# ABSTRACT

Finica / 38150246 / 2019 / Effect of Leverage, Profitability, and Company Size on Tax Avoidance in Manufacturing Companies Listed on Indonesia Stock Exchange in the Period of 2015-2017 / Advisor: Prima Apriwenni, S.E., Ak., M.M., M.Ak.

Tax revenue in Indonesia become the largest source of state income. Efforts in optimizing state’s revenues is not without obstacles. Company subjects of tax as one that contribution the most in state tax revenue. Tax for companies is a burden that can reduce corporate profits, while taxes for the state is to be used to fund government. The difference is what causes the interests of the company to manage the tax burden. Frequently occurs action is tax avoidance. Tax avoidance is a tax saving actions that are still in the realm of tax law. Tax Avoidance can be influenced by various factors, some of which are leverage, profitability, and company size.

The theory in this study uses agency theory and Pecking Order Theory. Agency theory implies the existence of relationships between agents and principals who have different interests. Pecking Order Theory explains that a company determines the most preferred source hierarchy of funds. Leverage provides a measure of the funds provided by the owner compared to the financial given by the company's creditors. Profitability is the ability of a company to earn profits in a certain period. Firm size is a control variable that is considered in many financial studies. This is because financial decisions / results are influenced by the size of the company. There are three hypotheses in this study, namely Leverage has a negative effect on tax avoidance, profitability has a negative effect on tax avoidance, firm size has a negative effect on tax avoidance.

The object of this research is 53 Manufactured companies listed on Indonesia Stock Exchange in 2015-2017. Sampling technique used is Non-Probability Sampling technique, using purposive sampling method. Analytical methods used are pooling test, descriptive straticistic test, classical assumption test, multiple linear regression analysis, and testing hypothesis.

The result of this research shows the leverage variable, the value of sig. t of 0.309 and its beta coefficient is negative which means reject Ha. Then for the return on asset variable with the sig. t of 0.003 and its beta coefficient is negative which means accept Ha. Next to the firm size variable sig. t value of 0.005 and its beta coefficient is negative which means accept Ha.

The conclusion of this research indicates that leverage has no effect on tax avoidance. Profitability (ROA) has a negative effect on tax avoidance. While firm size has a negative effect on tax avoidance.

Keyword : Tax avoidance, Leverage, Profitability, Firm size.