Financial Performance and Tax Aggressiveness: Profitability, Liquidity, and Leverage in Green Economic Transition

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Abstract. This study investigates the influence of Profitability, Liquidity, and Leverage on Tax Aggressiveness among firms listed in the LQ45 index on the Indonesia Stock Exchange, with Company Size as a moderating variable. The research examines the dynamics of financial performance and tax strategies within the context of the global transition towards a green economy, which poses unique challenges for these prominent companies. The findings reveal that Profitability has a positive and significant effect on Tax Aggressiveness ($t = 7.738$, $p < 0.001$). Liquidity also shows a positive and significant impact on Tax Aggressiveness ($t = 2.016$, $p = 0.048$), indicating that firms with greater liquidity are more likely to engage in aggressive tax planning. Leverage similarly has a positive and significant influence on Tax Aggressiveness ($t = 7.436$, $p < 0.001$), suggesting that higher leverage enables companies to reduce tax liabilities through interest deductions. The results also suggest that larger companies, due to their resources and strategic capabilities, are better positioned to engage in complex tax planning. This study contributes to the literature by offering empirical insights into how financial performance impacts tax aggressiveness in a developing economy amidst evolving environmental regulations. The findings are expected to inform policymakers and corporate strategists on the trade-offs between financial performance and tax compliance in the era of green economic policies.

Keywords: Profitability, Liquidity, Leverage, Tax Aggressiveness, Company Size, Green Economy, Financial Performance, Tax Planning.

1 Introduction

In recent years, the global transition towards a green economy has become a pivotal issue for policymakers and businesses alike. As governments worldwide implement stricter environmental regulations and offer incentives for sustainable practices, companies are increasingly compelled to align their strategies with these new standards. For firms listed on the LQ45 index, which represents the most liquid and influential companies on the Indonesia Stock Exchange (IDX), this transition presents unique challenges. These companies must not only maintain strong financial performance but also navigate complex tax landscapes that may be influenced by evolving environmental policies. This research aims to explore the relationship between financial performance indicators—namely profitability, liquidity, and

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leverage—and tax aggressiveness within the context of this green economic transition [1].

Tax aggressiveness, defined as the extent to which a company engages in strategies to minimize its tax liabilities, has been a subject of significant academic and regulatory scrutiny. While a certain level of tax planning is considered a legitimate business strategy, excessive tax avoidance can lead to reputational risks and regulatory penalties [2]. Understanding the determinants of tax aggressiveness, especially in large and influential firms, is crucial for regulators and stakeholders aiming to promote transparency and fairness in the tax system. In this regard, the financial health of a company, as measured by profitability, liquidity, and leverage, can play a pivotal role in shaping its tax strategy [3].

Profitability, as a measure of a company's efficiency in generating profits from its operations, is often linked to tax planning behaviors. Firms with higher profitability may have greater incentives and resources to engage in complex tax minimization strategies [4]. Conversely, firms with lower profitability might resort to aggressive tax practices as a means to bolster their bottom line. This dual perspective makes profitability a critical factor to explore in the context of tax aggressiveness, particularly for LQ45 firms that are under constant scrutiny from investors and regulators [5].

Liquidity, reflecting a company's ability to meet its short-term obligations, is another key determinant of financial strategy. Firms with high liquidity levels are typically better positioned to take advantage of tax incentives and defer tax liabilities without jeopardizing their operational stability. On the other hand, firms with lower liquidity may face constraints that push them towards more aggressive tax positions as a means to preserve cash flows [6]. The interplay between liquidity and tax aggressiveness, especially in a dynamic economic environment, warrants closer examination [7].

Leverage, or the degree to which a company is financed by debt, introduces additional complexities to tax strategy formulation. The interest expense on debt is typically tax-deductible, providing a natural shield against taxable income [8]. As such, highly leveraged firms may exhibit lower levels of taxable income due to higher interest deductions, potentially reducing their need for additional tax planning measures. However, the pressure to service debt in an uncertain economic climate may lead to increased tax aggressiveness as firms seek to optimize their cash positions [9].

