THE INFLUENCE FACTORS OF TAX AVOIDANCE IN INDONESIA

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ABSTRAK

Pada tahun 2020 awal di Indonesia terjadi wabah *covid-19* yang bahkan mengancam stabilitas ekonomi dunia. Hal tersebut berpengaruh pula pada pembayaran pajak badan perusahaan, Tindakan penghindaran pajak dilakukan sebagai bentuk antisipasi perusahaan menghadapi krisis ekonomi tersebut. Studi ini bertujuan untuk meneliti pengaruh dari profitabilitas, *leverage*, komisaris independen dan *capital intensity* terhadap penghindaran pajak. Cash Effective Tax Rate (CETR) digunakan untuk menghitung penghindaran pajak. Penelitian ini menggunakan data sekunder yang dikumpulkan melalui metode dokumentasi. Metode pengambilan sampel purposive digunakan. Sebanyak 27 perusahaan dijadikan sampel, dan 81 observasi dibuat. Uji asumsi klasik dilakukan sebelum analisis dilakukan menggunakan program SPSS, yang digunakan untuk menguji metode analisis data berganda. Hasil penelitian menunjukkan bahwa leverage dan komisaris independen berpengaruh positif namun tidak signifikan terhadap penghindaran pajak; profitabilitas, di sisi lain, berpengaruh positif namun tidak signifikan. Kapital intensitas dan komisaris independen berpengaruh negatif namun tidak signifikan terhadap penghindaran pajak. Penelitian ini memberikan kesimpulan bahwa *leverage* adalah variabel yang secara signifikan berpengaruh pada penghindaran pajak.
Kata kunci: ROA, DER, Komisaris Independen, *Capital Intensity*, CETR

ABSTRACT

In early 2020, Indonesia experienced a COVID-19 outbreak that even threatened the stability of the global economy. This also affected corporate tax payments. Tax avoidance measures were taken as a form of anticipation by companies facing the economic crisis. This study aims to investigate how profitability, leverage, independent commissioners, and capital intensity on tax avoidance. The Cash Effective Tax Rate (CETR) is used to measure tax avoidance. The research employs secondary data collected through documentation methods. A purposive sampling method is applied. A total of 27 companies were selected as the sample, resulting in 81 observations. Classical assumption tests were conducted prior to analysis, which was performed using the SPSS program to test the multiple data analysis methods. The results indicate that leverage and independent commissioners have a positive but insignificant consequence on tax avoidance; profitability also shows a positive but insignificant impact. Meanwhile, capital intensity and independent commissioners have a negative but insignificant result on tax avoidance. This research concludes that leverage is a variable that significantly affects tax avoidance.
Keywords: ROA, DER, Independent Commissioners, Capital Intensity, CETR

INTRODUCTION

As one of the primary income of funding (Zahra et al., 2024), taxes are one of the efforts maximized by the government in their implementation. Various regulations are reviewed and applied to increase tax revenue. The government's efforts to increase state revenue through taxes inevitably face numerous challenges. For instance, the COVID-19 pandemic that struck Indonesia disrupted trade and business activities, leading many companies to bankruptcy. This situation also impacted the states's main revenue, particularly tax earning.

In Indonesia, tax avoidance is often suspected, such as reporting losses from operational activities to avoid tax liability (Akbar et al., 2020). Tax avoidance can also be implemented out with legally reducing the tax burden without violating statutory regulations. This creates a complex situation, as efforts to increase revenue through taxes can be countered by taxpayers through tax avoidance. Tax avoidance occurs due to loopholes in the system. Indonesia implements a self-assessment system for tax calculations, allowing taxpayers the flexibility to calculate, pay, and report corporate

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taxes.

Table 1. Research Gap

Variable	Result	Author
Profitabilitas	Affected negative and not significant to tax avoidance	Stawati, 2020
	Affected positive significant to tax avoidance	Tanjaya & Nazir, 2021
Leverage	Affected positive not significant to tax avoidance	Stawati, 2020
	Affected negative not significant to tax avoidance	Tanjaya & Nazir, 2021
Indepent Commissioners	Affected negative not significant to tax avoidance	Ngabdillah et al, 2022
	Affected negative significant to tax avoidance	Susilowati & Kartika, 2023
Capital Intensity	Affected negative significant to tax avoidance	Anjella, 2022
	Affected negative not significant to tax avoidance	Zoebar & Miftah, 2020

From the research that has been carried out previously, there are still differences from the researcher. Based on the data the writer decided to make a new research with new object that more spesific and more up to date year.

