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Determinants of Tax Avoidance: The Role of Executive Character, Sales Growth, and Firm Size

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Abstract: Tax avoidance remains a persistent challenge to fiscal sustainability in Indonesia, where tax revenue constitutes the primary source of national development financing. This study investigates the determinants of tax avoidance among real estate and property companies listed on the Indonesia Stock Exchange during the 2019–2023 period. Using a quantitative associative design, purposive sampling yielded nine companies producing 45 firm-year observations. Tax avoidance was measured through the Effective Tax Rate, while executive character was proxied by corporate risk, sales growth by year-over-year revenue change, and firm size by the natural logarithm of total assets. Multiple linear regression analysis was conducted using IBM SPSS version 26. Classical assumption tests confirmed the validity of the regression model. Results show that executive character and firm size each significantly and negatively influence tax avoidance, while sales growth produces no significant effect. Collectively, the three variables explain 29.2% of tax avoidance variance, with the model significant at the one percent level. These findings suggest that behavioral governance and organizational scale are more decisive drivers of corporate tax behavior in Indonesia's property sector than revenue performance alone.

Keywords: agency theory, corporate risk, effective tax rate, property sector, self-assessment system

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INTRODUCTION

Tax compliance remains a persistent challenge in developing economies, particularly in countries where fiscal revenue serves as the primary engine of national development. Indonesia, currently positioned among upper-middle-income nations with a per capita income reaching USD 4,580 and a GDP growth rate of 5.3%, relies heavily on taxation to finance public infrastructure, healthcare, education, and economic development programs (batukarinfo.com). Based on the 2023 State Budget (APBN) data, Indonesia's national revenue reached 102.8% of its target, with tax revenue constituting the most dominant component, while the remainder derived from non-tax revenues and grants (Kementerian Keuangan Republik Indonesia, 2024).

This heavy reliance on tax income makes any form of tax base erosion a critical concern for sustainable national fiscal policy.

Despite robust economic growth, tax avoidance defined as the legal exploitation of loopholes within tax regulations to minimize tax liability continues to pose significant threats to government revenue (Machdar, 2022). A 2020 report from the Tax Justice Network estimated that Indonesia suffered losses exceeding IDR 68 trillion as a direct consequence of tax avoidance practices, conducted by both individual taxpayers and multinational corporations operating through offshore subsidiaries (Sukmana, 2020). The self-assessment system adopted by Indonesia, which delegates the authority to calculate, pay, and report tax obligations entirely to the taxpayer (Resmi, 2019), further amplifies the potential for such practices, as it creates information asymmetry between tax authorities and corporate entities. Under this system, companies often strategically exploit regulatory gaps to reduce their effective tax burden, which, while legally permissible, directly undermines public revenue capacity (Haryanti, 2021).

The real estate and property sector presents a particularly compelling context for examining tax avoidance behavior. This sector is characterized by high asset values, complex financial transactions, and layered regulatory environments, all of which generate meaningful opportunities for tax planning strategies. A notable case is PT Agung Podomoro Land Tbk, whose involvement in the Panama Papers scandal comprising 11.5 million leaked documents including 4.8 million emails and 2.1 million PDFs exposed the scale of aggressive tax structuring in the Indonesian property market (solopos.com). Further, the Directorate General of Taxation has identified a pattern of potential tax revenue loss in the property sector, as transactions are frequently reported based on the Tax Object Sales Value (NJOP) rather than actual market transaction values, leading to systematic under-reporting of taxable income related to land and building transfers. Tax obligations in this sector include a 5% Final Income Tax (PPh Final Article 4 paragraph 2) on property sales transactions, a 10% Value Added Tax (PPN) on taxable property transactions, and a 5% Land and Building Acquisition Tax (BPHTB) levied by regional governments.

This study situates itself within agency theory, as conceptualized by Jensen and Meckling (1976), which posits that the separation of ownership and control in corporations generates conflicts of interest between principals shareholders and investors and agents company management. In this relationship, information asymmetry frequently leads agents to pursue actions aligned with their own utility maximization, including aggressive tax avoidance, which may not always reflect the broader interests of principals or society (Pujilestari & Winedar, 2018). Agency theory is particularly relevant here because tax avoidance decisions in corporate settings are ultimately driven by managerial discretion and executive judgment, operating within the space of information that principals cannot fully observe.

