



The Influence of the Cost of Debt on Tax Avoidance with Managerial Opportunism and Company Size as Moderation Variables

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Using managerial opportunism and firm size as moderators, this study will look at manufacturing businesses listed on the BEI from 2018 to 2022 and see how debt costs affect tax avoidance. This study used multiple linear regression analysis to draw conclusions from data collected from yearly financial reports posted on the BEI, which were selected using a purposive selection approach. Using SPSS software for data analysis, this research surveyed 54 manufacturing businesses that were listed on the Indonesia Stock Exchange between 2018 and 2022. Managerial opportunism and firm size both have the potential to amplify the favorable impact of debt costs on tax avoidance, according to this study's findings.

Keywords: Cost of Debt; Tax Avoidance; Managerial Opportunism; Company Size

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INTRODUCTION

Indonesia, like many other nations, relies heavily on tax income to fund both development and regular state expenditures, as outlined in the APBN. The Indonesian government employs regulations to control the execution of taxes in order to sustain state demand. An person or corporation is obligated to pay a tax to the government in order to fund public services and ensure that the majority of the population enjoys a high standard of living, as stated in "Article 1 of Law No. 28 of 2007 of the Republic of Indonesia". The Indonesian government always increases its tax revenue target from year to year. The following are the tax revenue goals and actual results for the years 2018–2022. The tax revenue goal for 2018 was 1,424 trillion rupiah, and 92% of that amount, or 1,315.9 trillion rupiah, was actually collected. The goal for 2019 was 1,577.56 trillion rupiah, however only 1,332.1 trillion rupiah, or 84.4%, were actually achieved. The goal is 1,404.5 trillion rupiah in 2020, and 1,285.2 trillion rupiah, or 91.5%, will be achieved. In 2021, the target is 1,229.6 trillion rupiah and the realization reaches 1,231.87 trillion rupiah or 100.19%. In 2022, the target is 1,784.0 trillion rupiah, with realization of 2,034.5 trillion rupiah or 114.0% (Source: Indonesian Ministry of Finance, 2023, taken on January 7, 22.12 WIB). People who pay taxes often seek methods to pay less in taxes because businesses see taxes as a drain on their earnings. In order to maximize earnings in line with shareholder expectations while minimizing tax liability, the corporation employs tax management measures. Tax planning is one of these tactics; it include tax avoidance, a legitimate means of lowering one's tax liability in compliance with the law. Tax avoidance can also be done by utilizing deductible expenses, such as debt costs/interest costs, which according to Ross (2009), debt costs are business costs that can be a tax deductible.

Companies often need funding sources from various parties, such as debt from external parties or creditors, which will take into account the company's risk of default. Interest is added to the cost of debt as a way for creditors to anticipate this risk. Because it affects the company's short-term obligations, the choice to incur debt is crucial. In Lim (2010), Graham and Tucker (2006) argue that tax avoidance and debt are interchangeable, but DeAngelo and Masulis (1980) demonstrate a negative correlation between tax avoidance and debt levels in Lim (2010). When companies participate in tax avoidance, they often employ less debt. Conversely, when

companies utilize a lot of debt, they tend to engage in less tax avoidance. Since tax avoidance creates an imbalance of information, it may lead to a decrease in corporate transparency, which in turn can lead to conflict between debt holders and management.

If the company succeeds in avoiding tax, shareholders will benefit, not debt holders. They will bear the risks in the field of taxation. Lowering the cost of debt, improving credit quality, reducing expenses, and lowering bankruptcy risk are all outcomes of tax avoidance. This research examines factors related to tax avoidance planning and debt cost decisions, with a focus on managerial opportunism variables and company size as moderating variables. Managerial opportunism in this research is proxied by earnings management activities. The cost of debt is affected by managers' opportunistic attitudes, as explained by Ghouma (2017). Size of the firm is another element that affects the cost of debt. Bigger companies can afford to pay more taxes. According to Dewi and Badjra (2017), "the size of the company reflects how big its profits are, including total sales". The cost of debt is positively correlated with the size of the organization, according to previous studies.

LITERATURE REVIEW

Agency Theory

According to agency theory, there is always tension between management's goals and those of shareholders. Indeed, conflicts arise when shareholders hire managers to oversee the firm's operations, since the manager's personal objectives clash with those of the company. Because of their position of power, managers are able to prioritize their own interests above those of shareholders.