The backdrop of a green economic transition adds an intriguing layer to this analysis. While this study does not directly incorporate environmental variables, the ongoing shift towards sustainability has significant implications for corporate strategy, including tax planning [10]. Policies such as carbon taxes and green investment incentives could alter the financial calculus for LQ45 firms, impacting their profitability, liquidity, and leverage. Understanding these dynamics is essential for comprehensively assessing tax aggressiveness in this evolving context [11].

This research contributes to the existing literature by providing empirical evidence on the determinants of tax aggressiveness in a developing economy, specifically within the context of Indonesia's premier index, LQ45. By examining data from 2017 to 2021, this study offers insights into how leading Indonesian firms navigate tax planning amidst financial and regulatory pressures. The findings are expected to

inform policymakers and corporate strategists about the potential trade-offs between financial performance and tax compliance in the era of green economic policies [12].

In conclusion, as Indonesia continues to align its economic policies with global sustainability goals, understanding the financial behaviors of its most prominent firms becomes increasingly important. This study not only sheds light on the relationship between financial performance and tax aggressiveness but also highlights the potential influence of broader economic transitions on corporate behavior. Such insights are invaluable for crafting balanced regulatory frameworks that encourage both economic growth and tax fairness [13].

2 Literature Review

2.1 Profitability

Profitability measures how effectively a company generates income from its operations. It serves as an indicator of management's capability to maximize returns on the company's resources. A commonly used metric for assessing profitability is Return on Assets (ROA).

$$ROA = \frac{Net\ Income}{Total\ Assets} \tag{1}$$

ROA assesses the efficiency of a company in utilizing its assets to generate profit. A higher ROA signifies better performance in converting assets into income. In the realm of tax strategies, firms with greater profitability often seek to reduce their tax obligations to maintain higher net profit. [14] highlight that companies with higher profitability tend to have more resources and incentives to engage in tax minimization strategies.

2.2 Liquidity

Liquidity evaluates a company's ability to meet its short-term liabilities. It is a critical aspect of financial stability, indicating whether a firm can cover its immediate debts without resorting to asset liquidation or additional borrowing.

$$Current\ Ratio \frac{Current\ Assets}{Current\ Liabilities} \tag{2}$$

The Current Ratio reflects the proportion of current assets available to satisfy current liabilities. A high ratio indicates that a company is well-positioned to handle short-term financial obligations. Companies with high liquidity generally do not engage in aggressive tax planning because they possess adequate cash flow to support

their operations. According to [15], firms with lower liquidity are more inclined to adopt aggressive tax measures to sustain their cash flow.

2.3 Leverage

Leverage measures the extent of a company's use of borrowed funds to finance its assets. A high leverage ratio implies a greater reliance on debt, which can increase financial risk.

$$Debt\ Ratio \frac{Total\ Debt}{Total\ Assets} \tag{3}$$

The Debt Ratio demonstrates the proportion of a company's assets financed by debt. A high Debt Ratio suggests that a significant amount of the company's assets is financed through debt, which can lead to higher financial leverage and potential financial instability. While leveraging can be beneficial by providing tax-deductible interest expenses, it also exposes the company to greater financial risk. [16] highlight that companies with high debt ratios often use aggressive tax planning strategies to take advantage of interest deductions, thus reducing their overall tax liability.

2.4 Tax Aggressiveness

Tax aggressiveness involves strategies that companies use to reduce their tax payments. These strategies can range from legal tax planning to more contentious methods like tax avoidance. A common metric for measuring tax aggressiveness is the Effective Tax Rate (ETR).

$$ETR \frac{Tax\ Expense}{Taxable\ Income} \tag{4}$$

The ETR reflects the proportion of income paid in taxes. A lower ETR suggests that the company is using more aggressive tax strategies. While such strategies may yield short-term financial benefits, they also expose companies to potential legal and reputational risks. [17] caution that companies must carefully consider the trade-off between financial gains and the potential negative consequences of aggressive tax planning.

2.5 Agency Theory

Agency Theory, introduced by [18], addresses the inherent conflicts of interest that arise between principals (shareholders) and agents (managers). The theory posits that while shareholders seek to maximize the value of the firm, managers, who have

control over daily operations, may pursue personal benefits that do not necessarily align with shareholder interests. This divergence can lead to agency costs, which are expenses incurred to ensure that managers act in the best interest of shareholders [18].

