The Effect of Capital Intensity, Profitability, and Leverage on Tax Avoidance

Indira Nur Safitra[1], Chalarce Totanan[2]
[1.2]Universitas Tadulako, Palu, Indonesia
Email: indirasafitra2@gmail.com

Abstract

This study uses three independent variables capital intensity, profitability, and leverage as its primary emphasis to investigate tax avoidance behavior in food and beverage manufacturing companies listed on the Indonesian Stock Exchange for the 2019-2022 period. The secondary data used in this study includes financial information obtained from annual and financial reports with favorable profit margins. 30 samples were previously selected using the purposive sampling approach out of a total of 120 data. The results of the study show that capital intensity and leverage have no effects on tax avoidance. Meanwhile, tax avoidance is significantly impacted negatively by profitability. Leverage, profitability, and capital intensity all have an impact on tax avoidance at the same time.

Keywords: *Capital Intensity, Profitability, Leverage, Tax Avoidance.*

A. INTRODUCTION

In the context of national life, the rights of citizens are protected by various laws and regulations. These are not only rights, but also obligations, which are governed by laws and regulations. To achieve the life of a nation and a people, obligations and rights must be balanced harmoniously. In our country, the rights and obligations of citizens are governed by the Constitution, Laws and Regulations. Paying taxes is one of the responsibilities that citizens have. according to Article 21 of Statute No. 28 of 2007 regarding the maximum prosperity of the populace.

Tax is defined as an attractive contribution intended for individuals and/or businesses, and the benefits are not directly recognized. If you look at it from the perspective of a company or enterprise, then it is the cost of taxes that reduces profits. This is because it has not been achieved through the company's expectation, which is high profits. Based on all this, we organize our tax burden to avoid reducing our profits. One of the possibilities that businesses can do through the implementation of tax management is the tax planning mechanism (Chen at al., 2019). Tax planning is an effort to avoid unethical behavior and pay taxes when possible. The only thing that limits the action of tax planning, including illegal failure, is the possibility of sanctions: Tax law violation (Kirkpatrick & Radicic, 2020). One type of tax aggression that does not break the law is tax avoidance. It is allowed to use taxes in a way that maximizes the company's tax burden while adhering to applicable laws (Dyreng, Hanlon & Maydew, 2019).

Tax contributions to Indonesia's state budget continue to be the primary source of funding at this time. Considering the results of the Central Bureau of Statistics' (BPS) research, it demonstrates that taxes account for the majority of the government's income streams. In 2014, government revenue from the tax sector accounted for 1,146.86 trillion IDR, while revenue from the tax sector increased to 1,643.08 trillion IDR (www.bps.go.id) in 2019. Every year, state revenue from the tax department increases from research conducted by the Central Bureau of Statistics (BPS), increasing the number of taxpayers. This shows that taxes have always been a major support in national development. Despite the increase, Indonesia's tax revenue has not been maximized. Indonesia's tax revenue for 2022 is 92.4% of the 2017 target.

There are several examples of tax evasion in business in Indonesia. One of the Coca-Cola group companies, PT Coca Cola Indonesia, is one of the food and beverage companies that experienced this incident when taking advantage of tax breaks. PT Coca Cola Indonesia is suspected of committing tax evasion which resulted in a state loss of Rp 49.24 billion. The results of the General Directorate's investigation showed that the company had evaded taxes, and therefore the tax payment was refunded by finding a large expansion in our costs. Large expenses lead to taxable income, reducing tax payments. The expenses included advertising from the period 2002 to 2006. As a result, taxable income increased (www.kompas.com).

In addition, an instant pasta and spice factory's assets, liabilities, and activities were transferred to PT. Indofood CBP Sukses Makmur as part of a tax avoidance scheme that grew the firm by creating a new company. Indofood then submitted an application for an income tax exemption certificate for the land transfer and/or management building to be installed, which was rejected. The reason was that the farming and/or building relocation was not exempt from the obligation to pay tax proceeds (www.gresnews.com).

Tax officials seem to have done all in their power in recent years, not just to enforce a clear line between tax avoidance and tax evasion in tax planning, but also to keep people from falling into the uncertainty created by tax legislation. In a study by Totanan et al. (2018) however stated through a variety of measures, management constantly attempt to ensure the company's longevity to achieve the desired goals. This could trigger businesses to take tax-free measures. In addition to having varying governance interests, every business aims to maximize revenues. Because of this, managers will constantly work to ensure the company's survival, including preserving the balance between its capital and revenue. because the business will keep operating and expanding.

Businesses are impacted by a number of things when it comes to paying taxes: the application of tax gap reduction techniques. Among others, include capital intensity, profitability, and leverage. Businesses make investments in fixed assets, often known as capital intensity, which is the capacity of the business to produce income from its assets. The corporation has strong capital, according to the capital strength ratio. The level of capital strength helps minimize the tax burden on the company (Pattiasina et al., 2019).