An explanation for the dynamic between business owners and managers may be found in agency theory. Separation between the owner's role as principle and the manager's role as agent in running the business leads to agency issues, according to agency theory (Jensen and Meckling, 1976). This is due to the fact that both the owner and the management will always want to maximize their own utility function.

Principals, in this instance shareholders, and agents, represented by management, often find themselves at odds during a company's evolution. Meanwhile, the principal is obliged to distribute rewards to the agent for the services provided, and the agent is

responsible for completing the principal's tasks. Principals and agents want to maximize profits while minimizing existing risks (Jensen and Meckling, 1976)

Managerial opportunism, like changing revenue while moving resources, may be facilitated by tax avoidance actions within the context of agency theory. Opportunities for managers to engage in tax avoidance actions might arise, providing them with a chance to conceal negative news and mislead investors. To put it simply, managers may use tax planning tactics to alter results and conceal some unfavorable facts, all with the real goal of decreasing company tax bills.

Trade off Theory

Taking into consideration corporation taxes, this trade-off approach elucidates the pros and cons of a company's use of debt (Putera, 2006). Assuming the costs of financial hardship are equivalent to the benefits of tax savings (tax shields), a corporation will incur debt up to a particular amount, according to trade-off theory. Bankruptcy fees and agency fees caused by a decline in the company's reputation are two examples of the expenditures associated with financial issues.

Optimal options for debt usage are used in this trade-off theory. Attaining optimal debt levels requires maximizing tax savings relative to the cost of financial hardship. This implies that taking on debt may help with tax protection. According to Brigham and Houston (2011), the best capital structure is achieved when the advantages of debt protection from taxes are equivalent to the costs of bankruptcy that the firm incurs. Profitable businesses will attempt to minimize their tax liability as much as possible, and one way they do this is by raising their debt ratio. The reasoning behind this is that the government would levies less taxes on companies with higher debt loads.

Debt, according to Trade Off Theory, has both good and bad aspects. One advantage of taking out a loan is that your taxable income will be reduced by the interest you pay. The market value of the firm will rise due to these tax savings. Companies gain from debt due to the fact that interest and profits are taxed differently. A business pays less in taxes since interest is considered a cost rather than an income source. Conversely, firms do not pay less in taxes when they pay dividends to their shareholders. Therefore, the business will benefit more financially if it takes on debt to fund investments, since this would allow it to save money on taxes.

Hypothesis Development

Effect of Cost of Debt on Tax Avoidance

A business, according to agency theory, is nothing more than a web of agreements between the principle, who owns the economic resources, and the agent, who oversees their use and management. The principle, who provides the capital for the business to operate, gives the agent authority to make policy choices. To achieve the goal of improving shareholder prosperity and boosting corporate earnings, the principal uses agents inside the firm.

Making a lot of money is the company's number one priority. Taxes are only one of several costs that may cut into the predicted profit. The corporation engages in tax avoidance as one of its strategies to lessen its tax liability. Businesses actively seek for ways to minimize their tax liabilities by engaging in tax avoidance strategies. The corporation has two options for getting the money it needs to operate and grow its business: either from shareholders or creditors. The value of a firm is greater for businesses that utilize liabilities as opposed to those who do not. Returns to creditors are an inevitable consequence of liabilities. The interest the business earns on its loan is known as its rate of return. The rate of return that lenders seek when lending money to a business is known as the cost of debt.

In order to satisfy their desire to pay taxes accurately, taxpayers engage in tax avoidance when they attempt to take advantage of loopholes in tax policies that are advantageous to their business without breaking any laws or regulations. Taking on debt is only one of several tax avoidance strategies used by businesses. If a business takes on more debt in order to reduce its tax liability, its bottom line will take a hit. This is because interest payments made on debt are deductible from a business's taxable income, which means the firm will pay less in taxes overall.

“H1: The cost of debt has a positive effect on tax avoidance”

The Effect of Debt Costs on Tax Avoidance with Managerial Opportunism as a Moderating Variable

Managerial opportunism might manifest in earnings management operations. In his study, Ghouma (2017) investigated how managers' actions affect the interest rates charged by debt financing. Companies benefit from reduced corporate bond costs and stronger credit ratings when there is little management

opportunism, according to this study. Higher loan expenses are accompanied with greater earnings management, according to his study.