Three firm-level determinants of tax avoidance are examined in this study. First, executive character operationalized through corporate risk as the standard deviation of EBITDA divided by total assets reflects whether company leaders exhibit risk-taking or risk-averse orientations (Paligorova, 2010). Risk-taking executives are more inclined to pursue aggressive tax strategies, while risk-averse executives tend to minimize tax-related exposure (Low, 2006, in Oktamawati, 2017). Second, sales growth captures year-over-year revenue expansion and is expected to correlate with tax avoidance, as higher revenues generate larger taxable income and thus stronger incentives to minimize tax burden (Monica & Elvira, 2021). Third, firm size measured as the natural logarithm of total assets is associated with greater transactional

complexity and greater resource capacity to implement sophisticated tax planning mechanisms (Dewi & Noviari, 2017).

Previous studies have generated mixed findings on these relationships. Haryanti (2021) found significant effects of executive character, sales growth, and firm size on tax avoidance, while Oktamawati (2017) similarly confirmed the role of executive character. Nugraha and Mulyani (2019) demonstrated that sales growth influences tax avoidance through a leverage-mediated pathway. Conversely, Wahyuni and Wahyudi (2021) and Apriliyani and Kartika (2021) reported no significant effect of sales growth on tax avoidance, suggesting that the relationship may be sector- and context-dependent. Regarding firm size, Dewi and Estrini (2024) confirmed a significant positive relationship, whereas Januwito (2022) found no significant effect, indicating ongoing empirical ambiguity that warrants further investigation. These inconsistencies justify revisiting these relationships within the specific institutional and sectoral context of Indonesia's real estate and property industry.

This study examines 9 companies from a population of 94 real estate and property firms listed on the Indonesia Stock Exchange (IDX) during the 2019–2023 period, selected through purposive sampling based on completeness of financial reporting data and positive earnings over the observation window. The final dataset comprises 45 firm-year observations. Tax avoidance is measured using the Effective Tax Rate (ETR) the ratio of income tax expense to pre-tax income as this metric effectively captures the actual tax burden paid in the current period (Nugroho, 2019). Accordingly, this study aims to empirically examine the influence of executive character, sales growth, and firm size on tax avoidance behavior among listed real estate and property companies in Indonesia.

METHOD

This study employs a quantitative associative research design, aimed at examining the causal relationships between executive character, sales growth, and firm size as independent variables, and tax avoidance as the dependent variable. The quantitative approach was selected because the research variables are operationalized through measurable financial metrics derived from audited corporate financial statements, and hypothesis testing is conducted through statistical inference procedures (Sugiyono, 2022).

The research population consists of all real estate and property companies listed on the Indonesia Stock Exchange (IDX) during the 2019–2023 observation period, totaling 94 companies based on IDX statistical data for 2023. Purposive sampling was applied to select the final sample, a non-random technique that filters observations based on theoretically and methodologically motivated criteria (Sugiyono, 2021). Four criteria were imposed: (1) the company must be a real estate and property firm listed on the IDX throughout the 2019–2023 period; (2) the company must have published complete annual financial reports for all five years within the observation window; (3) the company must not have reported net commercial losses in any year during the study period; and (4) the company must have complete data available for all research variables. Applying these criteria systematically, 52 companies were excluded due to incomplete financial disclosures, and 33 were eliminated due to net losses during the observation period. This screening process yielded a final sample of 9 companies, producing 45 firm-year observations (9 companies × 5 years). The nine sampled companies are PT Makmur Berkah Amanda Tbk (AMAN), PT Bumi Citra Permai Tbk (BCIP), PT Ciputra Development Tbk (CTRA), PT Intiland Development Tbk (DILD), PT Puradelta Lestari Tbk (DMAS), PT Jaya Real

Property Tbk (JRPT), PT Kawasan Industri Jababeka Tbk (KIJA), Metropolitan Kentjana Tbk (MKPI), and PT Pakuwon Jati Tbk (PWON).