Based on the data and statements outlined, numerous variables can be considered in tax avoidance research. The first is profitability, representing a bussiness's ability to produce earnings in a specific time frame. The second is leverage, which refers to the proportion, It shows how much a business depends on debt to fund its operations (Stawati, 2020). The third variable is the independent commissioner, a board member tasked with monitoring and advising the directors of a limited liability company. The fourth variable, capital intensity, pertains to a company's investment in fixed assets. According to Jusman & Nosita (2020), capital intensity reflects the extent of such investments made by a company.

Firms that are included in the list of manufacturing companies of basic and chemical industries in Indonesia Stock Exchange (IDX) between 2020 and 2022 are the subject of this study. Manufacturing companies, which convert raw materials into finished goods for public sale, typically require substantial capital investments to achieve significant profits. This sector in manufacturing industires was selected due to its diverse sub-sectors, enabling broader sampling opportunities. Additionally, this sector consists of major industrial firms, which are often involved in tax avoidance activities.

Previous research has identified various factors influencing tax avoidance in manufacturing companies. This study explores the impact of profitability, leverage, independent commissioners, and audit committees on tax avoidance.

The research aims to deepen understanding and insights into how profitability, leverage, independent commissioners, and capital intensity affect tax avoidance in manufacturing companies with the selected regulations that were listed in IDX. Furthermore, it is intended to contribute to the theoretical development of knowledge in academic circles.

LITERATURE REVIEW

Agency Theory

Jensen and Meckling in Tanjaya and Nazir (2021) claim that agency theory is defined as a contractual agency relationship in the midst of individuals (principals) employ another individual (agent) to complete an assignment for the principal and delegate authority to the agent to make decisions in the principal's best interest. Agency theory explains that within a company, a contract arises between the capital owner (principal) and the capital manager (agent), where every party has its own focus. The capital owner prioritizes the company's sustainability, while the agent concentrates on their own well-being in managing the business (Lesmono and Siregar, 2021).

In conclusion, agency theory emerges due to differing interests between the two individual (agent & principal). Agency conflicts arise as the goals of company managers conflict with the interests of shareholders. Shareholders aim to maximize dividends from their investment in the company, while management (agents) is more focused on the operational activities of the company and the compensation they will receive (Tanjaya & Nazir, 2021).

Tax Avoidance

Tax avoidance is a legal strategy to lessen the tax charge while complying with all applicable regulations through tax planning. To reduce the tax liability owed by taxpayers, safe and legal tax avoidance techniques and procedures are employed in ways that do not transgrees tax compliance rules, utilizing loopholes in tax laws and guidelines (Maharani et al., 2022).

The relationship between tax avoidance and agency theory arises when agents or management attempt to avoid taxes in order to maximize post-tax earnings as a measure of effective performance. Meanwhile, principals or shareholders, as the corporation's investors, prefer to run the firm in accordance with proper regulations, avoiding misconduct that could lead to informational bias and increased risks for the company.

Profitability

According to Aini & Kartika (2020), profitability is a capacity of the business to turn a

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profit from its operations. Agency problems arise when shareholders (principals) expect high profitability ratios as an indication that the company is generating substantial profits. Management (agents) tends to engage in manipulative actions to reduce the tax burden resulting from high profits. These actions by management (agents) to minimize tax expenses pose risks to the company, including penalties and harm to the business's image among shareholders (principals) due to the manipulation of financial reports by the agents. In light of the aforementioned rationale and Tanjaya and Nazir's (2021) findings, which indicate that profitability significantly reduces tax avoidance, the following was developed for this case is as follows:

H1: Tax avoidance is significantly positively impacted by profitability.

Leverage

An organization's ability to fulfill all of its commitments, both immediate and long-term, is known as leverage. The goal of leverage is to quantify how much of a business is funded by debt (Stawati, 2020). The relationship between leverage and agency theory arises when a higher part of corporate debt dempen the control of shareholders (principals). In this case, company management (agents) seeks to utilize the company's tax liability by using its high level of debt as an expense. Supported by the research of Susilowati & Kartika (2023), which indicate that leverage significantly hinders tax avoidance, the assumption formulated in this research is as follows:

H2: Tax Avoidance is significantly impacted negatively by leverage.