Tax avoidance, according to agency theory, might pave the way for management opportunism, such

changing the way money is handed over (Desai, 2009). Managers may be tempted to participate in actions that conceal the truth and feed investors inaccurate data if they see an opportunity to avoid taxes. Managers may alter results and conceal some unfavorable facts via tax planning, with the genuine purpose of minimizing the company's tax payments. Managerial opportunism is when an agent takes use of his position for his own benefit, while the principal suffers the consequences.

According to Trade-off Theory, managerial opportunism can increase risks for companies that use debt. Managers who engage in managerial opportunism may use debt for their own personal gain, without considering the consequences for the company. This can increase the company's financial costs and reduce company value. Debt also has costs, such as interest costs and increased financial risk. There is a stronger incentive for companies with large amounts of debt to avoid paying taxes, because they can save more money by reducing their tax burden.

costs and increased financial risk. There is a stronger incentive for companies with large amounts of debt to avoid paying taxes, because they can save more money by reducing their tax burden.

Managerial opportunism, says Agency Theory, may make principal-agent conflicts even worse. Because they may keep the money for themselves, managers who use management opportunism may be more inclined to take aggressive tax avoidance measures. Consequently, companies whose managers are more opportunistic may have a more pronounced correlation between debt costs and tax avoidance.

“H2: Managerial opportunism is able to moderate and strengthen the relationship between debt costs and tax avoidance.

The Effect of Debt Costs on Tax Avoidance with Company Size as a Moderating Variable

Large companies generally have more complex organizational structures than small companies. This can make supervision and control of managers more difficult, giving managers more latitude to engage in aggressive tax avoidance activities without detection. Chen et al. (2010) find that the relationship between the cost of debt and

tax avoidance is stronger for large companies compared to small companies.

“H3: Company size is able to moderate and strengthen the relationship between debt costs and tax avoidance..

RESEARCH METHODS

Research Method and Design

Research of this kind often use quantitative methods of analysis. Positive philosophy provides the theoretical groundwork for the quantitative approach to research, which is characterized by its adherence to the following scientific principles: concreteness, objectivity, measurement, rationality, and systematization (Sugiyono, 2011).

From 2018 to 2022, this study tracked manufacturing businesses that debuted on the BEI. A causal approach, which seeks to examine the hypothesis of the extent to which the independent variable influences the dependent variable, is used in this study. In this model, tax avoidance serves as the independent variable and the cost of debt as the dependent element. Quantitative analysis and additional processing of the collected research data can help paint a clearer image of the examined item, from which conclusions may be derived. Information gathered indirectly or from other sources is referred to as secondary data in this study. The statistical methods utilized to test the hypothesis in this research were SPSS Version 25.

Population and Sample

Manufacturing enterprises registered on the Indonesia Stock Exchange from 2018 to 2022 make up the population considered for this study. This industry was selected because it has business characteristics with the manufacturing sector, which is one of Indonesia's biggest and contains several subsectors.

This study used purposive sampling as its sampling strategy. The use of samples in manufacturing companies is based on overall business activities starting from purchasing raw materials until they become finished goods and ready to be sold on the market so that most of the business activities are related to tax aspects. A manufacturing business meeting certain requirements serves as the sample for this study.

Data Collection Technique

Companies that met the following criteria were included in the sample: they were listed on the BEI between 2018 and 2022; they submitted full and consecutive annual financial reports during that time; they reported their financials using the rupiah currency unit; manufacturing companies for the 2018-2022 period that do not have a financial year end of December 31; financial reports that have current tax burden; financial reports that have interest charges; and manufacturing companies for the 2018-2022 period that experienced losses during the observation period. Determining the criteria for financial reports and annual reports to be presented continuously from 2018-2022 as well as research data that is always available is carried out because the data presented must be comprehensive and continuous, with the aim of consistency and accuracy of test results and data analysis. Determining the criteria for presenting financial reports in rupiah currency is used to avoid calculation inaccuracies due to exchange rate fluctuations which affect differences in historical cost values compared to the value when the financial statements were issued. Determining the criteria for not experiencing a loss is carried out because it will result in a negative ETR value. The data was sourced from BEI website. This website contains audited annual reports of manufacturing businesses that were released between 2018 and 2022. Secondary data, a kind of quantitative data, was used in this study, and the documentation technique was employed for data collecting.

Literature review and recording were the methods of data collection used to get information and facts for this investigation. Reading and researching journals, articles, statutes, and other literature works, along with prior research that backs this up, is what literary studies are all about.