Data were collected through documentation of secondary sources, specifically the audited annual financial statements of the sampled companies published on the IDX official website (www.idx.co.id) and each company's investor relations portal. Secondary data were used because all required variables earnings figures, tax expense, total assets, and sales revenue are directly observable from standardized financial disclosures (Sugiyono, 2018).

Four variables were operationalized in this study. Tax avoidance (Y), the dependent variable, was measured using the Effective Tax Rate (ETR), calculated as income tax expense divided by pre-tax income. A lower ETR value indicates a higher degree of tax avoidance, as it reflects a smaller proportion of pre-tax earnings being remitted as tax (Kusufiyah & Anggraini, 2022; Nugroho, 2019). Executive character (X1) was measured through corporate risk, computed as the standard deviation of the ratio of EBITDA earnings before income tax, depreciation, and amortization to total assets across the observation period (Paligorova, 2010). Companies with corporate risk values above the sample mean were coded as 1, indicating a risk-taking executive character, while those below the mean were coded as 0, indicating a risk-averse orientation (Hanafi & Harto, 2014). Sales growth (X2) was calculated as the difference between current-period and prior-period sales divided by prior-period sales, reflecting the year-over-year rate of revenue expansion (Haryanti, 2021). Firm size (X3) was measured as the natural logarithm of total assets, a proxy widely used in the accounting literature for its distributional stability relative to other size proxies (Kurniasih & Sari, 2013).

Data analysis was conducted using IBM SPSS version 26 and proceeded through three stages. First, descriptive statistics were computed for all variables to summarize central tendency and dispersion across the sample. Second, a set of classical assumption tests was administered to verify the validity of the ordinary least squares regression model. Normality of residuals was assessed using the One-Sample Kolmogorov-Smirnov test, with a significance threshold of $p > 0.05$ indicating normal distribution (Ghozali, 2018). Multicollinearity among independent variables was evaluated through Variance Inflation Factor (VIF) and tolerance values, with VIF < 10 and tolerance > 0.10 indicating the absence of problematic collinearity. Autocorrelation was tested using the Run Test, where a p-value greater than 0.05 indicates no autocorrelation in the residuals. Heteroscedasticity was examined through a scatterplot of standardized residuals against predicted values, with the absence of systematic patterns confirming homoscedasticity. Third, multiple linear regression analysis was performed to estimate the following model:

$$\mathbf{Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon}$$

where Y represents tax avoidance (ETR), α is the constant, β_1–β_3 are the regression coefficients for executive character, sales growth, and firm size respectively, and ε is the error term. The goodness-of-fit of the model was assessed using the Adjusted R-squared coefficient, and hypothesis testing was carried out at a 5% significance level through the F-test for simultaneous effects and the t-test for individual variable contributions, with critical values of F-table = 2.83 (df1 = 3, df2 = 41) and t-table = 1.68288 (df = 41, one-tailed).

RESULTS AND DISCUSSION

Research Results

Descriptive Statistics

Descriptive statistical analysis was performed on all research variables across 45 firm-year observations drawn from 9 real estate and property companies listed on the IDX for the period 2019–2023. The results are presented in Table 1.

Table 1. Descriptive Statistics

Variable	N	Min	Max	Mean	SD
Tax Avoidance (ETR)	45	0	0.66	0.0764	0.11796
Executive Character (RISK)	45	0.01	0.22	0.0858	0.04943
Sales Growth	45	-0.45	1.63	0.0907	0.34558
Firm Size (Ln Total Assets)	45	27.31	31.42	29.5951	1.24653

The dependent variable, tax avoidance measured by ETR, shows a mean of 0.0764 with a standard deviation of 0.11796, indicating notable variability in effective tax rates across sampled firms. The low mean ETR well below the statutory corporate tax rate of 22% suggests that the sampled real estate and property companies, on average, paid a substantially smaller proportion of pre-tax income as taxes, which is a strong preliminary signal of tax avoidance behavior at the sector level. The minimum ETR value of 0.00 indicates that at least one firm-year observation recorded effectively zero tax payment relative to pre-tax profit, while the maximum of 0.66 reflects cases where reported tax expense exceeded the standard rate, potentially attributable to deferred tax adjustments or non-deductible expenses.