Independent Commissioners

The board of commissioners plays an important function in the corporation because it is the highest ranking body after the shareholders. When shareholders (principals) elect a board of commissioners, a significant percentage of whom are drawn from outside firm management (agents), an agency theory connection is created. This can lead agents to be more inclined to manipulate tax payments. From the principal's perspective, appointing independent commissioners also helps secure the firms's position and improve its performance outcomes. In this investigation, the following hypothesis was developed, based on the justification provided above and the results of Susilowati and Kartika (2023), which show that independent commissioners significantly reduce tax evasion:

H3: Independent commissioners have a substantial negative effect on tax avoidance.

Capital Intensity

Capital intensity that known to calculate about how effectively a business utilizes its fixed assets to carry out its operational activities (Puspitasari et al., 2021). The relationship between capital intensity and agency theory arises when company management (agents) attempts to minimize the tax burden by investing in fixed assets. However, due to the manipulation of financial statements by agents, management's (agents) attempts to reduce tax obligations put the business at risk of penalties and a bad reputation among shareholders (principals). Tax avoidance is significantly impacted negatively by capital intensity, according to Anjelina's (2022) results. Consequently, the following is the theory that this study has developed.:

H4: Capital intensity has a substantial adverse impact on tax avoidance.

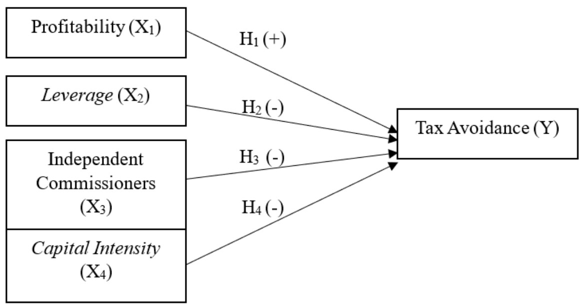

Figure 1. Research Model

Sumber: Data Penelitian, 2024

RESEARCH METHODOLOGY

Documentary data was the sort of data used in this investigation. Resear perusahaan ch data from books and periodicals are referred to as documentary data (Christianti et al., 2021). Secondary data from the financial reports of manufacturing firms in the basic and chemical industrial sectors listed on the Indonesia Stock Exchange (IDX) for the 2020–2022 period served as the data source.

Manufacturing firms listed on the Indonesia Stock Exchange (IDX) between 2020 and 2022 make up the study's data. The purposive sampling approach, which chooses businesses during the study period according to predetermined standards, served as the basis for the sample selection.

The data analysis technique used as the basis for this research is the classical assumption test. According to Sembiring (2019), the purpose of the classical assumption test is to ensure that multiple linear regression analysis provides accurate

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estimates.

This study also utilizes descriptive statistical techniques. According to Sugiyono (2022), Descriptive statistics describe or illustrate the data that has been gathered in order to examine it. In terms of mean, standard deviation, variance, maximum, minimum, sum, range, kurtosis, and skewness, descriptive statistics offer a representation or explanation of the data (Ghozali, 2021).

Multiple linear regression analysis is the testing approach employed in this investigation. The following is the regression equation used in this investigation.

$$Y = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + e$$

According to Wijanarko & Kuntadi (2023), the Cash Effective Tax Rate (CETR) serves as a stand-in for tax avoidance analysis. The CETR formula is as follows:

$$CETR = \frac{Tax\ Payment}{Earning\ Before\ Tax}$$

According to Izkha & Muniroh (2022), Return on Assets is the metric used to examine profitability (ROA). ROA is calculated using the following formula:

$$ROA = \frac{Net\ Profit}{Total\ Assets} x100\%$$

According to Tanjaya & Nazir (2021), the ratio used to examine leverage was the Debt to Equity Ratio (DER). DER is calculated as:

$$DER = \frac{Total\ Debt}{Total\ Equity}$$

By dividing the total number of independent commissioners by the total number of board members, the percentage of independent commissioners is determined (Ngabdillah et al., 2022):

$$Ind\ Com = \frac{Total\ Independent\ Commissioners}{Total\ Board\ Members}$$

According to Permatasari and Muniroh (2024), the following formula can be used to determine capital intensity:

$$Capin = \frac{Net\ Fixed\ Assets}{Total\ Assets}$$

RESULT AND DISCUSSION

Considering the sample selection criteria, 16 list firms were excluded due to inconsistencies in reporting financial statements in Indonesian Rupiah, and 21 companies were excluded due to reporting losses. Additionally, 12 companies had incomplete data regarding the research variables, and 3 companies were identified as outliers. Consequently, the final sample comprised 27 companies, with three years of observation, leading to 81 observations in all