In the realm of corporate taxation, Agency Theory suggests that managers might engage in aggressive tax strategies to enhance reported earnings and meet performance targets, thereby increasing their compensation or job security. Research by [17] has shown that companies with high agency costs tend to exhibit greater tax aggressiveness, as managers use tax planning to obscure true financial performance and extract private benefits. This phenomenon is particularly evident in firms with dispersed ownership structures, where shareholder oversight is weak.

2.6 Trade-Off Theory

Trade-Off Theory was initially formulated by [19] and later refined by [20]. It provides a framework for understanding how firms choose their capital structure by balancing the tax benefits of debt against the costs of financial distress. According to this theory, companies use debt financing to take advantage of tax shields from deductible interest payments, but excessive leverage increases the risk of bankruptcy and associated costs [20].

This theory has significant implications for understanding corporate tax aggressiveness. Firms with high leverage may aggressively pursue tax minimization strategies to reduce their tax burden and maintain cash flows necessary to service debt. [21] found that firms with substantial debt levels often report lower taxable income due to higher interest deductions, indicating a deliberate use of debt to optimize tax outcomes. However, the theory also suggests a limit to this behavior, as the incremental benefit of additional debt diminishes when bankruptcy risks escalate.

2.7 Research Hypotheses

Influence of Profitability on Tax Aggressiveness. Profitability is a key indicator of a company's financial health, reflecting its ability to generate earnings from operations. Highly profitable firms often strive to maintain their profit margins by minimizing tax liabilities. This drive to boost after-tax earnings encourages companies to engage in aggressive tax planning strategies. [14] argue that firms with high profitability have more resources and stronger incentives to participate in tax avoidance activities as they seek to maximize shareholder returns. Consequently, these firms are more likely to exploit tax loopholes and pursue tax advantages.

H1: Profitability positively influences tax aggressiveness. The higher the profitability, the more likely a company is to engage in aggressive tax planning.

Influence of Liquidity on Tax Aggressiveness. Liquidity reflects a company's ability to meet short-term obligations and manage its cash flows effectively. Firms with ample liquidity are better positioned to invest in sophisticated tax planning strategies that require upfront financial commitments, such as hiring expert tax advisors or establishing complex financial structures. This financial flexibility allows firms to navigate intricate tax regulations and optimize their tax positions.

Furthermore, companies with high liquidity can strategically defer tax payments or shift income recognition to reduce their tax burden. Research [15] and [22] suggests that firms with higher liquidity are more equipped to engage in aggressive tax avoidance due to their ability to absorb the costs associated with these strategies.

H2: Liquidity positively influences tax aggressiveness. The higher the liquidity, the more likely a company is to engage in sophisticated and aggressive tax planning.

Influence of Leverage on Tax Aggressiveness. Leverage reflects the extent to which a company uses debt to finance its operations. A high leverage ratio indicates that a company is utilizing a significant amount of debt, which can be beneficial for tax purposes due to the deductibility of interest expenses. This tax shield effect makes debt an attractive option for firms seeking to minimize their taxable income. [21] found that companies with high levels of debt often report lower taxable income due to increased interest deductions, indicating a strategic use of debt to optimize tax outcomes. However, this approach also brings higher financial risk, as excessive leverage can lead to financial distress, negating the tax benefits. Therefore, companies must balance their use of debt to avoid negative consequences while maximizing tax savings.

H3: Leverage positively influences tax aggressiveness. The higher the leverage, the more likely a company is to employ aggressive tax planning strategies to benefit from interest deductions.