Executive character, proxied by corporate risk (RISK), recorded a mean of 0.0858 and a standard deviation of 0.04943, with values ranging from 0.01 to 0.22. The relatively compact spread indicates moderate variation in risk profiles across the sample, though the range is sufficient to meaningfully distinguish risk-taking from risk-averse executive orientations. Sales growth exhibited the widest variability among all variables, with a minimum of -0.45 and a maximum of 1.63, producing a standard deviation of 0.34558. This wide dispersion is consistent with the significant disruption experienced by the real estate sector during 2020–2021 due to the COVID-19 pandemic, which caused sharp revenue contractions for certain firms while others recovered rapidly in subsequent years. Firm size, measured as the natural logarithm of total assets, ranged from 27.31 to 31.42 with a mean of 29.5951, reflecting meaningful differences in the asset scale of sampled companies from smaller niche developers to large-scale integrated property groups with total assets exceeding IDR 30 trillion in logarithmic equivalent.

Regression Analysis

Prior to regression estimation, four classical assumption tests were conducted to verify the statistical validity of the model. The normality test using the One-Sample Kolmogorov-Smirnov (Monte Carlo) procedure yielded a significance value of 0.113, exceeding the 0.05 threshold and confirming that model residuals are normally distributed. All independent variables returned tolerance values above 0.10 and VIF values below 10, establishing the absence of multicollinearity. The Run Test statistic produced an Asymp. Sig. (2-tailed) of 0.229 > 0.05, confirming no autocorrelation in the residual series. The scatterplot of standardized residuals against predicted values showed no discernible pattern, with data points randomly dispersed above and below zero on the Y-axis, confirming homoscedasticity. With all four classical assumptions satisfied, the multiple linear regression model was deemed valid for hypothesis testing.

The results of the multiple linear regression estimation are presented in Table 2.

Table 2. Multiple Linear Regression Results

Variable	β	t-statistic	*p*
Constant	1.292	-	-
Executive Character (X1)	-0.609	2.161	0.037
Sales Growth (X2)	-0.046	0.999	0.324

Firm Size (X3)	-0.039	3.203	0.003

The estimated regression equation is:

$$\mathbf{Y = 1.292 – 0.609X_1 – 0.046X_2 – 0.039X_3 + \varepsilon}$$

The constant value of 1.292 indicates the predicted ETR when all independent variables are held at zero. The negative coefficient of executive character (β = -0.609) implies that an increase in corporate risk reflecting a more risk-taking executive orientation is associated with a decrease in ETR, meaning higher tax avoidance. Similarly, firm size carries a negative coefficient (β = -0.039), indicating that larger firms tend to report lower ETRs. Sales growth also shows a negative coefficient (β = -0.046), though its statistical contribution is not significant at the 5% level.

Simultaneous Hypothesis Test

Table 3. F-Test Results

Model	F-statistic	F-table	*p*
Regression	7.062	2.83	0.001

The F-statistic of 7.062 exceeds the F-table value of 2.83 (df1 = 3, df2 = 41), with a significance value of 0.001 < 0.05. This result confirms that executive character, sales growth, and firm size jointly and simultaneously exert a significant effect on tax avoidance among real estate and property companies listed on the IDX during 2019–2023.

Partial Hypothesis Test

Table 4. t-Test Results

Model	t-statistic	t-table	*p*
Executive Character (X1)	2.161	1.68288	0.037
Sales Growth (X2)	0.999	1.68288	0.324
Firm Size (X3)	3.203	1.68288	0.003

Executive character recorded a t-statistic of 2.161 > t-table of 1.68288 with significance 0.037 < 0.05, meaning executive character significantly influences tax avoidance. Sales growth produced a t-statistic of 0.999 < 1.68288 with significance 0.324 > 0.05, indicating no significant individual effect on tax avoidance. Firm size generated a t-statistic of 3.203 > 1.68288 with significance 0.003 < 0.05, confirming a significant individual effect on tax avoidance.

