 22 No.3, 762 – 777. https://jurnal.univpgri-palembang.ac.id/index.php/Ekonomika/index

Setyaningsih, F., Nuryati, T., Rossa, E., & Machdar, N. M. (2023). Pengaruh Profitabilitas, Leverage, dan Capital Intensity terhadap Tax Avoidance. *SINOMIKA Journal: Publikasi Ilmiah Bidang Ekonomi Dan Akuntansi*, *2*(1), 35–44. DOI: 10.54443/sinomika.v2i1.983

Siboro, E., & Santoso, H. F. (2021). Pengaruh Profitabilitas, Leverage, Dan Capital Intensity Terhadap Tax Avoidance Pada Perusahaan Property Dan Real Estate Yang Terdaftar Di Bursa Efek Indonesia Tahun 2016-2019. *Jurnal Akuntansi*, 21–36. DOI: https://doi.org/10.36452/akunukd.v21i1.2012

Suyanto. & Kurniawati, T. (2022). Profitabilitas, Pertumbuhan Penjualan, Leverage, Penghindaran Pajak: Ukuran Perusahaan Sebagai Variabel Moderasi. Jurnal Manajemen Terapan dan Keuangan (Mankeu) Vol. 11 No. 04. DOI:10.22437/jmk.v11i04.16725

Tantri, V. A., & Yoshida, D. (2025). Pengaruh financial distress, capital intensity, dan komisaris independen terhadap tax avoidance pada perusahaan manufaktur sektor industri barang dan konsumsi yang terdaftar di BEI tahun 2020–2023. AKSIOMA: *Jurnal Sains Ekonomi dan Edukasi,* 2(11), 2459–2472. DOI: https://doi.org/10.62335/aksioma.v2i11.1761

Tari, Kartika., & Leon, Hengky. (2025). Pengaruh *sales growth*, *capital intensity* dan *leverage* terhadap *tax avoidance* pada perusahaan sektor energi di Bursa Efek Indonesia. *AKUA: Jurnal Akuntansi dan Keuangan*, *4*(4), 671-683. doi.org

Thirza, S., & Lukman, H. (2026). Pengaruh profitabilitas, leverage, ukuran perusahaan, dan komisaris independen terhadap *tax avoidance* pada perusahaan *consumer goods* yang terdaftar di BEI tahun 2022-2024. *Jurnal Ekonomi, Manajemen, Akuntansi dan Keuangan*, *7*(1), 1–13.

Widiantari, Ni, Nyoman, S. Adiyadnya, Made, S., P. Putra, Made, D., P. (2025). Pengaruh Profitabilitas, *Sales Growth*, dan *Financial Distress* terhadap Penghindaran Pajak (*Tax Avoidance*) dengan Ukuran Perusahaan sebagai Variabel Moderasi. *Kumpulan Hasil Riset Mahasiswa Akuntansi (KHARISMA)*. Vol. 7, No. 2. Hal. 542-557. https://e-journal.unmas.ac.id/index.php/kharisma/article/view/11921

Yulfaida, D., & Zulaikha, Z. (2012). *Pengaruh Size, Profitabilitas, Profile, Leverage Dan Ukuran Dewan Komisaris Terhadap Pengungkapan Tanggung Jawab Sosial Pada Perusahaan Manufaktur Di Bursa Efek Indonesia*. Fakultas Ekonomika dan Bisnis. https://ejournal3.undip.ac.id/index.php/accounting/article/view/385

Yulianty, R., & Sumanti, E. (2025). Pengaruh Financial Distress Terhadap Penghindaran Pajak Pada Perusahaan Transportasi Yang Terdaftar di Bursa Efek Indonesia Selama Pandemi COVID-19. *Journal of Accounting and Finance Management*, *6*(2), 630–640. https://doi.org/10.38035/jafm.v6i2.1899