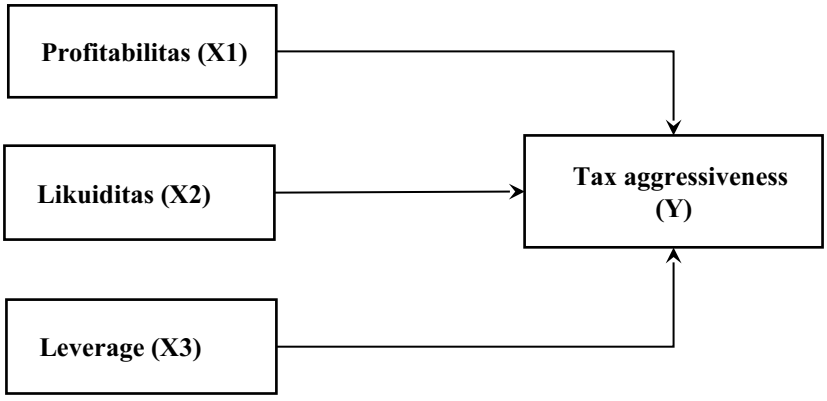

Fig. 1. Research Framework

3 Method

This study adopts a quantitative approach, utilizing secondary data collected from the financial statements of companies listed in the LQ45 index on the Indonesia Stock Exchange (IDX) during the 2017-2021 period. This method allows for an objective evaluation of the relationship between financial performance and tax aggressiveness [23]; [24]. Secondary data, such as company annual reports, offer a comprehensive and accessible source of information suitable for this research [25]. The sample

consists of companies that have remained consistently listed in the LQ45 index and have provided complete and reliable financial data throughout the study period [26].

Data is gathered using a cross-sectional approach, which captures information at a specific point in time, using financial indicators like Return on Assets (ROA), Current Ratio (CR), Debt Ratio (DR), and Effective Tax Rate (ETR) [25]. The data analysis is carried out using SPSS, a popular software tool for statistical analysis in business research [27]. Multiple linear regression is applied to explore the effects of financial performance variables on tax aggressiveness, offering insights into the strategic financial behaviors of LQ45 companies [28].

4 Result and Discussion

4.1 Data

The descriptive statistical analysis in this study is presented in Table 1.

Table 1. Descriptive Statistics Analysis Results

Variable	N	Minimum	Maximum	Mean	Std. Deviation
Profitability	73	-0.1651	0.3466	0.1067	0.1029
Liquidity	73	0.3172	5.5616	2.2908	1.2034
Leverage	73	-0.0507	0.7597	0.3723	0.1902
Tax Aggressiveness	73	-0.2979	0.7684	0.2342	0.1823
Valid N (listwise)	73				

Based on the data table, this study measures the dependent variable, tax aggressiveness, using the Effective Tax Rate (ETR), while the independent variables include profitability (Return on Assets - ROA), liquidity (Current Ratio - CR), and leverage (Debt Ratio - DR) [29]. The results show that the average profitability is 0.1067, liquidity is 2.2908, leverage is 0.3723, and tax aggressiveness is 0.2342. Data analysis was conducted using SPSS version 26 to illustrate the distribution and characteristics of the sample data [26].

The descriptive statistics indicate considerable variability among the sample companies in terms of financial performance and tax behavior. The standard deviations for each variable suggest diverse financial strategies and tax planning practices across the firms. For instance, the high standard deviation in liquidity (1.2034) implies significant differences in the ability of companies to meet their short-term obligations. Similarly, the variation in tax aggressiveness (0.1823) suggests differing approaches to tax minimization, which could be influenced by each company's financial structure and strategic priorities. These findings provide a foundation for further analysis of how financial performance factors relate to tax aggressiveness [23]; [28].

Normality Test. Normality testing is conducted to determine whether the residuals in the regression model follow a normal distribution. This study uses the Kolmogorov-

Smirnov test, where data is considered normally distributed if the significance value is greater than 0.05. The test results show an Asymp. Sig. (2-tailed) value of 0.058, which exceeds the threshold of 0.05, indicating that the data meets the normality requirement. Therefore, it can be concluded that the data is normally distributed and satisfies the normality assumption.

Table 2. Normality Test Results

One-Sample Kolmogorov-Smirnov Test		
N	73	
Normal Parametersa,b	Mean	0.00000000000
	Std. Deviation	0.074647477601
Most Extreme Differences	Absolute	0.102
	Positive	0.050
	Negative	-0.102
Test Statistic	0.102	
Asymp. Sig. (2-tailed)	0.058c	
a. Test distribution is Normal.		
b. Calculated from data.		
c. Lilliefors Significance Correction.		