Coefficient of Determination

Table 5. Coefficient of Determination

R	R^2	Adjusted R^2	Std. Error of the Estimate
0.592	0.350	0.292	0.09923

The Adjusted R^2 value of 0.292 indicates that 29.2% of the variance in tax avoidance across the sampled firms is collectively explained by executive character, sales growth, and firm size. The remaining 70.8% is attributable to other variables not captured in this model, suggesting that while the three predictors are statistically meaningful, tax avoidance in the real estate sector is shaped by a broader constellation of firm-level and contextual factors.

Discussion

The Effect of Executive Character on Tax Avoidance

The finding that executive character significantly influences tax avoidance with a negative regression coefficient of -0.609 and a t-statistic of 2.161 ($p = 0.037$) is both statistically and theoretically meaningful. In practical terms, this result indicates that as corporate risk increases, reflecting a more risk-taking executive disposition, the effective tax rate decreases, signifying greater engagement in tax avoidance behavior. Among the sampled real estate and property firms, the mean corporate risk score of 0.0858 with a standard deviation of 0.04943 reveals that a non-trivial number of companies operate under executives who are demonstrably risk-inclined a trait that, according to the data, directly translates into more aggressive tax positioning.

This finding aligns squarely with agency theory, which provides the foundational theoretical lens for this study. Jensen and Meckling (1976) posited that agents company executives operate with informational advantages over principals, and under conditions of self-interest maximization, are likely to pursue strategies that enhance personal utility, including through tax minimization. In the context of Indonesia's self-assessment tax system, which grants taxpayers full autonomy in calculating and reporting tax obligations, risk-taking executives are positioned to exploit this structural latitude more aggressively than their risk-averse counterparts. The information asymmetry embedded in this system is a permissive structural condition that risk-taker executives leverage to implement tax avoidance strategies without immediate regulatory detection (Pujilestari & Winedar, 2018).

From a decision-making perspective, risk-taking executives are characterized by a stronger drive toward maximizing firm performance metrics including after-tax profit and a greater tolerance for the reputational and regulatory risks associated with aggressive tax planning (Low, 2006, in Oktamawati, 2017). In the real estate sector specifically, where asset values are large and transaction structures are inherently complex, risk-taking executives have multiple avenues to reduce the effective tax burden through depreciation strategies, intra-group transaction structures, and deferred recognition of taxable gains without necessarily crossing into illegal territory. This is consistent with Coles et al. (2006), who argued that corporate risk is fundamentally a reflection of leadership policy, meaning that tax behavior at the firm level is inseparable from the behavioral orientation of the executive at the top.

These results are consistent with the empirical findings of Haryanti (2021) and Hidayah, Pratomo, and Kurnia (2020), both of whom confirmed that executive character significantly affects tax avoidance in Indonesian-listed companies (Prastiwi & Ratnasari, 2019). Rahmawati and Asalam (2022) and Kusumatuti and Anas (2022) similarly confirmed this relationship, providing converging empirical evidence from diverse industrial contexts. Budiman and Setiyono (2012) were among the earliest Indonesian studies to demonstrate this link, establishing that executives with risk-taking orientations proxied through earnings volatility consistently produced lower effective tax rates. The current study replicates and reinforces this finding within the real estate

and property sector, a context that has received comparatively less targeted empirical attention despite its known susceptibility to aggressive tax structuring, as evidenced by the Panama Papers revelations involving PT Agung Podomoro Land Tbk.

The theoretical implication here goes beyond confirming a known relationship. It highlights how executive behavioral heterogeneity a factor internal to the firm and often invisible in financial statements constitutes a meaningful, measurable driver of tax outcomes at the firm level. Practically, this finding suggests that regulatory frameworks focused purely on tax rule design may be insufficient; behavioral governance mechanisms that constrain excessive executive risk tolerance, such as independent board oversight and executive compensation structures that are not exclusively return-driven, may be necessary complements to structural tax enforcement.