All total from the observations, the descriptive statistics of the research data are as follows: Profitability (ROA) varied from a minimum of 6% to a maximum of 3.636% over the course of the observation period. From a minimum of 3% to a maximum of 501%, leverage (DER) varied. Independent commissioners (KI) could be as low as 25% or as high as 75%. The range of capital intensity (CAPIN) over the observation period was 2.1% at the lowest and 89.8% at the highest. CETR ranged from a minimum of 0.4566% to a maximum of 66.9927% over the course of the observation period.

Table 1. Descriptive Statistics Testi Results

	N	Minimum	Maximum	Mean	Std. Deviation
ROA	81	,06	36,36	6,5173	6,20181
DER	81	,03	5,01	,8675	,83789
KI	81	,250	,750	,42014	,104212
CAPIN	81	,021	,898	,49401	,198329
(CETR)	81	,004566	,669927	,21741336	,124355548
Valid N (list-wise)	81				

The degree to which the model takes into account changes in the dependent variable is evaluated by the coefficient of determination (R^2). Its value ranges from zero to one. The ability of the independent variables to explain the dependent variable is poor when the R2 value is low. In this study, the Adjusted R Square value was determined to be 0.088, signifying that 8.8% of the variance in tax-avoidance can be attributed to profitability, leveragei, capital intensity, and independent commissioners.

Table 2. Coefficient of Determination Test Results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,366[a]	,134	,088	,118750570

The t test was used to perform the hypothesis test in this investigation. According to Ghozali (2021), each independent variable's unique impact on the dependent variable is ascertained using the t-test, also known as the partial test. The following are the outcomes of the multiple linear regression test.

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Table 3. Hypothesis Test Result

Model	Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	t	Sig.
(Constant)	,275	,069		3,992	,000
ROA	,002	,002	,104	,865	,390
DER	,049	,017	,333	2,920	,005
KI	-,258	,131	-,216	-1,962	,053
CAPIN	-,011	,070	-,018	-,160	,873

According to the t test results above, a coefficient value of 0.002 was produced at a significance level of 0.390, meaning that the significance level is more than 0.05. Given that H1 is rejected, it may be concluded that tax evasion is positively but not significantly impacted by profitability. So, if the profit from the company is high it's not always the payment of tax will be high too.

A coefficient value of 0.049 was obtained with a significance level of 0.005, where the significance level is < 0.05. This indicates that H2 is rejected, meaning Leverage significantly and favorably affects tax avoidance. It shows that the debt of corporate would make high payment of tax.

A significance level of 0.053, where the significance level is > 0.05, was used to generate a coefficient value of -0.258. The rejection of H3 suggests that independent commissioners have a marginally detrimental impact on tax avoidance.

When the significance level is more than 0.05, a coefficient value of -0.011 was found with a significance level of 0.873.

This suggests that capital intensity has a negative but insignificant impact on tax avoidance, indicating that H4 is rejected.

CONCLUSION

The conclusion drawn based on the analysis and discussion is that, for the 2020–2022 period, tax avoidance among manufacturing firms listed on the IDX in the basic and chemical industry sectors is positively but not significantly impacted by profitability, positively and significantly by leverage, and negatively but not significantly by independent commissioners and capital intensity. This indicates that the profit generated by a company does not significantly impact the amount of tax borne by the company.

The limitations identified from the analysis and discussion in this study include the low adjustedPR isquare value of 0.088 equal with 8.8%, showing that the dependent variable (tax avoidance) cannot be adequately explained by the independent variables. The remaining 91.2% (100% - 8.8%) can be accounted for by variables other than those examined. The researcher offers several suggestions for future research, including Expanding the sample size to include a wider range of companies, thereby improving the predictive capability and quality of research results and using a longer research period to obtain more robust and reliable findings.

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