

ABSTRACT

Taxes are mandatory contributions paid by individuals or entities to the state, coercive in nature, and used to finance government expenditures and national development. In Indonesia, taxes represent the primary source of state revenue. However, the optimization of tax revenue is hindered by the practice of tax avoidance by certain companies. Although legal, this practice exploits loopholes in tax regulations to reduce tax liabilities, ultimately impacting state revenue.

This study aims to analyze the effect of leverage, capital intensity, and political connections on tax avoidance in basic materials sector companies listed on the Indonesia Stock Exchange (IDX) for the period 2019–2023, both simultaneously and partially.

The research employs a quantitative approach using panel data regression analysis. Data were obtained from the annual financial statements of 18 companies selected through purposive sampling, resulting in 90 observations over five years. Data analysis was conducted using descriptive statistics and panel data regression, with the random effect model (REM) as the chosen method..

The results show that the three variables simultaneously influence tax avoidance. Partially, only leverage has a significant positive effect, while capital intensity and political connections show no significant effect.

This study is expected to contribute to academics, practitioners, and policymakers in understanding the factors influencing tax avoidance and to serve as a foundation for formulating more effective and transparent tax policies by the Directorate General of Taxes.

Keywords: *capital intensity, leverage, political connection, tax avoidance*