The Effect of Sales Growth on Tax Avoidance

Contrary to the initial hypothesis, sales growth did not significantly influence tax avoidance in this study, with a t-statistic of 0.999 ($p = 0.324$), well below the threshold for statistical significance. The regression coefficient of -0.046, while directionally consistent with the theoretical expectation that higher revenue growth drives higher taxable income and thus stronger incentives to avoid taxes, is negligible in magnitude and statistically indistinguishable from zero. The descriptive data provides an important contextual explanation: the sample's sales growth ranged widely from -0.45 to 1.63, with a mean of 0.0907, reflecting a sector that experienced substantial revenue disruption during 2020–2021 due to the COVID-19 pandemic before partially recovering in 2022–2023. This volatility means that for many firm-year observations, sales growth was negative or near-zero, producing a tax burden already reduced by declining revenues thereby eliminating the income-driven incentive to pursue additional tax avoidance strategies.

The non-significant result is theoretically interpretable through the logic that tax avoidance decisions are not uniformly revenue-driven. Companies with volatile or declining sales are unlikely to engage in structured tax avoidance because their taxable income base is already suppressed. Conversely, during high-growth periods, firms may direct resources toward business expansion rather than tax planning infrastructure, particularly in capital-intensive sectors like real estate. This interpretation suggests that the relationship between sales growth and tax avoidance may be non-linear or threshold-dependent meaningful only beyond a certain level of sustained, stable revenue growth rather than a straightforward linear relationship.

This finding is consistent with Wahyuni and Wahyudi (2021) and Apriliyani and Kartika (2021), who similarly reported no significant effect of sales growth on tax avoidance (Mahdiana & Amin, 2020) . Januwito (2022) also observed that sales growth did not significantly predict tax avoidance in a broader multi-sector sample. Faradilla and Bhilawa (2022) and Adhima and Yohanes (2023) produced mixed results in manufacturing contexts, further indicating that sector-specific dynamics moderate the sales growth–tax avoidance relationship considerably. The real estate sector's unique revenue recognition patterns where large lump-sum project sales in one period may not

recur the following year introduce measurement noise into year-over-year sales growth calculations that may obscure any underlying systematic relationship with tax planning behavior.

The practical implication of this null finding is that tax enforcement strategies targeting high-growth real estate firms as inherently higher-risk for avoidance may not be empirically warranted. Avoidance behavior in this sector appears to be more firmly rooted in structural and governance factors executive orientation and firm scale than in revenue dynamics. Future research could benefit from examining non-linear specifications or using multi-year rolling averages of sales growth to capture more stable revenue trajectory patterns that may better predict avoidance behavior.

The Effect of Firm Size on Tax Avoidance

Firm size exerted the strongest statistically significant effect on tax avoidance in this study, with a t-statistic of 3.203 ($p = 0.003$) and a regression coefficient of -0.039. The negative sign confirms that larger firms those with higher total assets expressed in natural logarithm tend to report lower ETRs, meaning they engage more actively in tax avoidance. With firm size ranging from 27.31 to 31.42 in logarithmic units across the sample, representing a meaningful spread across smaller and larger real estate developers, this finding captures a genuine structural gradient in tax behavior correlated with organizational scale.

The mechanism underlying this relationship is well-established in the literature: larger firms possess greater financial resources, more sophisticated internal accounting and tax advisory capabilities, and more complex organizational structures including subsidiary networks, intercompany transactions, and cross-jurisdictional arrangements that collectively create more opportunities and capacities for tax avoidance (Dewi & Noviari, 2017). In the real estate sector specifically, large firms engage in transactions of considerable scale and complexity, including land acquisition through multiple holding structures, inter-company property transfers, and project financing arrangements that can be structured to generate deductible costs or defer taxable gains. These structural features give large property developers a systematic advantage in tax minimization relative to their smaller counterparts, who typically operate within simpler organizational and transactional frameworks.

This finding is theoretically grounded in the political cost hypothesis, which suggests that while larger firms may attract greater regulatory scrutiny, they also possess superior resources to navigate and minimize their actual tax burden, often resulting in net lower ETRs relative to statutory rates (Watts & Zimmerman, 1986, in Marlinda et al., 2020). The agency theory lens further reinforces this: in large firms with complex principal-agent relationships spanning multiple layers of management and ownership, the scope for tax-motivated managerial discretion is wider, and monitoring by principals is structurally more difficult. This creates conditions where agents including tax managers and CFOs can implement tax planning strategies with limited principal visibility (Fitria, 2018).