The test results show that the residuals follow a normal distribution pattern, fulfilling the necessary assumption for regression analysis. The test statistic value of 0.102 indicates no significant deviation from normality in the data.

Multicollinearity Test. The multicollinearity test is used to assess whether there is any correlation among the independent variables, as a good regression model should not show interrelationships between these variables. This study uses the variance inflation factor (VIF) as a criterion, where a VIF value below 10 indicates the absence of multicollinearity. Based on the multicollinearity test results, the VIF values are presented in Table 3 below. All the values are below the threshold of 10, indicating that there is no multicollinearity among the independent variables.

Table 3. Multicollinearity Test Results

Coefficientsa		
Model		
Collinearity Statistics		
	Tolerance	VIF
1	(Constant)	
Profitability	0.362	2.761
Liquidity	0.365	2.743
Leverage	0.710	1.409

These results show that all independent variables have VIF values below 10, confirming that the data is free from multicollinearity. This means there is no significant correlation among the independent variables, which supports the validity of the regression model used in the study.

Autocorrelation Test. The autocorrelation test is used to examine the correlation between observations at time

$t-1$ in a multiple linear regression model. This study employs the Durbin-Watson (DW) test, where no autocorrelation is indicated if the DW value falls between the upper bound (dU) and 4-dU ($1.7067 \leq DW \leq 2.2933$). The test results show a Durbin-Watson value of 1.786, which meets the criteria ($1.7067 \leq 1.786 \leq 2.2933$). Thus, it can be concluded that there is no autocorrelation issue in this study.

Table 4. Autocorrelation Test Results

Model Summary		
Model	R Adjusted R Square Durbin-Watson	R Square Std. Error of the Estimate
1	0.915a 0.831	0.838 0.064532622526
Durbin-Watson	1.786	
a. Predictors: (Constant), Leverage, Liquidity, Profitability		
b. Dependent Variable: Tax Aggressiveness		

The results indicate that the Durbin-Watson statistic falls within the acceptable range, suggesting no autocorrelation in the residuals. This confirms the validity of the regression model used in this analysis, ensuring that the independent variables have been appropriately considered without violating the assumption of independent errors.

4.2 Heteroscedasticity Test

The heteroscedasticity test is used to examine whether there is a difference in the variance of residuals across different observations in a regression model. This study applies the Glejser test, where a significance value greater than 0.05 between independent variables and the absolute residuals indicates no heteroscedasticity. Based on the test results, all significance values are above the 0.05 threshold, which suggests that the regression model is free from heteroscedasticity.

Table 5. Heteroscedasticity Test Results

Coefficientsa		
Model	Unstandardized Coefficients B Standardized Coefficients Beta Sig.	Std. Error t
1	(Constant)	0.027
Profitability	-0.040	0.095

Liquidity	0.008	0.009
Leverage	0.056	0.040

The findings indicate that all independent variables have significance values above 0.05, confirming the absence of heteroscedasticity in the data. This implies that the variance of residuals remains constant across different observations, ensuring the robustness of the regression model used in this research.

Multiple Linear Regression. Multiple linear regression analysis is conducted to assess how the dependent variable, in this case, tax aggressiveness, is influenced by various independent variables. This analysis aims to understand the effect of profitability, liquidity, and leverage on tax aggressiveness.

Table 6. Multiple Linear Regression Model

Coefficientsa				
Model	Unstandardized Coefficients		Standardized Coefficients	
	B	Std. Error	Beta	t
				Sig.
1	(Constant)			-0.051
Profitability	1.082			0.140
Liquidity	0.026			0.013
Leverage	0.439			0.059
a. Dependent Variable: Tax Aggressiveness				

The results indicate that profitability, liquidity, and leverage all have a significant impact on tax aggressiveness. Among these, profitability shows the strongest influence with the highest standardized coefficient ($\beta = 0.627$), followed by leverage ($\beta = 0.431$) and liquidity ($\beta = 0.163$). This suggests that increases in profitability, liquidity, and leverage are associated with higher levels of tax aggressiveness in the sampled companies.