Measurement and Operational Variables

The study variables have been operationally defined in order to prevent any confusion. By dividing tax expense by pre-tax income, we get the effective tax rate (ETR), which is a measure of tax avoidance and serves as the dependent variable. Cost of Debt = $(\text{Interest Expense}) / (\text{Average Short and Long Term Debt})$ is the formula that defines the cost of debt, which serves as the independent variable. Company size and management opportunism are moderating factors. In order to quantify managerial opportunism, the value of

discretionary accruals is determined using the Kaznik (1999) model. $\text{Size} = \ln$ of Total Assets is a formula that uses total assets at the end of the year to determine the size of a company.

Dependent Variable

In this study, "tax avoidance" is defined according to Frank et al. (2009:468) as an attempt by management to control taxable revenue by means of legal or unlawful tax planning strategies. One problem with tax collecting is tax resistance. According to the Hanlon et al. formula that year (2010) A corporation's future interest expenditure obligations are a direct result of the debt the company took out in the past. Interest paid on debt, both short and long term, is divided by the total amount of debt, to get the cost of debt (Pittman and Fortin, 2004 in Lim, 2010).

Independent Variable

The company's previous debt purchases are the root cause of the debt charges that have arisen. In the future, the corporation must pay off its debt, which consists of agreed-upon interest charges owed to linked parties. One of the several methods for determining the total cost of debt is to average the interest paid on both short- and long-term loans (Pittman and Fortin, 2004) in Lim (2010).

Moderating Variable

Ghouma (2017) investigated the impact of managers' actions on the costs of debt financing and concluded that earnings management practices can be an example of managerial opportunism. study by Siregar (2005) and Siregar et al., (2009) indicates that the Kaznik model outperforms Jones (1991), Dechow et al. (1995), and Kothari et al. (2005) when it comes to measuring the value of discretionary accruals. Therefore, the Kaznik model is used in this study to calculate this value. There are two types of accruals that a business might make: discretionary and non-discretionary. Knowing the quantity of discretionary accruals allows us to comprehend the earnings management strategies that were used. As a stand-in for the NDA component, total accruals are regressed in the Kaznik model.

Data Analysis Method

Multiple linear regression analysis is the analytical tool of choice for this descriptive statistical study. Additional tests for classical assumptions were

administered, including tests for autocorrelation, heteroscedasticity, and normalcy. After then, a hypothesis is constructed and tested to see how it turns out. The hypothesis test is conducted using a t-statistic, which is a statistical test for significant individual parameters. The statistical approach calculations are performed using SPSS v.25.

Descriptive Statistical Analysis

Descriptive statistics are used in this study to analyze the data. Sugiyono states (2019:147). The researchers in this study used descriptive statistics, which is a way to describe data by looking at the average, median, range, and standard deviation of each variable.

Classic Assumption Test

Finding and verifying the feasibility of the study regression model, ensuring that the data is normally distributed, and avoiding multicollinearity and heteroscedasticity are the goals of classical assumption testing (Ghozali, 2011: 139). In order to generate a meaningful and accurate model, multiple linear regression analysis should adhere to classical assumptions. The standard tests for assumptions in statistics are autocorrelation, heteroscedasticity, and normality. Using statistical techniques like One Sample Kolmogorov-Smirnov, the normality test determines whether the regression model's residuals follow a normal distribution. According to Ghozali (2011), data is deemed normal if the asymptotic significance value is greater than 0.05. When looking for evidence of unequal residual variance, the heteroscedasticity test is a good choice. The Park test, the Glejser test, the regression graph pattern, and the Spearman coefficient test are used to analyze data in a homoscedastic regression model (Ghozali, 2011: 175). Decisions are based on the Durbin-Watson table, and the autocorrelation test examines the association between mistakes in period t and errors in the preceding period (Nugroho, 2005; Ghozali, 2011).

Model Feasibility Test

To find out what proportion of changes in the dependent variable are caused by changes in the independent variable, one measures the coefficient of determination (Ghozali, 2011:277). R^2 , the coefficient of determination, may take on values between zero and one. The independent variable has a relatively limited capacity to explain the dependent variable, as seen by the

modest Adjusted R^2 value. A near proximity to one in the R^2 value indicates that the independent variable practically supplies all the data required to forecast changes in the dependent variable. The R^2 value, also known as the coefficient of determination, is used to gauge the extent to which the dependent variable can be explained by the model.