One metric that might show the size of the business from a profitability standpoint is return on assets (ROA), often known as profitability. Almira & Wiagustini (2020) claim that ROA gauges how well a business uses its resources. The more resources the business utilizes to turn a profit, the higher the ROA number. According to Istefi (2020), corporate governance is between economic and social goals between company owners and company management (personal and municipal goals), i.e. those appointed to manage company managers. The goal of the framework for corporate governance is to promote efficient resource usage and responsible resource management. because achieving a balance between the interests of companies, individuals, and society is the aim. Various studies that examine the profitability of tax avoidance are Bob Rajagukguk (2019). It states that profitability has a significant impact on tax avoidance, but a study conducted by Vicka Stawati (2020) states that profitability does not affect the impact of significant avoidance.

One indicator of company success is leverage. Aprianto & Dwimulyani (2019) state that the company's capacity to manage assets and capital in order to pay its debts is reflected in Kalbuana et al. (2020). The interest expense increases as leverage increases. The interest expenditure component has the potential to lower both the company's expenses and earnings before taxes.

Through a study of food and beverage companies listed on the Indonesia Stock Exchange between 2019 and 2022, this research seeks to ascertain the impact of capital intensity, profitability, and leverage on tax avoidance. Because the food and beverage industry is one of the subsectors of businesses that significantly contribute to the government's economic growth, researchers looked at the population of these businesses. This is due to the performance of companies that show increased productivity, increased investment, increased exports and increased employment. Also mentioned in (detik.com, 2019), food and beverage companies have an important role in national investment in 2018. Therefore, research into this industry can provide relevant insights into tax avoidance practices in a sector that has a large economic impact.

B. LITERATURE REVIEW

1. Agency Theory

Agent theory serves as the foundational theory for this investigation. The link between managers (agents) and owners or shareholders is known as agent theory. The agency relationship includes a contract in which the client concedes to the manager to manage his business, and the best decision to optimize the client's (shareholders) profits and in return, the manager responds to the contract.

The development of agent theory (agency theory) began with the research of Jensen & Meckling (1976). Agent theory describes the relationship between principle and agent. The agent is the party that manages the company, the client is the party that evaluates the information, i.e. the shareholders. The bonus plan hypothesis states that the active agent and the principle have unequal access to information. The reason for this is that the client does not have enough knowledge regarding the agent's performance. Agents and principals have different goals as they are assumed to act based on self-interest. When applying this agent theory, it is expected that the agent will be able to provide detailed financial information regarding data collection for each company.

Financial statements play an important role in business because they can minimize information asymmetry that occurs when financial statements are presented to stakeholders. It also explains that financial reporting is a means of communicating parties outside the company. Information asymmetry creates conflicts, one of which is a conflict of interest (agent conflict). Institutional disputes usually arise due to individualistic measures between owners (principals) and management (agents) who prioritize individual interests and set the interests of the company in second place. Company profits should be the top management priority. Due to conflicts of interest and information integrity, tax avoidance management can be practiced.

2. Tax Avoidance

A company's endeavor to reduce tax payments through lawful measures is known as tax avoidance. Tax avoidance is the use of the law or legal provisions of fair tax issues, namely laws that use gaps in tax laws to minimize post-tax burdens (Henny, 2019). According to Pohan (2018), tax avoidance is an attempt to avoid taxes that is legally and safely for taxpayers. Tax regulations. A common reason for tax avoidance of many Indonesian companies is not to avoid taxes, but the large tax burden that companies support using gaps in Indonesian tax regulations.

One expert, Justice Reddy, defines tax avoidance as a strategy that evades taxes without violating the law. James Kessler, meantime, claims that there are two categories of tax evasion. Stated differently, there are two types of tax evasion: acceptable and unacceptable. In the meanwhile, Ronen Palan claims that if a transaction engages in any of the following behaviors, it is considered tax evasion: (1) The taxpayer uses a reasonable interpretation of the tax law to try to pay less tax than is owed. (2) Rather than taxing earnings earned, the taxpayer tries to have tax applied to claimed profits. (3) Taxpayers want to postpone paying their taxes.

Because businesses and the government have conflicting interests, tax avoidance is a complex issue. Businesses always aim to minimize their tax liability, while the government always seeks to maximize state tax revenues during the timeframes specified in the State Budget (APBN) (Ampriyanti & Merkusiwati, 2016). Tax avoidance can occur implicitly or explicitly in the law. The OECD fiscal affairs committee states that there are three characteristics of tax avoidance, namely:

a. The presence of false components, particularly elements that have various arrangements that appear to be present in them when they are not, and this is accomplished due to the absence of tax considerations.
b. Taking use of legal gaps or utilizing legal provisions for ends other than those intended by the legislature.
c. Secrecy is another aspect of this technique; in general, the consultants show the tools or methods used by the client to avoid paying taxes in the most secretive way possible.