Test Result. The t-test is used to examine the individual impact of independent variables—leverage, profitability, and transfer pricing—on the variation of the dependent variable, tax aggressiveness. In this analysis, the significance value (Sig) is used as a reference, where a significance value (Sig) less than 0.05 indicates that the independent variable (X) significantly influences the dependent variable (Y), and thus the hypothesis is accepted. The results of the partial significance test are presented in Table 7.

Table 7. Individual Parameter Significance Test Results (t-Statistic)

Coefficientsa			
Model	Unstandardized Coefficients		Standardized Coefficients
	B	Std. Error	

	Beta	t
	Sig.	
1	(Constant)	-0.051
Profitability	1.082	0.140
Liquidity	0.026	0.013
Leverage	0.439	0.059
a. Dependent Variable: Tax Aggressiveness		

The results indicate that profitability, as measured by Return on Assets (ROA), has a t-value of 7.738 and a significance value of 0.000, confirming a significant effect on tax aggressiveness. Liquidity, measured by the Current Ratio, shows a t-value of 2.016 and a significance value of 0.048, indicating a significant impact on tax aggressiveness. Similarly, leverage, measured by the Debt Ratio (DR), has a t-value of 7.436 with a significance value of 0.000, suggesting a substantial influence on tax aggressiveness. These results demonstrate that all independent variables significantly contribute to variations in tax aggressiveness among the companies studied.

4.3 Hypotheses Test

Influence of Profitability on Tax Aggressiveness. The first hypothesis of this study, stating that "Profitability influences Tax Aggressiveness," is supported by the results. The t-test shows that the Profitability variable has a t-value of 7.738 and a significance level of 0.000. Since the t-value (7.738) is greater than the critical value (1.993) and the significance level (0.000) is less than 0.05, it can be concluded that Profitability significantly affects Tax Aggressiveness. An increase of 1 unit in Profitability, assuming other independent variables remain constant, will lead to an increase of 1.082 units in Tax Aggressiveness. This implies that higher profitability is associated with a greater tendency for companies to engage in tax aggressiveness strategies. These findings are consistent with previous research, which also demonstrated a positive relationship between profitability and tax aggressiveness [14]; [15].

Influence of Liquidity on Tax Aggressiveness. The second hypothesis of this study, which posits that "Liquidity affects Tax Aggressiveness," is confirmed by the findings. The T-test results indicate that the Liquidity variable has a t-value of 2.016 and a significance level of 0.048. As the t-value (2.016) surpasses the critical value (1.993) and the significance level (0.048) is lower than 0.05, it can be concluded that Liquidity has a significant impact on Tax Aggressiveness. An increase of 1 unit in Liquidity, while holding other independent variables constant, leads to a 0.026 unit rise in Tax Aggressiveness. This suggests that companies with higher liquidity tend to exhibit more aggressive tax behavior. These findings are in line with previous studies, which have also demonstrated that liquidity plays a crucial role in influencing tax aggressiveness [30]; [31].

Influence of Leverage on Tax Aggressiveness. The third hypothesis of this study, which suggests that "Leverage affects Tax Aggressiveness," is supported by the analysis results. The T-test statistical analysis indicates that the Leverage variable has

a T-value of 7.436 with a significance level of 0.000. Since the T-value is greater than the critical threshold of 1.993 (7.436 > 1.993) and the significance level is below 0.05 (0.000 < 0.05), it can be concluded that Leverage has a significant impact on Tax Aggressiveness. An increase of one unit in Leverage, assuming other independent variables remain constant, results in a 0.439 unit rise in Tax Aggressiveness. This suggests that companies with higher leverage are more inclined to engage in aggressive tax planning. These findings are consistent with prior studies, which have shown that higher levels of leverage are associated with increased tax aggressiveness [30]; [15].

T-Test Result. The t-test is used to examine the individual impact of independent variables—leverage, profitability, and transfer pricing—on the variation of the dependent variable, tax aggressiveness. In this analysis, the significance value (Sig) is used as a reference, where a significance value (Sig) less than 0.05 indicates that the independent variable (X) significantly influences the dependent variable (Y), and thus the hypothesis is accepted. The results of the partial significance test are presented in Table 8.