One major drawback of using the coefficient of determination is that it is skewed towards models with a large number of independent variables. The R^2 value will undoubtedly rise for each extra independent variable, regardless of whether or not that variable significantly affects the dependent variable. Thus, in order to determine the optimal regression model, experts advise utilizing the modified R^2 value.

Simultaneous Significance Test (F Test)

If the model's independent variables all affect the dependent variable in the same way, the F statistical test will reveal it. Following these guidelines, we do this test with a significance level of 0.05: The combined influence of all independent factors on the dependent variable is shown by a probability value < 0.05 . When the probability value is greater than or equal to 0.05, it indicates that the dependent variable is unaffected by all independent factors taken together.

Hypothesis Test

Hypothesis testing in this study makes use of multiple linear analysis to determine the direction and strength of the link between the dependent and independent variables, as well as to quantify the strength of the association between numerous independent variables. The data is analyzed using multiple linear regression following the conventional assumption test. Using a mathematical equation model, this test employs multiple linear regression to forecast the link between the dependent variable and the independent factors (Santoso, 2010). This study used the following mathematical equation model to determine whether the hypothesis was correct:

Effect of COD on ETR

$$ETR_{it} = \alpha + \beta_1 COD_{it} + \epsilon_{it}$$

Individual Parameter Significance Test (T Statistical Test)

Here, we provide a hypothesis test design that we developed in accordance with our study goals; specifically,

we use the t-test to determine the relative importance of our independent variables. The level of accuracy limit is $(\alpha) = 5\% = 0.05$, as the confidence level used is 95%.

Using these standards, we may decide whether to accept or reject the hypothesis: (-) Upon determining that the t-test's significant value is less than or equal to 0.05, then accept H1 and reject H0. In other words, the dependent variable is significantly affected by the independent variable, but only to a lesser extent.

(-) Reject H1 and accept H0 if the t-test's significant value is greater than 0.05. Thus, there is just a partial relationship between variables, with the independent variable having no substantial impact on either.

RESULTS AND DISCUSSION

Descriptive Statistical Analysis

Table 1. Descriptive Statistical Analysis

Descriptive Statistics	N	Minimum	Maximum	Mean	Std. Deviation
Tax avoidance	263	.01	.99	.4977	.10275
Interest cost	263	.01	.55	.2221	.12609
Oportunism Management	263	.00	.04	.0027	.00597
Company size	263	.00	1.61	.3239	.30955
Valid N (listwise)	263				

Source: Data Processing Results using SPSS 25, 2024

Based on table 1, this research used 263 data from 54 sample companies for 5 years. Explanation of variables as follows:

1. Tax Avoidance: The ETR serves as the dependent variable for this measurement. The average value of 0.4977 and the standard deviation of 0.10275 indicate small data deviations. Minimum value 0.01 (Panca Budi Idaman Tbk 2018) and maximum 0.99 (Star Petrochem Tbk 2018).

2. Cost of Debt: An independent variable that shows a minor data variance with a standard deviation of 0.12609 and an average value of 0.2221. Minimum

value 0.01 (Arwana Citramulia Tbk 2020) and maximum 0.55 (Buyung Poetra Sembada Tbk 2022).

3. Managerial Opportunism: There are significant discrepancies in the data, as shown by the moderating variable's 0.00597 standard deviation and 0.0027 average value. Minimum value 0.00 (Wilmar Cahaya Indonesia Tbk 2018) and maximum 0.04 (Star Petrochem 2019).

4. Company Size: This moderating variable shows a minor data variance with a standard deviation of 0.30955 and an average value of 0.3239. Minimum value 0.00 (Arwana Citramulia Tbk 2020) and maximum 1.61 (Buyung Poetra Sembada Tbk 2022).

Classic assumption test

Table 2. One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		149
Normal Parameters ^{a,b}	Mean	.0000000
	Std. Deviation	.27490723
Most Extreme Differences	Absolute	.079
	Positive	.058
	Negative	-.079
Kolmogorov-Smirnov Z		.959
Asymp. Sig. (2-tailed)		.317

a. Test distribution is Normal.

b. Calculated from data.

Based on table 2, you can see the significance value of Asymp.Sig. (2-tailed) obtained was 0.317. The resultant significance value is more than 0.05, as seen

above. Results with a significance level higher than 0.05 indicate that the residual value follows a normal distribution.