Based on the above discussion, it is easy to conclude that tax avoidance is taxpayers' attempt to legally minimize their tax burden while avoiding violating tax regulations by exploiting flaws in tax legislation. Tax laws generally influence human behavior. The main purpose of tax laws is to increase state revenue. This goal relies on the perception that taxpayers pay their taxes correctly and accurately. Taxpayer decisions may be constrained by decision-making for the benefit of the company. Taxpayer decisions may be influenced by individuals within the same group. Tax laws are also used to achieve economic and social goals.

There are three main difficulties that arise in relation to the provisions for achieving economic and social goals. First, they create a much more complicated tax system. Second, tax benefits are often used or by large taxpayers to the detriment of other taxpayers. Third, investment decisions are often based on tax considerations rather than basic economic reasons. These factors lead to many taxpayers believing that the tax system is unfair, leading to an increase in problems associated with taxpayers seeking various illegal options to reduce their tax burden (Supriyono, 2018:235).

3. Capital Intensity

Capital intensity indicates the sum of money invested in non-executive assets by displaying the fixed assets to total assets ratio. The higher the value of capital intensity, the more the company's investment is greater than the current use of capital in assets. Bandaro & Ariyanto (2020). The company has invested its goal to ensure survival, which can fund its operational activities in the long term. However, investment in the form of fixed assets has a limited useful life, which leads to depreciation and ultimately reduces company profits (Nugraha & Mulyani, 2019).

Generally speaking, capital intensity is the term used to describe a company's fixed assets. The capital intensity ratio demonstrates how efficiently a corporation uses its assets for sales. Companies that have large enough fixed assets will affect the taxes that will be paid, because the greater the assets owned by the company, the greater the depreciation costs for these fixed assets, so that the depreciation costs for these assets will reduce company profits (Sinaga & Malau, 2021).

Capital intensity Ratios are widely used to measure the sum of firm capital invested in fixed assets and company-owned inventories. Because fixed assets depreciate annually, the company's fixed assets enable it to eliminate taxes. Depreciation affects almost all the costs and fixed assets incurred might lower the company's tax liability. Depreciation costs are expenses that can be subtracted from income for tax purposes; hence, the more fixed assets a business owns, the higher the depreciation, which lowers the taxable income and effective tax rate. Because variable deduction costs impose a tax penalty on a business, it prevents tax evasion. The company will benefit from the deductible character of depreciation expenditures since they can lower the tax burden incurred by the business, suggesting that the company has exploited a tax avoidance loophole.

4. **Profitability**

The financial performance of the business in making money off of the management of its assets is reflected in its profitability. A low rate of asset return means that the assets needed to run the business are not making much money. There will be a corporate tax burden as a result of high profitability (Pangaribuan et al, 2021). Return on Assets (ROA) is the profitability ratio that is employed. This ratio evaluates the business's capacity to turn a profit (Alfina et al., 2018). The achievement of a business between assets and profits is another way to define ROA. The more efficiently a corporation manages its resources, the higher its ROA level. According to Moeljono (2020) and Akbar & Thamrin (2020), businesses with high earnings will think about engaging in tax evasion practices as a way to reduce their tax risk.

The aforementioned explanation leads to the conclusion that the profitability ratio is a metric that characterizes the capacity of the business to make money from all of its resources and capabilities, which are obtained from the usage of capital, assets, and sales activities. The profitability ratio tries to determine the ability of the company to make money over a given time period. Furthermore, this ratio seeks to assess the degree of efficacy of management in carrying out the company's operational tasks. The highest profit earned by the organization indicates the success of management performance. Profitability is an important factor because a company must be in a profitable condition to maintain its survival. It will be challenging for the business to draw in outside capital if there is no profit. Therefore, creditors, management and company owners will try to increase company profits.

5. **Leverage**

Leverage refers to the amount of debt used by a business to finance itself. Leverage may be calculated using the proportion of total assets to total debt for a business. Thus, a larger level of leverage translates into a higher degree of return uncertainty, but also a bigger amount of return (Sarpingah, 2020). The leverage ratio, sometimes referred to as the solvency ratio, is used to determine the total amount of debt owed by the business in order to fund its operations (Solihin et al., 2020; Silaban, 2020). The objective is to ascertain the company's debt load, which will be helpful in deciding how best to finance its assets. A company's pre-tax profit will decrease as its debt increases since it will have to pay higher interest costs. Thus, in order to lower its tax burden, the corporation will use this opportunity to engage in tax avoidance operations (Ayu et al., 2019; Sulistiono, 2019).