Table 8. Individual Parameter Significance Test Results (t-Statistic)

Coefficientsa	**Unstandardized Coefficients**	**Standardized Coefficients**	**t**	**Sig.**
Model	B	Std. Error	Beta	
(Constant)	-0.051			
Profitability	1.082	0.140	0.627	7.738
Liquidity	0.026	0.013	0.163	2.016
Leverage	0.439	0.059	0.431	7.436

The results indicate that profitability, as measured by Return on Assets (ROA), has a t-value of 7.738 and a significance value of 0.000, confirming a significant effect on tax aggressiveness. Liquidity, measured by the Current Ratio, shows a t-value of 2.016 and a significance value of 0.048, indicating a significant impact on tax aggressiveness. Similarly, leverage, measured by the Debt Ratio (DR), has a t-value of 7.436 with a significance value of 0.000, suggesting a substantial influence on tax aggressiveness. These results demonstrate that all independent variables significantly contribute to variations in tax aggressiveness among the companies studied.

Hypotheses Test

Influence of Profitability on Tax Aggressiveness. The first hypothesis of this study, stating that "Profitability influences Tax Aggressiveness," is supported by the results. The t-test shows that the Profitability variable has a t-value of 7.738 and a significance level of 0.000. Since the t-value (7.738) is greater than the critical value (1.993) and the significance level (0.000) is less than 0.05, it can be concluded that Profitability significantly affects Tax Aggressiveness. An increase of 1 unit in Profitability, assuming other independent variables remain constant, will lead to an increase of 1.082 units in Tax Aggressiveness. This implies that higher profitability is associated with a greater tendency for companies to engage in tax aggressiveness strategies. These findings are consistent with previous research, which also demonstrated a positive relationship between profitability and tax aggressiveness [14]; [15].

Influence of Liquidity on Tax Aggressiveness

The second hypothesis of this study, which posits that "Liquidity affects Tax Aggressiveness," is confirmed by the findings. The T-test results indicate that the Liquidity variable has a t-value of 2.016 and a significance level of 0.048. As the t-value (2.016) surpasses the critical value (1.993) and the significance level (0.048) is lower than 0.05, it can be concluded that Liquidity has a significant impact on Tax Aggressiveness. An increase of 1 unit in Liquidity, while holding other independent variables constant, leads to a 0.026 unit rise in Tax Aggressiveness. This suggests that companies with higher liquidity tend to exhibit more aggressive tax behavior. These findings are in line with previous studies, which have also demonstrated that liquidity plays a crucial role in influencing tax aggressiveness [30]; [31].

Influence of Leverage on Tax Aggressiveness. The third hypothesis of this study, which suggests that "Leverage affects Tax Aggressiveness," is supported by the analysis results. The T-test statistical analysis indicates that the Leverage variable has a T-value of 7.436 with a significance level of 0.000. Since the T-value is greater than the critical threshold of 1.993 (7.436 > 1.993) and the significance level is below 0.05 (0.000 < 0.05), it can be concluded that Leverage has a significant impact on Tax Aggressiveness. An increase of one unit in Leverage, assuming other independent variables remain constant, results in a 0.439 unit rise in Tax Aggressiveness. This suggests that companies with higher leverage are more inclined to engage in aggressive tax planning. These findings are consistent with prior studies, which have shown that higher levels of leverage are associated with increased tax aggressiveness [30]; [15].

5 Conclusion

This study aims to assess and determine the influence of Profitability, Liquidity, and Leverage on Tax Aggressiveness, with Company Size as a moderating factor. The research sample includes companies listed on the Indonesia Stock Exchange. The findings reveal that: (1) Profitability has a positive and significant impact on Tax

Aggressiveness, suggesting that higher profitability leads to more aggressive tax strategies. (2) Liquidity also has a positive and significant effect on Tax Aggressiveness, indicating that firms with greater liquidity are more likely to engage in aggressive tax planning. (3) Leverage has a positive and significant influence on Tax Aggressiveness, implying that companies with higher leverage tend to implement tax-saving strategies. These results offer valuable insights for regulators to better understand the factors affecting corporate tax behavior and for managers to develop more efficient and compliant tax strategies.

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