The empirical support for this finding is strong and consistent across the literature. Dewi and Estrini (2024) confirmed that firm size significantly influences tax avoidance in Indonesian banking sector firms. Haryanti (2021) similarly found a significant effect in a multi-sector Indonesian sample. Amelia and Nurdayanti (2022) demonstrated this effect in manufacturing, while Prayoga and Sumantri (2023) confirmed it in the food and beverage subsector. The convergence of these findings across diverse sectoral and temporal contexts strengthens the generalizability of the firm size–tax avoidance relationship and positions it as one of the most robust predictors of corporate tax behavior in the Indonesian context. The current study's finding adds to this body of evidence by confirming the relationship specifically within the real estate and property sector a context distinguished by uniquely large asset bases, transaction complexity, and multi-stage project revenue recognition that amplifies the avoidance-enabling effects of organizational scale.

The practical implication here is direct and actionable. Tax authorities and the Directorate General of Taxation should direct enhanced audit scrutiny and transfer pricing documentation requirements disproportionately toward large-scale listed property developers, given this study's confirmation that size is a meaningful predictor of effective tax rate reduction. The finding that the mean ETR of sampled firms sits at just 7.64% far below the 22% statutory corporate rate despite many of these being large, profitable companies reinforces the policy urgency of this recommendation. From a corporate governance standpoint, boards of directors in large real estate firms should ensure that tax planning activities are subject to transparent disclosure and independent oversight, particularly given the reputational and regulatory risks that aggressive tax avoidance increasingly attracts in Indonesia's evolving fiscal enforcement environment.

Model Fit and Overall Contribution

The model's Adjusted R^2 of 0.292 indicates that executive character, sales growth, and firm size collectively explain 29.2% of the variation in tax avoidance across the sampled firms, with the remaining 70.8% attributable to factors outside this model's scope. While an Adjusted R^2 of approximately 30% is modest in absolute terms, it is contextually reasonable for a behavioral and firm-characteristics model applied to a relatively homogeneous sector with a sample size of 45 observations. Other determinants of tax avoidance not captured in this study including leverage, capital intensity, audit quality, institutional ownership concentration, board independence, and profitability have been shown in prior research to contribute meaningfully to tax planning decisions (Oktamawati, 2017; Nugraha & Mulyani, 2019; Marlinda et al., 2020). The simultaneous F-test result ($F = 7.062$, $p = 0.001$) confirms that the model as a whole is statistically significant and that the three predictors jointly explain a non-trivial and meaningful portion of ETR variance across this sample.

The broader contribution of this study lies in its empirical confirmation that behavioral governance factors specifically executive risk orientation operate alongside structural firm characteristics specifically organizational scale as co-determinants of tax

avoidance in Indonesia's real estate sector. This dual-driver perspective, grounded in agency theory, provides a more nuanced explanatory framework than models that focus exclusively on financial ratios or firm-level structural characteristics. It positions executive character as a governance variable that regulators, boards, and investors should actively monitor as a signal of potential tax aggressiveness, complementing rather than replacing the traditional focus on firm size and financial performance metrics.

CONCLUSIONS

This study confirms that executive character and firm size significantly influence tax avoidance among listed real estate and property companies in Indonesia, while sales growth does not. Risk-taking executives reflected by higher corporate risk values tend to produce lower effective tax rates, consistent with agency theory's prediction that information asymmetry enables agents to exploit regulatory latitude under Indonesia's self-assessment tax system. Larger firms similarly demonstrate greater tax avoidance behavior, leveraging organizational complexity and sophisticated transaction structures to minimize their tax burden. Sales growth showed no significant effect, largely because revenue volatility during the observation period suppressed taxable income bases and reduced incentives for structured tax planning across the sector. The substantial unexplained variance in the model indicates that tax avoidance in this sector is driven by a broader set of factors beyond those examined here.

Future research should extend the observation window to a more stable revenue period and incorporate governance variables such as board independence and audit quality to produce a more complete explanatory model. Tax authorities are advised to prioritize audit scrutiny toward large-scale property developers with risk-taking executive profiles, as this study empirically confirms these two characteristics as meaningful predictors of lower effective tax rates.

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