According to Nugrahitha & Suprapto, in Nugraha & Mulyani (2019) Leverage is also a source of funds that has a fixed burden, namely long-term debt which results in interest payments on fixed expenses. Leverage is also used by companies to maximize the level of profit expected by a company. The extent to which a business can employ finances or operations that have a fixed burden to achieve its goals and boost earnings. The use of leverage by a company can pose a burden and risk to the company. Especially if the company's condition is deteriorating.

Leverage is a loan for companies and investors that is divided into three types with different functions, according to the interests of the company or investor itself. Starting from financial leverage, operating leverage, and combined leverage. (1) Financial, this type of leverage is a fund that can be used by financial managers to maximize profits for shareholders. Company capital generally consists of shares, rights, bonds, government contributions, and other long-term financing sources. In the future, financial managers must be careful in choosing securities to raise or mobilize funds. Maintaining the debt-to-equity ratio is also necessary for the business to make the most money, (2) Leverage in operations demonstrates the company's capacity to employ fixed operating costs to enhance the effect of revenue fluctuations on operating profit. This type of leverage also shows the relationship between changes in revenue and expenses in fixed operating income. (3) Combined leverage is a loan that refers to a large profit due to fixed costs. These expenses consist of both fixed financial and fixed operating expenditures. All these costs are the benefits and risks of a fixed amount of leverage. In general, competitive companies will utilize high combined leverage. Meanwhile, conservative companies opt for low leverage.

6. The Effect between Capital Intensity and Tax Avoidance

The quantity of money invested in fixed assets is a measure of a company's capital intensity. Businesses that require a lot of capital are more likely than others to use tax evasion strategies. A company's investment in fixed assets can be described by its capital intensity, claim Dwiyanti & Jati (2019). The more fixed assets a business holds, the higher the depreciation expense on its income statement. Fixed assets with tax preferences typically have a useful life that is shorter than the expected useful life of the business. At the same time, businesses are permitted to depreciate their assets in accordance with their policy's anticipated useful life. As a result, tax authorities and accountants calculate depreciation differently.

The ratio of fixed asset intensity is used in this study to quantify capital intensity. This intensity is the proportion of the company's total assets that are fixed assets (Siregar & Widyawati, 2016). Capital intensity, according to Delgado (2014: 490) in Mailia & Apollo (2020), illustrates the makeup of assets that will influence the effective tax rate, particularly fixed assets that will lower taxes through the ensuing depreciation expense. The ability of the business to employ fixed assets to create sales is shown by the capital intensity ratio (Jusman & Nosita, 2020).

It can be concluded based on the explanation above that Capital intensity is a measure of how well a business invests in its fixed assets, where the use of these fixed assets can cause depreciation expense so that the expense reduces profit before tax and causes profits to decline. This hypothesis is consistent with the findings of the study that was done by Rifai & Atiningsih (2019) which claims that capital intensity influences tax avoidance.

H_1: Capital Intensity affects Tax Avoidance

7. The Effect between Profitability and Tax Avoidance

Any company's primary goal is to turn a profit. Another definition of profitability is the company's capacity to make a profit. The ROA is one indicator of a company's profitability. The financial potential of a business is gauged by its return on assets (ROA). When the company's financial status improves, the ROA rises. Agency theory states that managers aim to control the business's tax burden to avoid lowering the company's profitability or the agent's motivation to perform. Businesses can properly manage their assets to capitalize on tax savings and other benefits.

According to Hidayat's (2018) research, tax avoidance methods are negatively impacted by ROA. Supported by William, Sulistyowati & Rusli (2020), tax evasion is negatively impacted by profitability. When a business is more profitable, it will make more money, which will enable it to pay its taxes without engaging in low- or no tax avoidance. Low tax avoidance practices mean that the percentage level of CETR is a proxy for the company's higher income tax approach.

H_2: Profitability has negative affect on tax avoidance

8. The Effect between Leverage and Tax Avoidance

The ability of the business to settle all of its debts, including both short-term and long-term ones, is gauged by the leverage ratio (Brigham & Houston, 2019). A fixed burden consequence of corporate debt is the interest expense that the business must pay. According to agency theory, managers and shareholders have different interests (Jensen & Meckling, 1976). Shareholders want managers to focus on maximizing company value so that shareholders will prefer company funding using shares. Meanwhile, due to differences in interests with shareholders, managers prefer funding that is easy for the company to obtain even though the company must bear greater risks (Firmansyah et al., 2020).