Results

Tabel 3. T test results after moderation by the managerial opportunism variable (model 2)

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std.Error	Beta		
(Constant)	,486	,013		36,200	,000
Cost of debt	,012	,061	,015	,194	,846
Opportunism Management	3,549	1,293	,206	2,744	,006

a. Dependent Variable: Tax avoidance

Source: SPSS 25, 2024

The following interpretations of the Moderated Regression Analysis in the table above and in equation 2 are possible:

1. Assuming the independent variable is set to zero, the known constant value is 0.486 or does not exist (constant) then the dependent variable, namely tax avoidance, will have a value of 0.486.
2. The coefficient value of the cost of debt variable is 0.012, meaning that for every 1 point increase in the cost of debt, tax avoidance will increase by 0.012.
3. The coefficient value of the interaction variable between the cost of debt and managerial opportunism (X*Z1) is 3,549, which has a positive value, meaning that every 1 point increase in the interaction between the cost of debt and managerial opportunism will increase tax avoidance by 3,549.

The MRA t test makes use of a significant level for decision making. If the p-value is less than 0.05, it may be concluded that the independent variable affects the dependent variable. The following are the outcomes of the t test for the independent variables, as shown in table 4.15:

- 1) The calculated t value for the interaction of debt costs with managerial opportunism is 2.744 > the t table value is 1.650668 and the significant value is 0.006 < 0.05. Because the calculated t value of the interaction between debt costs and managerial opportunism is 2.744 > t table value 1.650668 and the significant value is 0.006 < 0.05, then H0 is rejected and H1 is accepted. This shows that

managerial opportunism strengthens the influence of debt costs on tax avoidance

Hypothesis Test Results

The research hypothesis was tested using SPSS version 25, involving partial (t-tests), simultaneous (f-tests), and determination tests. The findings are summarized as follows:

Effect of Cost of Debt on Tax Avoidance

Tax avoidance is favorably affected by the cost of debt, which is determined as interest expenditure divided by average debt. A significant value of 0.027, which is below the 0.05 threshold (0.027 < 0.05), and a t-value of 2.229, which above the t-table value of 1.650758, are shown by the statistical analysis. From 2018 to 2022, industrial businesses listed on the IDX were shown to have a correlation between the cost of debt and tax avoidance, supporting hypothesis H1. Agency theory suggests a principal-agent relationship between the Directorate General of Taxes (DJP) and company managers. Managers, acting as agents, may prioritize their interests over those of the principals, leading to tax avoidance practices by increasing debt costs. According to the Trade-Off Theory, businesses should optimize their debt levels so that they may weigh the costs and advantages. While debt may help you save money on taxes (because interest is deductible), it also comes with expenses (interest) and risks (financial risk). Companies that have a lot of debt have a greater incentive to avoid paying taxes.

The cost of debt, comprising obligations like bank debt or bonds, must meet the yield rate required by creditors. Higher company debt results in greater operational funding from debt, increasing financial risk and the cost burden. Tax avoidance methods can reduce borrowing costs, thereby lowering financial risk and enhancing credit quality. Indonesian tax regulations categorize interest expenses as deductible, reducing tax burdens. Companies increase debt costs to achieve tax efficiency. Regulations, such as KMK No. 1002/KMK.04/1984, permit interest recognition up to a 4:1 debt-to-capital ratio. Debt costs, particularly interest, reduce profits by lowering pre-tax income, which in turn reduces tax liabilities. This motivates companies to avoid taxes aggressively despite already reduced taxable income due to interest expenses. Tax planning involves researching regulations to identify tax-saving measures. Agency theory highlights a conflict of interest between the government (principal) and management (agent), with the latter aiming to minimize tax payments. Companies use debt to carry out tax avoidance, reflected in higher company values due to creditor-required returns. The results align with [Krisnofianti's \(2021\)](#) findings that tax avoidance affects debt costs but contradict [Maisy Novia's \(2019\)](#) findings.

Managerial Opportunism and Its Moderating Role

The test results reveal that managerial opportunism moderates the relationship between debt costs and tax avoidance, with a t-value of 2.744 and a significance value of 0.006 ($p < 0.05$), supporting hypothesis H2. Agency Theory indicates that opportunistic managers exploit debt costs to avoid taxes for personal gain. Opportunistic behavior includes manipulating debt structures and managing interest charges to maximize personal benefits, driven by compensation and bonuses.

Results from the studies conducted by [Dechow et al. \(2010\)](#) and [Chen et al. \(2010\)](#) provide credence to the notion that tax avoidance and debt costs are exacerbated by management opportunism. Companies with high debt costs may engage in earnings management for positive reporting, according to [Giawan et al. \(2020\)](#), who observed that managerial opportunism did not improve this link.