Despite these differences in interests, it may be advantageous for the business to lower its tax burden by cutting profits. The company's tax expenses decrease as the amount of debt increases Harianto (2020) concluded that managers in companies that have a capital structure with high debt have a tendency to avoid taxes. The company utilizes this condition to increase interest expense which results in less money given to the government in taxes. This is supported by research by Dewanti & Sujana (2019) which states that leverage has a negative effect on tax avoidance. The following is the theory put out in light of the previous description:

H_3: Leverage affects Tax Avoidance

C. METHOD

The data source for this study is secondary, quantitative data. The secondary data for the study came from accounting data from annual financial reports published by food and beverage companies listed on the Indonesia Stock Exchange (IDX) between 2019 and 2022. There are thirty food and beverage companies that are listed on the IDX between 2019 and 2022, making up the study's population. Purposive sampling with certain criteria is used in the sample determination process, yielding

120 data. With the following criteria: (1) The population is a food and beverage company listed on the IDX, (2) The company publishes financial reports regularly during 2019-2022, (3) The company has positive profits during the 2019-2022 period, (4) The company presents complete and clear company data related to the research. The data in this study was processed using quantitative methods utilizing the statistical program for social science (SPSS).

D. RESULTS AND DISCUSSION

1. Classical Assumption Test

Table 1. Multicollinearity Test

Model		Unstandardized coefficients		Standardized Coefficients	t	Sig.	95,0% Confidence Interval for B			Collinearity Statistics	
		B	Std. Error	Beta			Zero-order	Partial	Part	Tolerance	VIF
1	(Contant)	.276	.012		22.335	.000					
	Capital Intensity	-.019	.019	-.093	-1.009	.316	.025	-.102	-.090	.941	1.062
	Profitability	-.309	.060	-.522	-5.182	.000	-.469	-.467	-.463	.788	1.269
	Laverage	-.005	.006	-.072	-.727	.469	.136	-.074	-.065	.825	1.212

The Variance Inflation Factor (VIF) value and tolerance value for each independent variable can be used to test for multicollinearity. Multicollinearity symptoms are considered to be absent if the tolerance value is greater than 0.10 and the VIF < 10.

There are no independent variables, according to the VIF between the independent variables in the regression model. The VIF value for each independent variable is 0.941 < 10, 0.788 < 10, 0.825 < 10 and the tolerance value is 1.062 > 0.10, 1.269 > 0.10, 1.212 > 0.10. This indicates that the regression model's related independent variables do not correlate, implying that no multicollinearity constraints were discovered between the categories of independent variables in the regression model constructed.

Table 2. Autocorrelation Test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin Watson
1	.462[a]	.213	.189	.02881	1.933

The Durbin-Watson test was used to perform the autocorrelation test in this investigation. It is visible that the Durbin - Watson test value is 1.933. The dl value with k = 3 and n = 120 is 1.933 so that the DW value classification is at interval 5, namely 1.613 < 1.933 < 1.736. This shows that the regression model does not have autocorrelation

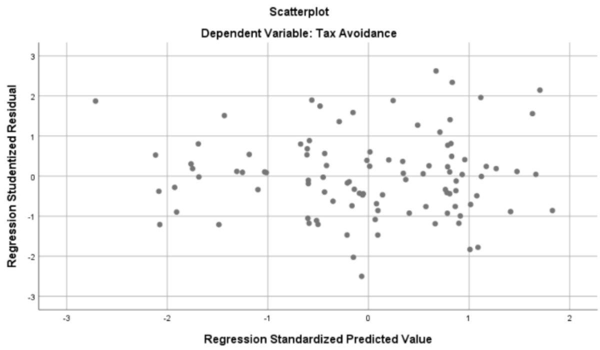

Figure 1 Heteroskedasticity Test

Since the points on the Y axis spread erratically above and below the 0 axis, it is evident from the above scatter graph that there is no discernible pattern. Therefore, it can be said that H0 is accepted or that heteroscedasticity is not present.

2. Hypothesis Test

Table 3. Partial Hypothesis Test (T-Test)

Model		Unstandardized coefficients		Standardized Coefficients	t	Sig.	95,0% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Contant)	.276	.012		22.335	.000	.252	.301
	Capital Intensity	-.019	.019	-.093	-1.009	.316	-.058	.019
	Profitability	-.309	.060	-.522	-5.182	.000	-.428	-.191
	Laverage	-.005	.006	-.072	-.727	.469	-.017	.008

This study's first hypothesis demonstrates how capital intensity influences tax avoidance. However, H1 is rejected because Capital Intensity has a sig t value of 0.316 > 0.05. This indicates that tax avoidance is unaffected by capital intensity. The corporation's capital intensity indicates the much of its assets are fixed investments. Because fixed assets' useful lives vary, depreciation takes place. A significant amount of fixed assets will lower the company's tax liability. This happens when a corporation consciously allocates its resources to fixed assets in order for it to continue operating. This makes it possible for the business to take advantage of fixed asset depreciation, which can reduce its tax obligation. The business makes investments in fixed assets including land, buildings, equipment, machinery, and other commodities to support and guarantee the smooth functioning of its operations. Companies with substantial fixed assets might optimize their profitability by increasing their production capacity. The findings of this study are reinforced by Budianti's (2018) research which found no connection between a company's capital intensity and tax avoidance.

However, this result is different from Dwiyanti's research (2019) It claims that tax avoidance is positively impacted by capital intensity. Because fixed assets depreciate annually, the more capital a corporation has in fixed asset studies, the more likely it is that it will engage in tax evasion. According to research by Aryatama & Raharja (2021), Capital intensity is an independent determinant of tax avoidance that has a beneficial impact in food and beverage manufacturing enterprises. The government is the principal, and managers are the actors. Minimizing the capital intensity of tax payments is the goal of managers, whereas raising tax revenues is the government's goal. High capital assets will attract the government to pay taxes to taxpayers.

According to the study's second premise, tax avoidance is negatively impacted by profitability. The results of the hypothesis test which shows that profitability t sig 0.000 < 0.05. Thus, H2 is accepted. The findings of this study are reinforced by the research of Carolina M. (2020) which found that low CETR indicates significant tax avoidance activity and if ROA increases, CETR will decrease. This occurs as a result of the direct proportionality between corporate profits and taxation. Increasing profitability levels are a sign that the business is performing better, and the more money the business makes, the more taxes must be paid. The agency theory is also supported by the study's findings, states that firms (agents) and the government (principal) have distinct interests. Although the government have to increase tax revenue, managers and business people actually want to maximize earnings by evading taxes. However, according to research results, tax avoidance will decrease if the business is more profitable. Businesses having a high return on assets (ROA) will be able to pay taxes while maintaining a positive reputation with the public and shareholders. As a result, the corporation will declare its tax burden in compliance with the applicable tax legislation.

Similarly, if a company's ROA declines, it is less likely to participate in tax avoidance operations. Businesses consider tax avoidance to be a dangerous practice, thus managers will not take chances in reducing investment risk. A high ROA, on the other hand, shows that the corporation can cover or satisfy its tax burden while also complying with current tax requirements. This is consistent with the findings of Mulyati et al. (2019).

According to the study's third hypothesis, leverage significantly influences tax avoidance. After obtaining a significant Leverage t sig value of 0.469 > 0.05, H3 rejected. The rejection of H3 from the Leverage hypothesis test on tax avoidance suggests that Leverage has no impact on tax evasion. The level of tax avoidance will decrease as the company's debt increases. Businesses aim to satisfy their operational and investment objectives rather than evade tax exemptions from loans or obligations. This is because the greater the debt burden means a higher interest burden for the company. The component of a company's profit before tax that has been reduced by interest costs, so therefore the amount of tax payable reduced and the level of tax avoidance in general. In this situation, creditors often reconsider their investment in the company because they are worried that they will not be able to pay their debts on time. Moreover, the government now has tax laws that stipulate that, in a single accounting period, the debt-to-equity ratio cannot be greater than 4:1, as per Director General of Taxation Regulation Number 25/PJ/2017 which, should it surpass this sum, necessitates recalculating the current interest expenses in order to determine the amount of tax due (Susanti, 2019). Therefore, it can be said that companies do not want to bear the risk of having a large debt burden to avoid taxes. The findings of this study

IJSOC © 2025
http://ijsoc.goacademica.com

corroborate those of studies by Kusumastuti (2018), Ngadiman & Puspitasari (2017), and Permata et al. (2018), although they disagree with those of Dewi & Noviari (2017), and Dewanti & Sujana (2019).

Table 4. Simultaneous Hypothesis Test (F-test)

Model		Turn of Squares	df	Mean Square	F	Sig.
1	Regression	.021	3	.007	8.592	.000[b]
	Residual	.079	95	.001		
	Total	.100	98			

The SPSS result table above shows that the sig value is 0.000. The sig value of 0.000 < 0.05, indicating that capital intensity, profitability, and leverage all have an impact on tax avoidance.