Company Size and Its Moderating Role

The results show that company size moderates the relationship between debt costs and tax avoidance, with a t-value of 3.150 and a significance value of 0.002 ($p < 0.05$), supporting hypothesis H3. Agency theory suggests that managers of large companies pursue profit

maximization for compensation, ignoring risks. Large companies, engaging in extensive financial transactions, generate more assets and are more aggressive in profit management to reduce taxes. The complexity of large companies' operations creates opportunities for tax avoidance, such as income shifting or expense manipulation. This enables large companies to influence management actions toward tax avoidance, including leveraging debt costs. The Trade-Off Theory suggests companies balance debt to optimize financial benefits and costs, with higher debt levels incentivizing tax avoidance for cost savings. This finding aligns with research by [Amah et al. \(2022\)](#) and [Seno Pitoyo et al. \(2019\)](#), which indicate that larger companies are more active in profit manipulation to minimize tax burdens.

Discussion

Manufacturing businesses listed on the BEI between 2018 and 2022 will be the focus of this study, which intends to establish the influence of loan costs on tax avoidance, controlling for management opportunism and company size. The findings of the study are as follows:

1. The hypothesis posits that there is a direct correlation between the cost of debt and tax avoidance, with the former having a beneficial impact on the latter. Consequently, when the cost of debt increases, the amount of tax avoidance also increases, thereby confirming the idea.

2. The idea of management opportunism might act as a moderator in the link between debt costs and tax avoidance. The findings of this study indicate that the variable of management opportunism has the potential to enhance the correlation between debt costs and tax avoidance.

3. The hypothesis posits that the size of a corporation has the capacity to regulate the correlation between debt expenses and tax avoidance. The findings of this study indicate that the variable of firm size has the potential to enhance the correlation between debt expenses and tax avoidance.

Research Limitations

The author of this research has encountered constraints in performing the study, as shown by the research findings.

1. The size of the company changed during the research period, thereby disrupting the consistency of data and analysis results.

2. The 2018-2022 research period is where major events such as the COVID-19 pandemic can affect research results, because they can cause significant changes in business operations, management and tax strategies.

CONCLUSION & RECOMMENDATION

Manufacturing businesses listed on the BEI between 2018 and 2022 will be the focus of this study, which intends to establish the influence of loan costs on tax avoidance, controlling for management opportunism and company size. Researchers are keeping their fingers crossed that this will lead to better findings in the road, with the following recommendations in mind, including:

1. For further research, you can add other variables that do not interfere with the consistency of the data in the research.

2. Future research is expected to expand the research population, for example the financial, real estate, mining sectors or expand the research population outside Indonesia in order to obtain research results in various countries.

The findings of the hypothesis tests, the limits of the study, and the preceding proposals all contributed to the acceptance of three hypotheses. Therefore, researchers put forward research implications including:

1. Theoretical Benefits

a. Accounting Study Program Students

For students of accounting study programs, especially Sultan Ageng Tirtayasa University, Faculty of Economics and Business. This research has the benefit of being able to be used as a reference for students to carry out further research related to the development of tax accounting science. With references from research conducted by the author, further research can increase knowledge regarding the factors that influence tax avoidance practices.

b. Public

For the public, this research is a means of information and increasing insight into tax accounting, especially regarding “the influence of debt costs on tax avoidance with managerial opportunism and company size as moderating variables”.

c. Writer

This research is a useful tool for the author to expand insight and knowledge, especially regarding the

influence of debt costs on tax avoidance with managerial opportunism and company size as moderating variables.

2. Practical Benefits

a. Company

It is hoped that this research will provide benefits for the companies studied to obtain input regarding the influence of debt costs on tax avoidance with managerial opportunism and company size as moderating variables. This gives companies a better understanding and can help companies to be wise in reporting their taxes (tax reporting) and increase awareness that ethics in business is very important.

b. Investors

It is hoped that this research will provide good benefits because in this case, investors can be more careful in choosing companies to invest in in order to reduce the risk of loss.

c. Regulators

DJP and OJK are the relevant authorities when it comes to tax avoidance concerns, according to this study. Debt expenses affected by a company's tax avoidance activities in Indonesia are the focus of this study, which aims to provide empirical data on the significance of monitoring, taxpayer compliance, and the efficacy of issued legislation.

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