E. CONCLUSION

The study's conclusions provide crucial new information about the variables influencing tax avoidance. First, the analysis demonstrates that tax avoidance is not greatly impacted by capital intensity. This implies that its tax strategy is not significantly shaped by changes in asset acquisition. In order to support their operational activities, businesses typically invest their wealth in fixed assets since the more fixed assets they have, the more output capacity they can generate. Second, this study shows that tax evasion and profitability are negatively correlated. The Cash Effective Tax Rate will decrease as ROA rises; a low CETR denotes little tax evasion. Businesses with a high return on assets (ROA) will be able to pay their taxes and keep their good name in the eyes of the public and shareholders, which will encourage them to declare their corporate tax obligations in compliance with relevant tax laws. Third, the study's findings show that leverage has little bearing on tax evasion. This is due to the fact that a rise in debt will raise the interest costs that the business would have to pay. The interest expenditure component will lower the company's earnings before taxes, lowering the amount of taxes that the business must pay and lowering the number of businesses that engage in tax evasion. Nevertheless, based on the F-test which states that capital intensity, profitability and leverage have an impact on tax avoidance, this research adds to a better understanding of the causes of tax avoidance and provides significant information for policymakers and business decision makers in dealing with and regulating corporate tax practices effectively.

REFERENCES

1. Akbar, A., & Thamrin, H. (2020). Analysis of Effect of CAPR, DAR, ROA and SIZE on Tax Avoidance. *Dinasti International Journal of Management Science*, *1*(5), 706-718.
2. Almira, N. P. A. K., & Wiagustini, N. L. P. (2020). *Return on asset, return on equity, dan earning per share berpengaruh terhadap return saham* (Doctoral Dissertation, Udayana University).
3. Arianandini, P. W., & Ramantha, I. W. (2018). Pengaruh profitabilitas, leverage, dan kepemilikan institusional pada tax avoidance. *E-Jurnal Akuntansi Universitas Udayana*, *22*(3), 2088-2116.

4. Bandaro, L. A. S., & Ariyanto, S. (2020). Pengaruh profitabilitas, ukuran perusahaan, leverage, kepemilikan manajerial dan capital intensity ratio terhadap tax avoidance. *Ultimaccounting Jurnal Ilmu Akuntansi*, *12*(2), 320-331.
5. Brigham, E. F., & Houston, J. F. (2019). *Fundamentals of financial management*. Cengage Learning.
6. Campbell, J. L., Guan, J. X., Li, O. Z., & Zheng, Z. (2020). CEO Severance Pay and Corporate Tax Planning. *The Journal of the American Taxation Association*, *42*(2), 1-27.
7. Carolina, M. (2020). Analisis Pengaruh Profitabilitas dan Leverage Terhadap Praktik Penghindaran Pajak. *Jurnal Budget: Isu dan Masalah Keuangan Negara*, *5*(1), 84-99.
8. Chen, S., Huang, Y., Li, N., & Shevlin, T. (2019). How does quasi-indexer ownership affect corporate tax planning? Journal of Accounting and Economics, 67(2–3), 278–296.
9. Detiknews.com. (2019). *Industri Makanan Jadi Salah Satu Sektor Tingkatkan Nilai Investasi*. Retrieved from; https://news.detik.com/adv-nhl-detikcom/d-4439261/industri-makanan-jadi-salah-satu-sektor-tingkatkan-nilai-investasi
10. Dewanti, I. G. A. D. C., & Sujana, I. K. (2019). Pengaruh ukuran perusahaan, corporate social responsibility, profitabilitas dan leverage pada tax avoidance. *E-Jurnal Akuntansi*, *28*(1), 377-406.
11. Dwiyanti, I. A. I., & Jati, I. K. Pengaruh Profitabilitas, Capital Intensity, dan Inventory Intensity pada Penghindaran Pajak. *E-Jurnal Akuntansi Universitas Udayana, 27*(3), 2293-2321.
12. Dyreng, S. D., Hanlon, M., & Maydew, E. L. (2019). When does tax avoidance result in tax uncertainty?. *The Accounting Review*, *94*(2), 179-203.
13. Firmansyah, A., Fauzi, I., & Yuniar, M. R. (2020). Biaya utang dari sudut pandang kebijakan dividen, volatilitas laba, dan kualitas akrual. *Akurasi: Jurnal Studi Akuntansi dan Keuangan*, *3*(2), 109-129.
14. Harianto, R. (2020). Pengaruh strategi bisnis, kepemilikan institusional dan kebijakan utang terhadap penghindaran pajak (Studi kasus pada perusahaan makanan dan minuman di Bursa Efek Indonesia tahun 2016-2018). *Liability*, *2*(1), 49-69.
15. Hidayat, W. W. (2018). Pengaruh profitabilitas, leverage dan pertumbuhan penjualan terhadap penghindaran pajak. *Jurnal Riset Manajemen Dan Bisnis*, *3*(1), 19-26.
16. Henny, H. (2019). Pengaruh manajemen laba dan karakteristik perusahaan terhadap Tax Avoidance. *Jurnal Muara Ilmu Ekonomi Dan Bisnis*, *3*(1), 36-46.
17. Hitijahubessy, W. I., Sulistiyowati, S., & Rusli, D. (2022). Pengaruh profitabilitas, leverage, ukuran perusahaan terhadap tax avoidance pada perusahaan manufaktur yang terdaftar di bei periode 2017-2020. *Jurnal STEI Ekonomi*, *31*(02), 01-10.
18. Istrefi, V. (2020). Corporate governance in Islamic financial institutions. *Journal of Governance & Regulation*, *9*(2), 75-82.
19. Kalbuana, N., Solihin, S., Yohana, Y., & Yanti, D. R. (2020). The influence of capital intensity, firm size, and leverage on tax avoidance on companies registered in

Jakarta Islamic index (Jii) period 2015-2019. *International Journal of Economics, Business and Accounting Research (IJEBAR)*, *4*(03).
20. Kusumastuti, M. T. (2018). *Pengaruh Corporate Governance, Karakter Eksekutif, Insentif Eksekutif dan Leverage Terhadap Tax Avoidance* (Master's thesis, Universitas Islam Indonesia).
21. Kirkpatrick, A. K., & Radicic, D. (2020). Tax planning activities and firm value: A dynamic panel analysis. In *Advances in Taxation* (Vol. 27, pp. 103-123). Emerald Publishing Limited.
22. Maulani, A. R., Norisanti, N., & Sunarya, E. (2021). The Pengaruh Profitabilitas Dan Leverage Terhadap Penghindaran Pajak (Tax Avoidance) Pada Masa Pandemi Covid-19. *COSTING: Journal of Economic, Bussines and Accounting*, *5*(1), 125-131.
23. Moeljono, M. (2020). Faktor-faktor yang mempengaruhi penghindaran pajak. *Jurnal Penelitian Ekonomi dan Bisnis*, *5*(1), 103-121.
24. Mulyati, Y., Subing, H. J. T., Fathonah, A. N., & Prameela, A. (2019). Effect of profitability, leverage and company size on tax avoidance. *International Journal of Innovation, Creativity and Change*, *6*(8), 26-35.
25. Nugraha, M. I., & Mulyani, S. D. (2019). Peran leverage sebagai pemediasi pengaruh karakter eksekutif, kompensasi eksekutif, capital intensity, dan sales growth terhadap tax avoidance. *Jurnal Akuntansi Trisakti*, *6*(2), 301-324.
26. Pattiasina, V. (2019). Capital Intensity and tax avoidance. *International Journal of Social Sciences and Humanities (IJSSH).*, *3*(1), 58-71.
27. Permata, A. D., Nurlaela, S., & Wahyuningsih, E. M. (2018). Pengaruh size, age, profitability, leverage dan sales growth terhadap tax avoidance. *Jurnal Akuntansi Dan Pajak*, *19*(01), 10-20.
28. Pohan, C. A. (2018). *Pedoman Lengkap Pajak Internasional*. Jakarta: Gramedia Pustaka Utama.
29. Puspitasari, D., Radita, F., & Firmansyah, A. (2021). Penghindaran pajak di Indonesia: profitabilitas, leverage, capital intensity. *Jurnal Riset Akuntansi Tirtayasa*, *6*(2), 138-152.
30. Silaban, A. C. (2020). The effect of profitability and leverage on tax avoidance with company size as a moderating variable (Empirical study on property, real estate, and building construction companies listed on the Indonesia Stock Exchange 2013-2018). *EPRA International Journal of Research & Development (IJRD)*, *5*(9), 489-499.
31. Sulistiono, E. (2018). Pengaruh Profitabilitas, Leverage, dan Kualitas Audit Terhadap Tax Avoidance. *Jurnal Informasi Perpajakan, Akuntansi dan Keuangan Publik*, *13*(1), 87-110.
32. Susanti, C. M. (2019). Pengaruh Konservatisme, Leverage, Profitabilitas, Ukuran Perusahaan Terhadap Tax Avoidance. *Jurnal Informasi, Perpajakan, Akuntansi, dan Keuangan Publik*, *13*(2), 181.
33. Totanan, C., Yamin, M., & Afdhal, M. (2018, July). The Quality of Income of Manufacturing Companies in Indonesia Based on the Tax Planning and Deferred Paid Tax. In *2018 3rd International Conference on Education, Sports, Arts and Management Engineering (ICESAME 2018)* (pp. 442-444). Atlantis Press.

IJSOC © 2025

34. Walidayni, S. H., & Fidiana, F. (2022). Pengaruh Leverage, Profitabilitas, Ukuran Perusahaan dan Proporsi Kepemilikan Perusahaan terhadap Penghindaran Pajak. *Jurnal Ilmu dan Riset Akuntansi (JIRA)*, *11*(11).

IJSOC © 2025